

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CONCILIATION AGREEMENT

Between

The U.S. Department of Housing and Urban Development
(Complainant)

And

The Appraisal Foundation
(Respondent)

Under

Title VIII of the Civil Rights Act of 1968 (Fair Housing Act)

HUD CASE NUMBER: 00-24-4772-8

FHEO INQUIRY NUMBER: 668025

Effective Date of Agreement: 07/10/2024

Expiration Date of Agreement: 07/09/2027

A. PARTIES

1. The parties in this matter are the U.S. Department of Housing and Urban Development (sometimes referred to herein as “the Department” or “HUD”) and The Appraisal Foundation (sometimes referred to herein as “The Appraisal Foundation” or “Respondent”) (each a “Party” and together the “Parties”).

B. BACKGROUND

2. On December 3, 2021, the Office of Systemic Investigations (“OSI”) opened an investigation to determine whether the Respondent’s policies and practices, including the Real Property Appraiser Qualification Criteria (“Appraiser Qualification Criteria”), have resulted in violations of Section 806 of Fair Housing Act, 42 U.S.C. § 3606 (“Investigation”). Specifically, OSI investigated whether the Respondent’s Appraiser Qualification Criteria established by the Appraiser Qualification Board (“AQB”) of the Respondent has resulted in a disparate racial impact on entry into the appraiser profession. The Investigation focused on requirements for a supervisor, an amount of experience, and education. The Respondent has cooperated with the Investigation and HUD has issued no findings or conclusions as a result of this Investigation. Respondent denies that the Appraiser Qualification Criteria has caused or resulted in any violation of the Fair Housing Act, but agrees to enter into this Conciliation Agreement to conclude the Investigation.
3. Since the Respondent’s formation in 1989, the AQB has established and made changes to the Appraiser Qualification Criteria using a “notice and comment” type procedure in which the public, interested stakeholders, and state and federal government agencies are invited to participate. Since 1989, under 12 U.S.C. § 3345, the Appraiser Qualification Criteria has set the minimum qualifications required by all States in the licensing of real estate appraisers.
4. Respondent states that it and its independent boards, the AQB and Appraisal Standards Board (“ASB”), have demonstrated significant efforts to: (1) promote and increase diversity and inclusion in the appraiser profession and (2) eliminate discrimination in appraisals. These efforts include:
 - Creating a Diversity, Equity, and Inclusion (“DEI”) Special Committee to promote more diversity in the valuation profession.
 - Hosting a national symposium on fair and affordable housing and appraisal bias.
 - Implementing the outside DEI consultant’s recommendations to promote diversity on The Appraisal Foundation boards.
 - Pursuing initiatives with Historically Black Colleges and Universities (“HBCU”), Hispanic-Serving Institutions (“HSI”), and educational institutions that attract veterans to create educational programs for aspiring appraisers.
 - Sponsoring the Appraiser Diversity Initiative, which supports outreach efforts of the Urban League, Fannie Mae, Freddie Mac, and the Appraisal Institute to attract new entrants to the residential appraisal field, foster diversity, and assist with education, training, and experience.

