

HB 1097_crossover_Consumer Protection Division_fav

Uploaded by: Kira Wilpone-Welborn

Position: FAV

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April 5, 2022

To: The Honorable William C. Smith, Jr.
Chair, Judicial Proceedings Committee

From: Kira Wilpone-Welborn, Assistant Attorney General
Consumer Protection Division

Re: House Bill 1097 – Task Force on Property Appraisal and Valuation Equity (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General (the "Division") supports House Bill 1097 sponsored by Delegate Marvin E. Holmes, Jr., *et al.*, which would create a task force to study and propose legislative reforms on the persistent undervaluation of property owned by minorities and in minority majority communities. The explicit and implicit discrimination in the appraisal of residential properties results in the significant undervaluation of minority-owned properties and forecloses the opportunity of homeownership, increases the cost of homeownership, and undermines the wealth building opportunities homeownership provides.¹ Presently, minority consumers are unable to avoid the deceptive, unfair, and abusive trade practices of discriminatory property valuations. As such, House Bill 1097's proposed task force dedicated to studying these practices is a commonsense approach to propose legislative policy to rectify these practices.

For these reasons, the Division requests the Judicial Proceedings Committee issue a favorable report on House Bill 1097.

cc: The Honorable Marvin E. Holmes, Jr. *et al.*
Members, Judicial Proceedings Committee

¹ See "Black Homeowners Face Discrimination in Appraisals," New York Times, <https://www.nytimes.com/2020/08/25/realestate/blacks-minorities-appraisals-discrimination.html>; "For Black homeowners, a common conundrum with appraisals," Washington Post, https://www.washingtonpost.com/realestate/for-black-homeowners-a-common-conundrum-with-appraisals/2021/01/20/80fbfb50-543c-11eb-a817-e5e7f8a406d6_story.html; and "A Black couple says an appraiser lowballed them. So, they 'whitewashed' their home and say the value shot up," Washington Post, <https://www.washingtonpost.com/nation/2021/12/06/black-couple-home-value-white-washing/>

HB1097 Written Testimony

Uploaded by: Kym Taylor

Position: FAV

Intended Oral Testimony by:

Kym Taylor

President – The Woods of Woodmore HOA

3003 Westbrook Lane

Bowie, Md 20721

HB1097 – Senate Hearing (JPR) – 4/5/22

Good Afternoon, I am Kym Taylor, the HOA President of the Woods of Woodmore development in Prince George’s County. One day in early 2021, I received a phone call from a lot owner in our development who was not happy with the first and second appraisals for his “to be built” home. That phone call sparked a grassroots movement and caused me, and others in the county to found the Fair and Unbiased Appraisal Advocates (FUAA) and create a resource website, www.blackhomesmatter.org.

You have written testimony from the Prince Georges County Executive, the Maryland Bankers Association, the Maryland Office of the Attorney General and Maryland Realtors who have all urged a favorable vote to create a Task Force to address inequities and bias in real estate appraisals.

I am not here to regurgitate the “why” this Task Force is needed, but I am here to maintain a sense of urgency and implore you to move this bill during this legislative session despite the fourth year of your terms or any other reason that might keep you from making HB1097 a 2022 success.

As a candidate for Delegate in District 23, I plan to be in the opposite chamber next year to keep the ball rolling on this important issue. Today, please don’t have all the research, Stakeholder’s meetings and other work of Delegate Marvin Holmes and the other founders of the Fair and Unbiased Appraisal Advocates be in vain.

Thank you for your time.

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Uploaded by: Lisa May

Position: FAV



House Bill 1097 – Task Force on Property Appraisal and Valuation Equity

Position: Support

Maryland REALTORS® takes all allegations of appraisal discrimination seriously. As a result, we offer our support for House Bill 1097, to create a Task Force to study issues of equity in the property valuation process.

