



MEMO FROM THE NEBRASKA REAL PROPERTY APPRAISER BOARD

April 27, 2022

PAVE Task Force Action Plan to Advance Property Appraisal and Valuation Equity

By Tyler Kohtz, Director

At its regular meeting on April 21, 2022, the Nebraska Real Property Appraiser Board ("Board") reviewed the PAVE Task Force Action Plan to Advance Property Appraisal and Valuation Equity ("PAVE Action Plan"). The PAVE Task Force is an interagency task force dedicated to ending bias in home valuation, includes 13 federal agencies and offices ("Federal Agencies"), and is chaired by HUD and the White House Domestic Policy Council.

According to the PAVE Action Plan, throughout the 20th century, people of color were denied equitable access to housing as federal, state, and local governments systematically implemented discriminatory policies that led to housing segregation. These policies contributed to a gap between the values of homes in communities of color and predominantly white neighborhoods.

Federal Agencies include the following actions to advance valuation equity in The PAVE Action Plan:

- Strengthen guardrails against unlawful discrimination in all stages of residential valuation;
- Enhance fair housing / fair lending enforcement and drive accountability in the industry;
- Build a well-trained, accessible, and diverse appraiser workforce;
- Empower consumers to take action; and
- Give researchers and enforcement agencies better data to study and monitor valuation bias.

During its review, the Board took note of the following specifics included under the actions outlined by the Federal Agencies:

- Clarify the application of the Fair Housing Act and ECOA to the appraisal industry to ensure appraisers have clear guidance on antidiscrimination obligations under current federal laws;
- Address potential bias in the use of technology-based valuation tools through rulemaking related to Automated Valuation Models (AVMs);
- Strengthen coordination among supervisory and enforcement agencies to identify discrimination in appraisals and other valuation processes;

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- Update appraiser qualification criteria related to appraiser education, experience, and examination requirements to lower barriers to entry in the appraiser profession;
- Increase engagement with states' appraisal regulatory agencies to help remove barriers to entry and advance diversity in the appraiser workforce; and
- Require appraisal anti-bias, fair housing, and fair lending training for all appraisers who conduct appraisals for federal programs and work with the appraisal industry to require such trainings for all appraisers.

Since the initial meeting of the PAVE Task Force in August 2021, Federal Agencies and the appraisal industry have begun taking action. Some highlights include:

- HUD issued Mortgagee Letter 21-27 on November 17, 2021, clarifying existing nondiscrimination requirements and the application of the Fair Housing Act to appraisers on the FHA Appraiser Roster.
- The Appraisal Subcommittee released an independent comprehensive legal and policy review of the Uniform Standards of Professional Appraisal Practice ("USPAP") and the Real Property Appraiser Qualification Criteria ("Qualifications Criteria"), as established by The Appraisal Foundation's Appraisal Standards Board ("ASB") and Appraiser Qualifications Board ("AQB") respectively, as well as the 15-Hour National USPAP and 7-Hour National USPAP Update Courses required to attain and maintain licensure as an appraiser. The ASC will evaluate the study and use it to improve the appraisal regulatory system to promote fairness, equity, objectivity, and diversity in appraisals and the training and credentialing of appraisers.
- The Office of the Comptroller of the Currency launched Project Roundtable for Economic Access and Change ("REACH"), a consortium of leaders from the banking industry and civil rights organizations. Project REACH is working to facilitate improvements in the home appraisal and property valuation process, making sure that banks have the valuation information and data they need to underwrite their loans and manage their risks, and that the process is fair, objective, and free from bias.
- The Federal Housing Finance Agency ("FHFA") has taken the following actions:
 - Issued a Request for Input on appraisal-related policies, practices, and processes to gather input on how the Enterprises can improve the appraisal process in December 2020;
 - Approved Fannie Mae's clarification to the Appraisals section of its Selling Guide to expressly prohibit purchase of mortgages based on valuations referencing or based on a protected class under the Fair Housing Act (Fannie Mae also added to its list of prohibited phrases in appraisals, identifying subjective statements that may be associated with bias) in November 2021; and
 - Announced that both Enterprises will incorporate "desktop appraisals" into their Selling Guides for many new purchase loans starting in March 2022.
- Over the past several years, the Enterprises have partnered with the National Urban League and the Appraisal Institute on the Appraiser Diversity Initiative (ADI), an initiative to attract new entrants to the residential appraisal field.
- On February 14, 2022, DOJ filed a statement of interest to make clear that the Fair Housing Act prohibits discrimination in home appraisals.

- The Appraisal Foundation (“TAF”) is in the process of taking the following actions:
 - Conducting a comprehensive review of the Ethics Rule in USPAP;
 - Including bias as it relates to USPAP as a central component of required continuing education for appraisers;
 - Providing public notice, exposure drafts, and opportunities for public participation for work product of the AQB and the ASB;
 - Publishing final USPAP or Qualifications Criteria changes at least 30 days prior to the effective date;
 - Developing an alternative pathway for future appraisers to gain experience hours (PAREA);
 - Monitoring the demographics of the profession and making the data publicly available;
 - Reducing barriers to entry to the profession by creating a pathway from a licensed credential to certified residential credential without a college degree; and
 - Supporting the public release of appraisal data, including the development of a centralized database for all complaints alleging bias or discrimination.

During the coming months the PAVE Task Force will also consider the following:

- Expanding the use of alternatives to traditional appraisals as a means of reducing the prevalence and impact of appraisal bias;
- Using value estimate ranges instead of an exact amount as a means of reducing the impact of racial or ethnic bias in appraisals;
- Potentially using alternatives and modifications to the sales comparison approach that may yield more accurate and equitable home valuation; and
- Publicly sharing aggregated historical appraisal data to foster development of unbiased valuation methods.

The PAVE Action Plan can be viewed on the Board’s website at: <https://appraiser.ne.gov/publicinfo/>, or on the U.S. Department of Housing and Urban Development website at: <https://pave.hud.gov/actionplan>. More information about the PAVE Task Force can also be found on the U.S. Department of Housing and Urban Development website at: <https://pave.hud.gov/>. The actions taken by Federal Agencies and the appraisal industry will likely result in significant changes to USPAP and the Qualifications Criteria. The Board will continue to monitor and address any changes that affect Nebraska real property appraisers and appraisal management companies, and will provide adequate notice of any introduced legislation or proposed rules changes. If you have any questions about the PAVE Action Plan, please feel free to contact me at 402-471-9015 or by email at tyler.kohtz@nebraska.gov.