- Creating a pathway to become an appraiser and reach the certified appraiser level of credential that does not require a college degree.
 - Developing a White Paper, in conjunction with subject matter experts, on Reconsideration of Value that offers proposed best practices for those who wish to build a more relationship-driven and consistent method.
 - Creating the Council to Advance Residential Equity that brings previously unrecognized stakeholders with a mission of civil rights, fair housing, or consumer advocacy to the table to provide input on proposed changes to standards and qualifications.
 - Instituting a new process for the public to submit comments, questions, and requests for the boards on any topic at any time.
 - Adopting the 2024 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) which includes a new Nondiscrimination section of the Ethics Rule drafted in consultation with fair housing law firm Relman Colfax PLLC, making it clear that appraisers cannot act with bias and must adhere to all relevant fair housing laws.
 - Including case studies in the 2024-2025 7-Hour National USPAP Update Course aligned with the new Nondiscrimination section of the Ethics Rule, written in consultation with Relman Colfax.
 - Adopting and promoting a new, technology-based pathway for aspiring appraisers to obtain experience credit towards fulfilling the experience qualification criteria for becoming an appraiser called the Practical Applications of Real Estate Appraisal program (“PAREA”).
 - Supporting the approval of the PAREA modules as a simulated training alternative for aspiring appraisers to fulfill their experience requirements in 48 states and counting.
 - Funding the development of a PAREA module through the Pathways to Success Initiative that prioritizes serving aspiring appraisers who are people of color, veterans, or those who wish to work in underserved communities.
 - Adopting changes to the *Real Property Appraisal Qualification Criteria* that requires valuation bias and fair housing laws and regulations education for incoming and existing credential holders.
 - Designing resources for consumers to learn more about the appraisal process and how to proceed if they need to make a complaint.
 - Making significant changes to the Board of Trustees governance structure that includes expanded public interest seats and the separation of financial support from trustee appointment authority, with specific composition goals that include consumer, fair housing, and civil rights advocates; and
 - Undertaking a second demographic survey of the profession to inform a longitudinal study on diversity across the appraisal profession.
5. Respondent avers that it has not violated the Act nor engaged in any discrimination on the basis of race, national origin, nor any other prohibited basis, and confirms its position that the Appraiser Qualification Criteria does not violate and has not caused a violation of the Fair Housing Act. Respondent confirms that it is committed to the principles of home ownership, fair housing, and equal opportunity, and has invested

and will continue to invest substantial resources and efforts to promote diversity and inclusion in the appraiser profession. To promote ease of entry into the appraiser profession while maintaining public trust in the competency of the profession, Respondent and the AQB established PAREA to provide additional avenues to comply with the experience requirements contained in the Appraiser Qualification Criteria. In connection with this, The Appraisal Foundation provided a grant to the Appraisal Institute and the National Society of Real Estate Appraisers, the nation's largest and oldest professional association of black real estate appraisers, for use in creating a PAREA program. Respondent enters into this Conciliation Agreement ("Agreement") as (i) an additional step to further demonstrate its commitment to Diversity, Inclusion, and Fair Housing; (ii) for the purpose of obtaining administrative closure of this matter to preserve funds for the advancement of the appraisal profession; and (iii) to memorialize its prior commitments to provide important and valuable assistance to prospective or aspiring appraisers of color.

C. TERMS OF THE AGREEMENT

6. This Agreement shall govern the conduct of the Parties for a period of three (3) years from its effective date. All disbursements, training, and activities that Respondent performs during the term of this Agreement that satisfy the requirements of Section F of this Agreement, including any disbursements, training, or activities that also may be included in Respondent's current or future plans, are to be counted towards the satisfaction of the provisions of this Agreement with sufficient documentation and/or records.

D. EFFECTIVE DATE

7. The Parties expressly agree that this Agreement constitutes neither a binding contract under state or federal law nor a Conciliation Agreement pursuant to the Act, until such a time as it is approved by the Department, through the OSI Director, or his designee.
8. This Agreement shall become effective on the date on which it is approved by the OSI Director, or his designee.

E. GENERAL PROVISIONS

9. The Parties acknowledge that this Agreement is voluntary and constitutes a full settlement of the Investigation, including the issues of whether the Appraisal Foundation policies and the Real Property Appraisal Qualification Criteria violate Section 806 of the Fair Housing Act. The Parties affirm that they have read and fully understand the terms set forth herein. No Party has been coerced, intimidated, threatened, or in any way forced to become a Party to this Agreement. Each person who signs this Agreement in a representative capacity, warrants that his or her execution of this Agreement is duly authorized, executed, and delivered by and for the entity for which he or she signs.