Over the past two years there has been an increase in reports of discrimination in residential appraisals, particularly as it relates to the choice of comparable sales based on the race of the homeowner/seller. Freddie Mac released a study in Fall 2021 based on their own appraisal data that suggests a property is more likely to receive an appraisal lower than the contract price if it is in a minority tract. Despite explicit Fair Housing and Appraisal standards, these anecdotes and initial study results have created a sense of distrust among the public in the validity of some residential appraisals.

While there will always be differences in value between properties due to many factors, it is critical that those factors do not relate to the race or other personal characteristics of the homeowners or residents of a community. Devaluing property due a person's protected class status is always wrong. It is important that affected homeowners, REALTORS® and others know how to identify this and what resources are available to address inconsistencies.

The U.S. Department of Housing and Urban Development (HUD) released the final report from the Task Force on Property Appraisal and Valuation Equity (PAVE) on March 23 (available at www.pave.hud.gov). A similar report from Maryland DHCD, authorized under 2021's HB 1239, is expected this summer. We encourage the General Assembly to take the information and recommendations from these reports into account while considering the issue of appraisal discrimination.

We appreciate the sponsor's inclusion of appraisers and other industry representatives in this proposed Task Force and fully support the goal of reducing any bias which may occur in the housing market. REALTORS® respectfully ask for your support of House Bill 1097.

For more information contact bill.castelli@mdrealtor.org, susan.mitchell@mdrealtor.org, lisa.may@mdrealtor.org or theresa.kuhns@mdrealtor.org

Appraisal Report National Fair Housing Alliance t

Uploaded by: Marvin Holmes

Position: FAV

MARVIN E. HOLMES, JR.
Legislative District 23B
Prince George's County

Environment and
Transportation Committee

Chair
Housing and Real Property
Subcommittee

Vice Chair
Rules and Executive
Nominations Committee

The Maryland House of Delegates

ANNAPOLIS, MARYLAND 21401

HB 1097 Task Force on Property Appraisal and Evaluation Equity

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1/19/2022 in [News & Media](#), [NFHA News](#), [Press Releases](#)

Groundbreaking Report Identifies Bias and Systemic Barriers in Real Estate Appraisals

FOR IMMEDIATE RELEASE

January 19, 2022

Media Contact: Izzy Woodruff | 202-898-1661
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Groundbreaking Report Identifies Bias and Systemic Barriers in Real Estate Appraisals

The federally-funded report produced by the National Fair Housing Alliance and its partners raises serious concerns about the standards and criteria related to the appraisal of residential real estate, which often represents a family's largest asset.

Washington, D.C. — Racial discrimination in home appraisals continues to affect Black and Latino homeowners throughout our country, and a new federally-commissioned report from the National Fair Housing Alliance (NFHA) identifies recommendations to address this crisis. Documented instances of appraisal discrimination along racial lines in [California](#), [Florida](#), [Colorado](#), [Indiana](#), and other areas are reflective of practices that restrict housing and lending access for families of color nationwide. Conducted by NFHA, Dane Law LLC, and the Christensen Law Firm (the “NFHA Consortium”), the [“Appraisal Standards and Appraiser Criteria report”](#) is the most comprehensive review of bias in the appraisal industry to date, and it presents a roadmap for Congress, regulators, advocates, and the industry to address the nation’s long legacy of bias in the valuation of real estate and build a future in which a family’s most valuable asset is treated fairly.

The comprehensive and independent review by the NFHA Consortium was commissioned by the [Appraisal Subcommittee](#) (ASC) of the [Federal Financial Institutions Examination Council](#) and managed by the [Council on Licensure, Enforcement and Regulation](#). The goals of the report included an assessment of whether the Uniform Standards of Professional Appraisal Practices (“Appraisal Standards”) and Appraiser Qualifications Criteria (“Appraiser Criteria”) encourage or systemize bias and that both consistently support or promote fairness, equity, objectivity and diversity in both appraisals and the training and credentialing of appraisers.

