

MILLER SAMUEL INC.

Real Estate Appraisers & Consultants

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VIA lori@asc.gov

James R. Park
Executive Director
Appraisal Subcommittee
FFIEC
1325 G Street, NW, Suite 500
Washington, DC 20005

Dear Mr. Park:

Thank you for your invitation to The Appraisal Subcommittee (ASC)'s second Public Hearing on Appraisal Bias. I sincerely appreciate the opportunity to address and interact with the ASC.

Having been a real estate appraiser for 37 years, I will share my concerns about appraisal standards, appraiser qualifications, barriers to entry, and appraisal bias. I am a New York and Connecticut general certified appraiser who co-founded Miller Samuel in 1986, a real estate appraisal and consulting firm and covers the New York City metropolitan area.

It takes a minimum of two years to become a residential certified appraiser. The Appraisal Foundation (TAF) maintains minimum standards for the industry and has long maintained a two-year mentoring system where appraisal trainees need to find someone to take them under their wing – a mentor - and support them for two years for low wages because trainees add little value to the mentor. This is a key reason why the appraisal industry is devoid of diversity. This is also why the industry has been aging out for years, unable to bring in new appraisers in significant numbers. After the 2009 Home Valuation Code Of Conduct (HVCC) became embedded into housing policy to stem the influence of mortgage brokers over appraisers, appraisal management companies (AMCs) became emboldened and then dominated the administration of the residential appraisal business as banks were looking to shed costs in the aftermath of the housing bubble and outsource their former in-house appraisal departments.

Since the financial crisis, most banks have required appraisers to be certified and rarely accept work by appraisal trainees, even though the GSEs (Fannie Mae and Freddie Mac) accept work by appraiser trainees. AMCs account for about 80% of residential appraisal orders from banks nationwide and often keep at least half of the appraisal fee the consumer pays at the time of the mortgage application. The consumer is generally unaware that the appraiser often gets a limited portion of the appraisal fee. As a result, the financial condition of appraisal firms has deteriorated significantly since the great financial crisis (GFC). Imagine

a movie star giving their agent 50% or more of their acting fee. Why does this matter? Because the two-year mentoring requirement became even more problematic after the GFC as appraisers were less able to carry an appraiser trainee for two years to get their certification. TAF has been unable to pivot as the world has changed.

The TAF mentoring system has perpetuated low diversity within the appraisal industry. In 2021 our industry was 98% white, dead last in the 400 occupations ranked by the Bureau of Labor Statistics. And TAF has led the way with only one person of color on any TAF technical boards in over three decades. The one person of color added to the Appraisal Qualifications Board (AQB) in 2020 only came from outside pressure to make such a move. No people of color have been invited on their boards since then.

Imagine an industry where a small business sees an opportunity to expand or intends to develop new lines of revenue but has to invest two to three years to hire and train new staff before they can even begin the expansion. That is my firm's reality, which is untenable and severely impedes the commerce of all appraisers. We have to carry a non-productive trainee for two years because banks will not accept their work product, and it is often the case that the trainee, once certified, will leave to start their own practice. That significantly disincentivizes experienced appraisers to mentor trainees.

Last year, after two years of being mentored and completing her coursework, an appraiser trainee at our firm submitted an experience log to the state. The appraiser checked in every month with the state and was repeatedly told her file was still under review. After about ten months of waiting, we contacted the ASC to find out what was taking the state so long. Our appraiser got her certification shortly after ASC contacted the state. The total process took nearly three years for this appraiser to get her certification and represented the amount of time she could not make a reasonable living alone and required our company to financially supplement her income.

Certified residential appraisers must have 1,500 hours of experience in not less than two years. This multi-year window of experience requirements is an arbitrary time period. It is not based on any known research studies that show that this extended period of time is optimal.

To maintain my appraisal certification, I must take 28 hours of continuing education every two years, including a USPAP update class. Like the experience hours required, this two-year renewal is an arbitrary number not backed by research.

