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Groundbreaking Report Identifies Bias and Systemic Barriers in Real Estate Appraisals

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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.

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***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.*