“Our report details a comprehensive analysis of structural challenges in Appraisal Standards and Appraiser Criteria that impacts every homeowner in the U.S.,” **said Lisa Rice, President and CEO of NFHA.** “It also highlights the deep inequities and systemic issues of bias in the appraisal industry that restricts homeownership and important lending opportunities for people of color. While we’ve done the work of identifying the obstacles and outlining a number of fixes, we call on federal regulators, Congress, the industry, and fellow advocates to work together to enact the meaningful changes called for in our report. Any entity with a role in the appraisal process has a responsibility to help address these inequalities.”

The report’s recommendations are outlined below:

Governance of the Appraisal Industry

- Due to the important role appraisals play in the residential housing market and consumers’ financial situations, the Appraisal Foundation’s legal authority should be considered for further review.
- The Appraisal Foundation should take steps to enhance inclusiveness and ensure the voices of civil rights and consumer advocates are included in a meaningful way on their board of trustees and in their rulemaking procedures.

Gaps in Fair Housing Requirements and Training

- The Appraisal Standards Board should revise the Uniform Standards of Professional Appraisal Practice (“Appraisal Standards”) to clearly state that discrimination in appraisals is prohibited.
- Fair housing training ought to be required for every appraiser to obtain, and maintain, their credentials.

- The Appraisal Foundation should work with civil rights experts to develop comprehensive fair housing training in required initial and continuing education courses. The fair housing training module in the current 2022-2023 USPAP Standards continuing education course should be revised immediately to ensure the training is comprehensive and accurate.
- The Appraisal Foundation should work closely with the U.S. Department of Housing and Urban Development, the U.S. Department of Justice, the Federal Housing Finance Agency, and other regulators and enforcement agencies to develop, improve, and implement fair housing training.

Barriers to Entry to the Appraisal Profession

- The Appraiser Qualifications Board should work with civil rights experts and other stakeholders to analyze barriers to entry to the appraisal profession and identify disparate impacts on potential appraisers of color.
- Given the deep racial and gender disparities in the industry, consideration should be given to amending the appraiser qualification requirements, including the Supervisory Appraiser criteria, to ensure women and people of color can gain the training and practical experience needed to become certified and/or licensed appraisers.
- The Appraisal Foundation should continue and expand outreach to women and individuals of color, ensure the demographics of those entering the profession are transparent, and provide new professionals with the tools they need to be prepared for the future with respect to the use of new technologies in the field.

Compliance and Enforcement

- The report identified a need for additional data to help reform the appraisal industry. Government entities, Fannie Mae and Freddie Mac, along with others in the industry should work collaboratively to release appraisal data sets to help reduce bias and develop better compliance and monitoring systems.
- Government Sponsored Enterprises (GSEs), lenders, appraisers, civil rights, and consumer advocates should use data science tools to develop more robust compliance management systems to prevent and remedy fair housing violations in appraisals.
- The Appraisal Standards Board should consider amending USPAP Standards to require appraisers to identify mortgage borrowers as “intended users” of appraisals.

- The Appraisal Foundation, government entities, GSEs, and lenders should develop standards and guidance for appraisers regarding the Reconsideration of Value process to provide for fairness, transparency, and accountability.

Click [here](#) to read ASC's statement on the report.

Click [here](#) to read the full report.

Click [here](#) to read the Appraisal Study Overview.

For years, NFHA has led the fight against racism and other forms of discrimination in home appraisals. In February 2021, NFHA [called on](#) the Federal Housing Finance Agency to address the specific issues in appraisal policy that cause race-based discrimination.

###

***The National Fair Housing Alliance (NFHA)** is the country's only national civil rights organization dedicated solely to eliminating all forms of housing and lending discrimination and ensuring equal opportunities for all people. As the trade association for over 170 fair housing and justice-centered organizations throughout the U.S. and its territories, NFHA works to dismantle longstanding barriers to equity and build diverse, inclusive, well-resourced communities.*

Appraisal Standards and Appraiser Criteria Report.