There have been a series of national appraisal stories about people of color getting a bank appraisal for a purchase or refinance mortgage, which comes in low. Then the homeowner asks a white neighbor to stand in their place and removes photos and other personal items from the home, and the second appraisal comes at the higher number needed to qualify for the mortgage. I'm sure this experience is awful for the homeowner. At the very least, the disparity in results shows a flaw in the appraisal process even before the issue of appraisal bias is addressed. Bias and unconscious bias exist in our industry. With greater diversity within the profession, the frequency of these events would hopefully be reduced. To enable

greater diversity, barriers to entry such as the two-year mentoring system, need to be revisited.

The two-year mentoring system limits access to the appraisal industry, severely limits diversity, and therefore is a disservice to the appraisal industry and deteriorates the public trust in the profession.

Thank you.

Sincerely,
MILLER SAMUEL INC.

A handwritten signature in blue ink, appearing to read "Jonathan J. Miller". The signature is fluid and cursive, with a long horizontal flourish at the end.

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Enclosure: Bio Brief

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Biography Brief

Jonathan Miller is President and CEO of Miller Samuel Inc., a real estate appraisal and consulting firm he co-founded in 1986. Miller Samuel provides appraisal and consulting services on as much as \$5 billion of property per year in the New York City metropolitan area. Jonathan is a U.S. real estate market analyst and a state-certified real estate appraiser in New York and Connecticut, performing court testimony as an expert witness in various local, state, and federal courts across the U.S. He holds the Counselors of Real Estate (CRE) and an Appraiser "A" Member of the Real Estate Board of New York. Jonathan was a two-term President of RAC, a national appraiser organization specializing in providing valuation solutions for complex residential properties.

Since 1994, Mr. Miller has been the author of an expanding series of market reports for Douglas Elliman Real Estate covering the New York City region, Washington D.C. metro, Boston, Florida, Southern California, Texas, Aspen, and others. These reports are relied on by the media, financial institutions, and government agencies, including the Federal Reserve, Internal Revenue Service, U.S. Department of Housing and Urban Development, the NYC Office of Management and Budget, and the New York State Budget Division Economic Advisory Board and others. He co-authored a research paper for NYU School of Law and the NYU Wagner Graduate School of Public Service's Furman Center for Real Estate and Urban Policy titled *The Condominium v. Cooperative Puzzle: An Empirical Analysis of Housing in New York City*, published in 2007 by the *Journal of Legal Studies* at the University of Chicago. He developed pending home sale indices for the Washington, D.C., and Baltimore metro areas and Central Pennsylvania on behalf of Bright MLS, one of the largest multiple listing systems in the U.S.

Mr. Miller teaches market analysis as an Adjunct Associate Professor of Architecture, Planning, and Preservation in the Master of Science in Real Estate Development (MSRED) Program at Columbia University. He serves on the New York City Mayor's Economic Advisory Panel representing the residential real estate sector. He has participated in studies with institutions including New York University, Princeton University, Columbia University, Baruch College, and Urban Land Institute. He is a well-regarded real estate commentator, covering U.S. and regional housing issues in print, online, television, and radio, including *The New York Times*, *The Wall Street Journal*, *Bloomberg*, *Financial Times*, *Reuters*, *AP*, *CNBC*, *CNN*, *ABC*, and others.

Recognition awarded to Mr. Miller include:

- Referred to as "The Most Honest Man In Real Estate" by *Business Insider*.
- Recognized as "Notable in Real Estate" by *Crain's New York Business*.
- Referred to as "Appraiser Extraordinaire" by *Forbes*.
- Named "Best Online Real Estate Expert" by *Money Magazine*.
- Declared "Most Trusted Man in NYC real estate" by *The Observer*.
- Named one of "The Best Finance People on Twitter." by *Business Insider*.
- Selected as one of the 100 Most Powerful People in Real Estate 3 times by *The Observer*.
- Recognized for "Keeping the Industry Honest" by *The New York Post*.
- Named one of the 20 Biggest Power Players in New York Real Estate by *The New York Post*.
- Recognized by *Inman News* as a top 25 most influential U.S. real estate bloggers and his blog, Matrix, was voted one of the top five U.S. real estate blogs.
- His Matrix blog was named a top five real estate industry b2b site in the *Swanepoel Trends Report*.

Last Updated: March 14, 2023