10. This Agreement, after it has been approved by the Department, through the OSI Director, or his designee, is binding upon HUD and the Respondent, and their respective officers, directors, agents, employees, successors, and assignees.
11. Pursuant to Section 810(b)(4) of the Act, this Agreement shall become a public document upon approval of the Department, through the OSI Director, or his designee, conditioned upon the prior mutual execution of the Agreement by the Parties.
12. This Agreement does not in any way limit or restrict the Department's authority to investigate a complaint involving Respondent made by an individual or private entity or any other complaint involving Respondent pursuant to the Act, or any other complaint within the Department's jurisdiction. This Agreement does not create any private right of action for any person or class of persons nor any right to enforce the terms of this Agreement by any person, class of persons or entity not a party to this Agreement.
13. No amendment to, modification of, or waiver of any provisions of this Agreement shall be effective unless: (a) all signatories or their successors to the Agreement agree to the amendment, modification, or waiver; (b) the amendment, modification or waiver is in writing; and (c) the amendment, modification or waiver is approved and signed by a duly authorized representative of the Department and the Respondent.
14. The Parties agree that the execution of this Agreement may be accomplished by separate execution of consents to this Agreement and that the original executed signature pages attached to the body of the Agreement constitute one document.
15. It is understood that the Agreement does not constitute an admission by Respondent of any violation of the Act or any other federal or state statute or regulation, nor does the Agreement constitute evidence of a determination by the Department of any violation of the Act or other federal statute or regulation.

F. RELIEF IN THE PUBLIC INTEREST

PAREA Enhancements

16. Within ninety (90) days of the effective date of this Agreement, Respondent, pursuant to its Bylaws, shall request that the AQB consider, pursuant to its governance procedures, adopting the following changes:
 - a. Amend the AQB's PAREA implementation policies to provide that:
 - i. Prior to working with trainees, mentors shall complete a course which meets the content requirements of the Valuation Bias and Fair Housing Laws and Regulations Outline as adopted by the AQB.

- ii. PAREA program providers will track PAREA program applications.
 - iii. PAREA providers shall include diverse communities in their outreach and marketing efforts by taking steps to market PAREA programs and solicit applications from persons who are members of diverse communities. Such marketing steps shall include targeted advertising or outreach to organizations that serve persons of color such as community organizations, Minority Serving Institutions, places of worship, employment centers, or fair housing groups that serve persons of color. Each PAREA provider will implement the following practices:
 - 1. Keep records describing actions taken by the participating PAREA providers to market the program to members of diverse communities.
 - 2. Annually assess the success of efforts to market its program to members of diverse communities.
 - 3. Include the fair housing logo and a non-discrimination statement on all marketing and outreach materials.
 - 4. All records of PAREA providers' actions as outlined in Section iii. 1, 2, and 3 shall be made available to Respondent, who will make them available to HUD upon request.
 - iv. PAREA program policies regarding mentor review of participant work shall be updated to require standardized methods to measure participant understanding during mentor-participant check-in.
 - v. PAREA approval will require PAREA program providers to annually report to the AQB, the number of applications by qualified applicants received requesting entry into the PAREA program, and whether all of them were able to be accommodated at the time of their application.
 - vi. If, at any time, a PAREA program provider has been determined by a federal court to have violated any fair housing laws and/or regulations, by final judgment from which appeal is unavailable, it will lose its AQB approval to be a PAREA provider until it puts into place mechanisms designed to prevent future violations of fair housing laws and/or regulations.
17. Within ninety (90) days of the effective date of this Agreement, Respondent agrees to prominently display the "Equal Housing Opportunity" logo on its website, and the website will also include online information related to the process of becoming an appraiser and PAREA. Respondent also agrees to include a non-discrimination statement on its website that Respondent does not discriminate based on race, color, religion, national origin, sex (including sexual orientation and gender identity),

disability, or familial status. This statement will include contact information for the Office of Fair Housing and Equal Opportunity, U.S. Department of Housing and Urban Development. For example:

The Fair Housing Act makes it unlawful to discriminate on the basis of race, color, national origin, religion, sex (including sexual orientation and gender identity), familial status, or disability. The Act also makes it unlawful to coerce, intimidate, or retaliate against any person in the exercise or enjoyment of, on account of their having exercised or enjoyed, or on account of their having aided or encouraged any other person in the exercise or enjoyment of any right granted or protected by the Act. If you believe you have experienced discrimination, you have the right to file a complaint with HUD by phone at 1-800-669-9777 or online at <https://www.hud.gov/fairhousing/fileacomplaint>.