Uploaded by: Marvin Holmes

Position: FAV

Appraisal Standards and Appraiser Criteria Report

Talking Points

Background

- The [Appraisal Subcommittee](#) (ASC) of the [Federal Financial Institutions Examination Council](#) commissioned the [National Fair Housing Alliance](#) to conduct a comprehensive and independent review to examine whether the Uniform Standards of Professional Appraisal Practices (“Appraisal Standards”) and Appraiser Qualifications Criteria (“Appraiser Criteria”) encourage or systemize bias and that both consistently support or promote fairness, equity, objectivity and diversity in both appraisals and the training and credentialing of appraisers. The process was managed by the [Council on Licensure, Enforcement and Regulation](#).
- The comprehensive and independent review was conducted by experts at the National Fair Housing Alliance, Dane Law LLC, and the Christensen Law Firm.
- This groundbreaking report examines standards for the appraisal industry as well as qualifications criteria for appraisers. It details structural components of the modern-day appraisal industry that restrict meaningful industry oversight and manifest systemic bias in appraisal valuation, including issues with the governance of the appraisal industry, gaps in fair housing requirements and training, barriers to entry into the profession, and deficient compliance oversight in administering the valuation process.
- Appraisal property valuation is a vital component of the country’s real estate market, and ultimately household wealth. Appraisers have the power to determine the value of a person’s most important financial asset, which can hold the key to determining whether a family can purchase a permanent home rather than rent, access credit on reasonable terms, or build wealth for their children and generations to come.
- Until recently, the appraisal industry has escaped the type of regulation and scrutiny faced by other participants in the mortgage market, such as lenders and insurance companies. This analysis led by the National Fair Housing Alliance finds that the appraisal industry has operated in a relatively closed, self-regulated framework and systems in the industry can work to perpetuate inequalities.

Instances of Discrimination

- Across the country, there are numerous documented instances of appraisal discrimination -- most significantly affecting Black families. Recent news stories highlight anecdotal evidence on an individual basis:
 - A Black couple in Marin City, California seeking to refinance received an initial appraisal of \$995,000. Suspecting that the valuation of their home was unjustifiably low, they asked a White friend to pose as the homeowner and then received an appraisal of \$1,482,500, which was almost \$500,000 more than the appraisal conducted just weeks earlier. The homeowner said, “There are implications to our ability to create

generational wealth or passing things on if our houses appraise for 50 percent less than its value.” [\[Insider\]](#)

- A mixed-race couple in Denver, Colorado scheduled an appraisal in connection with a home equity loan. When the Black husband greeted the appraiser, the home was valued at \$405,000 based on comparison to homes selected by the appraiser in a Black neighborhood in a different location. When the White wife greeted the second appraiser, the home was valued at \$550,000, which was an increase of \$145,000. The wife stated, “Race obviously played a role in how we were treated. But what’s deflating is that this experience put a dollar figure on it.” [\[Philadelphia Inquirer\]](#)

A Systemic Problem

- While the many individual stories have captured national headlines, the analyses of systemic bias are even more stunning and disturbing. Recent studies contain the following findings:
 - Researchers at Freddie Mac analyzed millions of appraisals submitted for purchase transactions and found racial disparities in the percentage of properties that received an appraisal value lower than the contract price (the “appraisal gap”), despite controlling for other factors. Specifically, the research showed that an appraisal gap is more likely to occur in Black or Latino census tracts than White census tracts.
 - For example, Freddie Mac’s researchers [reported](#) that 12.5% of the properties in Black census tracts received an appraisal value lower than the contract price, as compared to 7.4% of the properties in White census tracts— meaning there was a nationwide racial “appraisal gap” of 5.2%.
 - Homes in majority Black neighborhoods were valued 23% less than properties in mostly White neighborhoods, even after controlling for home features and neighborhood amenities, as found by a 2018 Brookings Institution [study](#) of homeowner estimates and Zillow data.
 - Neighborhood racial composition was an even stronger determinant of a home’s value in 2015 than it was in 1980, according to a 2020 [academic study](#) of homeowners’ estimates from 1980 to 2015.
 - The Federal Housing Finance Agency [recently found](#) that thousands of appraisal reports contained race-related and other inappropriate information including identifying the racial composition of neighborhoods and areas that serve “Jewish Households” as well as describing areas as having an “Asian influence.”
 - The appraisal profession does not reflect the racial composition of the U.S. According to the [U.S. Bureau of Labor Statistics](#), about 96.5% of property appraisers are White and about 70% are men.

