

Statement by Jonathan Miller on May 19, 2023, in Washington, D.C. before the ASC second hearing on appraisal bias.

Thank you for the opportunity to participate today in The Appraisal Subcommittee's second Public Hearing on Appraisal Bias.

Having been a real estate appraiser for 37 years, I will share my concerns about 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 firm that covers the New York City metropolitan area.

It takes a minimum of two years to become a residential certified appraiser. The Appraisal Foundation (aka TAF) maintains minimum standards for the industry and has long required a two-year mentoring system where appraiser trainees need to find someone in the profession to take them under their wing – a mentor - and support them for two years because trainees add little value to the mentor if banks don't accept their work. This is a key reason why the appraisal industry is devoid of diversity. This is also why the industry

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has been aging out for years, unable to bring in new appraisers in significant numbers. After the 2009 Home Valuation Code Of Conduct became embedded into housing policy to stem the influence of mortgage brokers over appraisers, appraisal management companies (aka AMCs) came to dominate 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 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 gets a limited portion of the appraisal fee. As a result, the financial condition of appraisal firms has deteriorated significantly since the GFC. 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

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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.** TAF has had only one person of color on its technical boards in over three decades.

Imagine an industry where a small business sees an opportunity to grow but has to invest two to three years to 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. The trainee, once certified, will often leave to start their own practice. That significantly disincentivizes experienced appraisers to mentor trainees.

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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 under review. 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 without our company to 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.

There have been a series of national appraisal stories about people of color getting a bank appraisal, which comes in low. Then the homeowner asks a white neighbor to stand in their place and removes photos and other

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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.

And why is the second appraisal always the “correct value?” Bias and unconscious bias exist in our industry. With greater diversity within the profession, the frequency of these events would hopefully be reduced.

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 for your time.