18. Within one hundred and eighty days (180) days of the effective date of this Agreement, Respondent will develop and place a survey on its website, which will allow individuals to indicate any reason they may have had for deciding not to pursue PAREA, including why they did not apply for a scholarship.
19. Respondent will provide HUD with the PAREA provider implementation policies for the next two (2) years, including statistics compiled by PAREA providers, if those statistics are available.
20. The Appraisal Foundation will support the marketing efforts of its PAREA scholarship fund administered by its third-party, HUD-approved administrator, by informing HBCUs of the scholarship through a written announcement of the scholarship sent to all HBCUs.

Coordination with State Appraiser Regulatory Agencies

21. Within ninety (90) days of the effective date of this Agreement, Respondent shall:
 - a. Communicate with each U.S. state and territory appraiser regulatory agency that has not yet fully approved PAREA, to recommend that each adopt licensing criteria that provide 100 percent credit towards the experience requirement for a Licensed Appraiser and Certified Residential Appraiser for the successful completion of the respective AQB-approved PAREA program for Licensed Appraisers and/or Certified Residential Appraisers.
 - b. Meet with state and territory appraiser regulatory agencies virtually or by phone to advise of the importance of PAREA in opening doors to the appraiser profession for states and territories that have not yet already fully adopted PAREA, or that have adopted PAREA, but imposed additional state- or territory-specific experience requirements.

Funding and Outreach

22. Within one hundred eighty (180) days of the effective date of this Agreement, Respondent will establish a Pathways to Success Scholarship Fund (“Scholarship”) administered by a third-party to be approved by HUD, which fund will be used to provide scholarship assistance to aspiring appraisers. If the relationship with the approved third-party administrator terminates for any reason, within 60 days of the termination, the Foundation will propose a new administrator to be approved by HUD.
23. Respondent further agrees that it will contribute a minimum of \$560,000 per year (of either its own funds or funds Respondent raises from or receives from other persons or entities) to the Scholarship for a total of two (2) years. Respondent further agrees that it will contribute a minimum of \$100,000 in the third year of the Agreement (of either its own funds or funds Respondent raises from or receives from other persons or entities) to the Scholarship. In total, Respondent commits to contributing a minimum of \$1.22 million (from its own funds or other sources) to the Scholarship over the three (3) year period to be utilized to fund the program cost for candidates to attend AQB-approved PAREA programs.
24. Consistent with the goals of this Conciliation Agreement, Respondent shall negotiate the third-party agreement for the administration of the scholarship to include terms requiring marketing/promoting the scholarship opportunities through any qualified entity that the Respondent may select, subject to HUD approval. The third-party agreement shall also include terms specifying that scholarships may be used for attendance in any AQB-approved PAREA program.
 - a. Respondent will keep records describing actions taken by its third-party administrator to publicize the Scholarship program and will annually assess the effectiveness of these efforts to inform and solicit applications by potential aspiring appraisers, including aspiring Black appraisers.
 - b. All marketing and outreach materials to aspiring appraisers related to the Scholarship program will include the fair housing logo and non-discrimination statement.
25. Respondent intends to contribute to the Scholarship fund even after the expiration of the three-year term of this Agreement and after the expenditure of the \$1.22 million.
26. For three (3) years, Respondent shall annually report to HUD, using a unique numeric identification number for each scholarship awardee, the zip codes of the scholarship awardees, the amount of scholarship funded for each awardee, the AQB-approved PAREA program for which the scholarship funded the attendance, and the status of the awardees’ participation in the PAREA program, as indicated by whether the awardee successfully completed the PAREA program.