Identifying a Path Forward - Recommendations

Questions About the Governance of the Appraisal Industry

- Due to the important role appraisals play in the residential housing market and consumers' financial situations, the Appraisal Foundation's legal authority should be considered for further review.
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- The Appraisal Foundation, government entities, GSEs, and lenders should develop standards and guidance for appraisers regarding the Reconsideration of Value process to provide for fairness, transparency, and accountability.

Author Bios

Maureen Yap -

As Senior Counsel, Maureen Yap helps lead NFHA’s Public Policy and Enforcement efforts related to fair lending, financial technology, mortgage policy, and housing finance reform. Ms. Yap, who has been in the fair housing and fair lending field since 1995, previously worked on a range of civil rights and consumer protection issues at the Federal Reserve Board, including leading the Board’s Fair Lending Enforcement Section and founding the Unfair and Deceptive Acts or Practices (UDAP) Section. She was also an Associate at the law firms of Relman Colfax PLLC and Buckley LLP.

Peter Christensen -

Peter Christensen is an attorney and has been a member of the California bar since 1993. His law practice is focused on real estate valuation matters. His clients are primarily appraisal firms, management companies and valuation technology providers, as well as businesses that use appraisal services such as lenders and institutional investors. Mr. Christensen is the author of *Risk Management for Real Estate Appraisers and Appraisal Firms*, published by the Appraisal Institute.

Prior to his current legal practice, Mr. Christensen was the general counsel of the largest insurance administrator for professional liability insurance to real appraisers and valuation firms in the U.S. He earlier practiced law with the firms Latham & Watkins LLP and Irell & Manella LLP in California. Mr. Christensen earned both his B.S. in business administration and his law degree at the University of California at Berkeley.

Stephen M. Dane -

Stephen M. Dane is a nationally recognized civil rights lawyer, particularly in the areas of fair housing, fair lending, and insurance discrimination. Mr. Dane was lead counsel for the plaintiffs in the class action litigation Toledo Fair Housing Center v. Nationwide Mutual Insurance Co. (\$5.35 million settlement) and was co-counsel for the plaintiffs in HOME of Richmond v. Nationwide Mutual Insurance Co. (\$100.5 million

jury verdict). He has been lead counsel in precedent-setting cases involving appraisal bias issues. Mr. Dane is the author of many articles and book chapters in the field of fair housing, most recently Fair Housing Policy Under the Trump Administration, Human Rights Magazine, Vol. 44, No. 3 (Dec. 6, 2019). Mr. Dane is listed in *The Best Lawyers in America* in the field of Civil Rights. He is also the former editor of the Civil Rights Insider, the award-winning quarterly eNewsletter of the Federal Bar Association's Civil Rights Law Section.

Morgan Williams -

Morgan Williams is responsible for leading NFHA's strategic and tactical legal initiatives and affairs. Mr. Williams leads NFHA's efforts to pursue pioneering litigation under the federal Fair Housing Act, often utilizing testing-based evidence and working in partnership with NFHA's network of local fair housing centers. He coordinates NFHA's actions to file amicus briefs to promote sound fair housing jurisprudence. Mr. Williams also provides training and technical support to local fair housing centers across the country on investigation and enforcement strategies, as well as training to housing providers and servicers on a range of complicated and emerging topics. In addition, he assists with NFHA's federal public policy advocacy, in coordination with legislative offices and federal agencies, and helps local advocates address state and local legislative matters.

Lisa Rice -

Lisa Rice is the President and CEO of the National Fair Housing Alliance (NFHA), the trade association for over 200 member organizations throughout the country and the nation's only national civil rights agency solely dedicated to eliminating all forms of housing discrimination. Ms. Rice has over 35 years of experience in enforcing the nation's fair housing laws and has worked to establish precedents in the areas of appraisal bias, algorithmic fairness, lending and insurance redlining, and real estate issues. Ms. Rice is a published author and serves on the Board of Directors for the Leadership Conference on Civil and Human Rights, Center for Responsible Lending, and FinRegLab's, as well as the JPMorgan Chase Consumer Advisory Council, Mortgage Bankers Association's Consumer Advisory Council, Freddie Mac Affordable Housing Advisory Council, Quicken Loans Advisory Forum, Bipartisan Policy Center's Housing Advisory Council, and The Turner Center Advisory Council at Berkeley University.

Scott Chang -

Scott Chang is Senior Counsel at the National Fair Housing Alliance (NFHA) and helps lead the organization's fair housing and lending compliance, training, enforcement, and policy efforts. Prior to joining NFHA in September, Mr. Chang was Litigation Director at the Housing Rights Center of Los Angeles, California. He also previously served as Counsel at Relman Colfax LLC in Washington, D.C., and as an attorney at Brancart & Brancart, a law firm specializing in fair housing issues. Even before starting his new role at NFHA, Mr. Chang worked for years with the organization on projects and cases involving, among other issues, real estate sales discrimination.

Press Release - Appraisal Ssubcommittee to JPR

Uploaded by: Marvin Holmes

Position: FAV

The Maryland House of Delegates

ANNAPOLIS, MARYLAND 21401

MARVIN E. HOLMES, JR.
Legislative District 23B
Prince George's County

Environment and
Transportation Committee

Chair
Housing and Real Property
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Nominations Committee

HB 1097

Task Force on Property Appraisal and Evaluation Equity

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Media Release

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Appraisal Subcommittee

Federal Financial Institutions Examination Council

For Immediate Release

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Report Released on Review of USPAP and AQB Criteria

Findings Released in Independent Study on Real Estate Appraisal Standards and Appraiser Qualifications Funded Through a Cooperative Agreement Between the Appraisal Subcommittee (ASC) and the Council on Licensure, Enforcement and Regulation (CLEAR)

Washington, D.C. (January 19, 2022)— An independent analysis of the *Uniform Standards of Professional Appraisal Practice* (USPAP) and the *Real Property Appraiser Qualification Criteria* (AQB Criteria), funded by the ASC and managed by CLEAR, has been completed. The report is available to view at bit.ly/AppraisalStandardsAppraiserQualificationsReport and is intended to represent a comprehensive and independent review of the appraisal standards and appraiser qualifications to ensure that neither encourage or systematize bias, and that both consistently support or promote fairness, equity, objectivity and diversity in both appraisals and the training and credentialing of appraisers.

Research and analysis was conducted by a consortium led by the National Fair Housing Alliance (NFHA) with additional subject matter expertise provided by Dane Law and The Christensen Law Firm specializing in civil rights, fair housing, fair lending and appraisal practice. “We want to thank NFHA and their consortium partners for their careful study, analysis and recommendations on these important issues,” stated Jim Park, ASC Executive Director.

The views and opinions expressed in this report are those of the authors and do not reflect the official policy or position of the ASC or the agencies represented on its Board.

About the ASC

Established under Title XI of the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 as amended by the Dodd-Frank Act of 2010, the ASC oversees State appraiser and AMC regulatory programs, provides grant funding, and protects federal financial and public policy interests in real estate appraisals utilized in federally related transactions. For more information, please visit www.asc.gov.

About CLEAR

The Council on Licensure, Enforcement and Regulation (CLEAR) is the premier international resource for professional regulation stakeholders. ASC and CLEAR entered into a multifaceted Cooperative Agreement in 2021. For more information, please visit www.clearhq.org.

Washington Post 3-27-2022.pdf

Uploaded by: Marvin Holmes

Position: FAV

Washington Post

Business

Sunday, March 27, 2022

Home values soared during the pandemic, except for these Black families

Black communities are routinely undervalued. Even when they are among the nation's wealthiest.

By Tracy Jan

March 23, 2022 at 6:00 a.m. EDT



Kym Taylor's Bowie, Md., home was appraised last year at \$300,000 less than what she and her husband had paid in 2015. (Amanda Andrade-Rhoades for The Washington Post)

What is a community worth? The answer, all too often, depends on race.