Additional Public Interest Provisions

27. Within ninety (90) days of the effective date of this Agreement, Respondent agrees to update its Code of Conduct for Organizations and Individuals affiliated with the Foundation to clarify that the current policy's professional and ethical conduct requirement of compliance with federal, state, and local laws specifically includes fair housing laws. The updated Code of Conduct will be submitted to HUD.
28. In its annual report to HUD during the three (3) year term of this Agreement, Respondent will report on the work of its Council to Advance Residential Equity ("CARE") and the input it has received from CARE organizations and other fair housing, civil rights, and consumer advocates.
29. Within one hundred eighty (180) days of the effective date of this Agreement, Respondent will have all staff and members of the AQB complete one, four (4) hour training in Fair Housing, which must include appraisal bias as a topic. Respondent will send to HUD confirmation that the training has been completed.
30. During the term of this Agreement, Respondent agrees to continue engaging legal counsel that specializes in fair housing and civil rights to review proposed updates to the Appraiser Qualifications Criteria.
31. For a three (3) year period following the approval of this Agreement, Respondent shall provide an annual report to HUD on its compliance with this Agreement's terms. Respondent shall submit the annual report each year within forty-five (45) days of the anniversary of the effective date of this Agreement. Each annual report shall include a complete account of Respondent's actions to comply with this Agreement.

G. REPORTING

32. Any report or information submission required under this Agreement shall be sent by Respondent to HUD via email to yana.karnaukhov@hud.gov and hugh.j.mcglincy@hud.gov.

H. MONITORING

33. During the term of this Agreement, the Department may review compliance with Section F of this Agreement. As part of such review, to the extent that the Department has demonstrated good cause to believe that a breach of the Agreement has occurred, and upon reasonable notice to counsel for Respondent, the Respondent shall provide copies of all non-privileged records pertinent to determining compliance with the Agreement. However, the Department agrees to exercise good faith and reasonableness in determining the scope of any requests such that the requests are proportionate to a reasonable review for compliance with the Agreement. The Respondent agrees to provide good faith cooperation in any review undertaken by the Department to ensure compliance with this Agreement.

I. MUTUAL RELEASE

- 34. Respondent, together with its affiliates, officers, trustees, agents, employees, assigns and successors-in-interest hereby forever waive, release, and covenant not to sue the Department, and their respective heirs, executors, assigns, officers, directors, agents, employees and attorneys as well as any successors-in-interest, or pursue any administrative action or civil action, with regard to any and all claims, damages and injuries of whatever nature whether presently known or unknown, arising out of the subject matter of the Investigation, or which could have been filed in any action or suit arising from said subject matter, and which accrued through the effective date of this Agreement.
- 35. With the execution of this Agreement, HUD's Assistant Secretary for Fair Housing and Equal Opportunity shall cease all investigation and enforcement activities arising out of its investigation of The Appraisal Foundation, including its investigation of whether Foundation policies and the Real Property Appraisal Qualification Criteria violate Section 806 of the Fair Housing Act.

J. CONSEQUENCES OF BREACH

- 36. Whenever the Department has reasonable cause to believe that Respondent has breached this Agreement, the Department shall first notify Respondent and provide Respondent with a detailed description of the alleged breach(es). Respondent shall have at least thirty (30) days to respond and/or correct such alleged breach(es) before the Department pursues any further action.
- 37. In the event the Respondent has not corrected a breach of the Agreement within the time the Department sets in the preceding paragraph, or the Respondent denies that such a breach has occurred, the matter shall be referred to the Attorney General of the United States, to commence a civil action in the appropriate U.S. District Court, pursuant to subsections 810(c) and of the Act. Respondent reserves its right to bring an action under the Administrative Procedures Act or any other applicable statute should the parties disagree on whether a breach by either party has occurred.

K. SIGNATURES

Demetria L. McCain

06/25/2024

Demetria McCain, Principal Deputy Assistant Secretary
Office of Fair Housing and Equal Opportunity
(Complainant)

Date

Kelly Davids

06/24/2024

Kelly Davids
President
The Appraisal Foundation
(Respondent)

Date

L. APPROVAL

Robert Doles

07/10/2024

Robert A. Doles
Director
Office of Systemic Investigations

Date