Kym and Steve Taylor own a six-bedroom home set on four acres in Maryland's Prince George's County, one of the wealthiest majority-Black counties in the nation. Their nearly 10,000-square-

foot house boasts nine bathrooms. A wine cellar. A custom-designed floating spiral staircase. A dream home they'd purchased for \$1.45 million in 2015.

So the couple were shocked when their home appraised for \$1.15 million in 2021 at the height of the real estate market — half a million less than what they were expecting and \$300,000 less than what they had paid six years earlier.

The Taylors, owners of a home health-care agency, had been counting on using the equity in their home as collateral to buy another company. But the lower appraisal meant they had to tap into a separate line of credit to complete the deal, eroding emergency funds set aside to expand their business.

Their experience is common. Homes in Black neighborhoods are valued at 23 percent less, on average, than those in comparable White neighborhoods — despite having similar neighborhood and property characteristics and amenities, according to a [Brookings Institution report](#).

The devaluation of Black communities adds up to about \$156 billion in lost equity — money that could have been invested in education and entrepreneurship, said Andre Perry, a senior fellow at Brookings and author of “[Know Your Price: Valuing Black Lives and Property in America's Black Cities](#).”

“This is the money that can be used to lift yourself up that proverbial economic ladder,” said Perry, who also lives in Prince George's County. “That is what's being extracted from our communities.”



The Taylors paid \$1.45 million for their home in Bowie, Md., in 2015. It was appraised last year for \$1.15 million.
(Amanda Andrade-Rhoades for The Washington Post)

The undervaluation, even in the affluent Bowie enclave where the Taylors live, contributes to the yawning racial wealth gap in which the average White family in America holds eight times the wealth of the average Black family.

“We are a predominantly African American county, so in some people’s minds, there’s no way there is an affluence here that will either last or is seen as important at all,” said Kym Taylor, 58. “I could build the same house in Bethesda, and it’s going to appreciate. I know I’m going to have some equity that I could use for my business or my kids’ college. But making the same investment in Prince George’s? It’s negligible appreciation, and in some cases, even a depreciation.”

And yet, many Black families choose Prince George’s so their children grow up surrounded by other Black role models and relatively sheltered from discrimination.

“It matters that my Black boys in their hoodies and nice athletic shoes aren’t going to be looked at as hoodlums. They’re going to look like my neighbors’ sons. They are going to get the benefit of the doubt,” Taylor said.

“They will also feel more comfortable aspiring because they can see where it’s a possibility,” she said. “If they don’t see themselves in the nice home down the street, then they don’t know that is attainable for them.”

Just one lower appraisal could affect the cumulative wealth of an entire community, according to a [new Biden administration report](#) on the causes, extent and consequences of property misvaluation. Ultimately, undervaluation of Black communities could reduce property tax revenue to fund maintenance and improvement of local schools and amenities.



Guests enjoy the outdoor space of the Taylor home during Kym Taylor’s 58th birthday party, which doubled as a fundraiser for her campaign for state delegate. (Amanda Andrade-Rhoades for The Washington Post)

Appraisal bias can hurt a family’s ability to leverage home equity to pay for college, expand a business, pay for repairs or use as a buffer during financial hardship.

For home purchases, an appraisal that comes in lower than the contracted price could result in a higher down payment, cause a sale to fall through or force a downward price negotiation, reducing the seller’s profits.

A 2021 study from Freddie Mac found that 12.5 percent of appraisals for home purchases in Black neighborhoods and 15.4 percent in Latino neighborhoods came in below the contract price, compared with 7.4 percent of appraisals in White neighborhoods.

When refinancing, undervaluation could reduce the cash-out available and result in higher interest rates and mortgage insurance premiums.

While home appraisals are supposed to be independent, fair and objective estimates of market value so lenders can accurately evaluate risk, the results depend upon the appraiser's expertise and familiarity with the neighborhood, the Biden administration report found. Much rests on the appraiser's selection of comparable properties and how they weigh those selections.

The appraisal industry remains one of the country's least diverse professions; 98 percent of appraisers are White, according to the U.S. Bureau of Labor Statistics. Research has shown that appraisers choose comps in a narrower geographic range for properties in Black and Latino neighborhoods than in White neighborhoods, the report said.



The Priestly home in Bowie, Md., which cost \$1.68 million to build, was appraised at \$1.3 million in 2021.
(Amanda Andrade-Rhoades for The Washington Post)

“You’ve been told these houses can’t get this expensive. It’s Prince George’s County. It’s an all-Black neighborhood. It’s a stigma,” said Jack Sonceau, an appraiser in the region since 2005, who is Black. “Until we get a diverse workforce, this is going to continue to happen.”

The federal report, to be released Wednesday, was the product of an initiative on property appraisal and valuation equity that President Biden announced in June as part of his focus on addressing systemic racism and closing the racial wealth gap.

Led by Housing and Urban Development Secretary Marcia L. Fudge and Domestic Policy Council Director Susan Rice, the task force recommended that the appraisal industry diversify to more accurately reflect American communities and require anti-bias, fair housing training for those who conduct appraisals for federal programs.

Fudge, too, has said she is affected by appraisal bias in her neighborhood outside Cleveland.

“The appraisal process is so unfair,” Fudge said during a recent interview on “The Breakfast Club.” “I live two doors from an all-White community. I live in an all-Black community. My lot is bigger. My house is bigger. My house is valued at \$25,000 less than the house two doors from me. We have lost billions as a people solely through the appraisal process.”

In the San Francisco Bay area, a Black couple has sued their appraiser, alleging bias after their home was valued at nearly \$500,000 more once a White friend posed as the homeowner. The Justice Department weighed in on the case, filing a statement of interest in February asserting that the Fair Housing Act prohibits discrimination in home appraisals and that combating housing discrimination is a high priority across the federal government.

Rep. Maxine Waters (D-Calif.), chairwoman of the House Financial Services Committee, plans to introduce legislation to address systemic appraisal discrimination. In a letter last month, Waters called on federal regulators to investigate appraiser misconduct, highlighting an email full of racist stereotypes from an appraiser who predicted that the increased focus on racial bias would prompt appraisers to refuse assignments in minority neighborhoods.



Jacquelyn Priestly started the grass-roots network Fair and Unbiased Appraisal Advocates after her home was assessed at nearly \$400,000 less than what it cost to build. (Amanda Andrade-Rhoades for The Washington Post)

Meanwhile, some Black families are forced to consider whether it makes financial sense to buy a home in a tony predominantly Black neighborhood that might not be properly valued by appraisers.

Jacquelyn Priestly, a public relations executive, and her banker husband built a home in Prince George's County after considering other D.C.-area communities. Their church, where the couple met, is here. So are their children's schools. And their friends.

“At the end of the day, even though we knew we'd gain equity faster if we lived almost anywhere else, we couldn't put a price tag on the sense of community,” said Priestly, 42.

They moved into their new home, which cost \$1.68 million, last April. But when they got it appraised to turn their construction loan into a 30-year conventional mortgage loan, the house was assessed at \$1.3 million. They had to come to closing with twice as much cash as they had anticipated.



From left: Cassius Priestly Jr., 10; Hampton Priestly, 8; and Elijah Priestly, 5, play games and eat snacks. (Amanda Andrade-Rhoades for The Washington Post)

Priestly shared their experience with neighbors, including the Taylors, and discovered a pattern of undervaluation. Last summer, they started a grass-roots network called Fair and Unbiased Appraisal Advocates. Their message: Black Homes Matter.

The goal, she said, is to empower other Black homeowners to understand their rights, appeal unfair appraisals and file complaints with the state, recourse she had not known was available.

“There is a cascading effect to low appraisals, creating a stagnation that looms over Black people at every socioeconomic level,” Priestly said. “It can stifle the ability to create generational wealth. You're saying Black people can only go so far.”

Andrew Van Dam contributed to this report.