



**Testimony to the Senate Education, Energy, and the Environment Committee  
SB445: Appraisal Gap From Historic Redlining Financial Assistance Program - Alterations  
Position: Favorable**

February 21, 2023

The Honorable Brian J. Feldman, Chair  
Education, Energy, and the Environment Committee  
2 West, Miller Senate Office Building  
Annapolis, MD 21401  
cc: Members, Education, Energy, and the Environment Committee

Honorable Chair Feldman and Members of the Committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a people-centered movement to expand economic rights, housing justice, and community reinvestment for working families, low-income communities, and communities of color. Economic Action Maryland provides direct assistance today while passing legislation and regulations to create systemic change in the future.

We are writing in support of SB445.

In 2021, the General Assembly passed HB1239/SB859, sponsored by now Comptroller Leirman and Senator Hayes, which took effect in May of 2021. This legislation created the Appraisal Gap From Historic Redlining Financial Assistance Program in the Department of Housing and Community Development. The program was created with the purpose of making financial assistance available to affordable housing developers working in low-income census tracts in order to help close appraisal gaps that occur in historically redlined neighborhoods and report on the funding for census tracts with a majority racial minority population. This pool of financial assistance encourages the development of homeownership opportunities for low-income households in vulnerable communities.

Many of these communities are historically disinvested black communities across the state with housing markets suffering from years of systemic divestiture. The Appraisal Gap From Historic Redlining Financial Assistance Program addresses the key reason potential investors are reluctant to put money into buying and fixing up houses in these areas; rehabbed properties later do not appraise high enough to reflect the improvements.<sup>1</sup>

Despite the passage of the Fair Housing Act and the Community Reinvestment Act, houses in predominantly black communities have been generally appraised at lower values than houses in majority white communities and applicants of color are 1.8 times as likely to be denied for a home improvement loan than their white counterparts.<sup>2</sup> In 2022, 74.6% of White households owned their homes, compared with 45.3% of Black households. This gap is even larger in Baltimore where the white homeownership rate is 76.3%, while the Black homeownership rate is 46.2%.<sup>3</sup> Both the national gap and the gap between white and Black homeownership rates in Baltimore is wider now than it was in 1960, when housing discrimination was rampant and legal.

Economic Action Maryland and Angela Banks, a member of Baltimore's Poppleton community, have filed an administrative complaint with HUD against Baltimore City, Mayor Brandon Scott, and the City Council for consistent violations of the Fair Housing Act.<sup>4</sup> The complaint states the City's redevelopment policies have violated the Fair Housing Act by displacing Black residents of Poppleton from the neighborhood and into more deeply segregated

<sup>1</sup><https://www.freddiemac.com/research/insight/20210920-home-appraisals#:~:text=For%20example%2C%2012.5%25%20of%20the.the%20appraisal%20valuation%20gap%20increases.>

<sup>2</sup> <https://www.ncrc.org/starved-significant-mortgage-lending-disparities-still-persist/>

<sup>3</sup> <https://www.marylandmatters.org/2022/10/15/black-families-fall-further-behind-on-homeownership/>

<sup>4</sup> <https://bit.ly/PoppletonComplaint>



parts of Baltimore City as well as out of the city entirely. This complaint demonstrates the need for continued oversight of funding and development in Sustainable Communities.

SB445 expands the Appraisal Gap From Historic Redlining Financial Assistance Program by including additional eligible construction expenses, forms of financial assistance, eases the application project, and expands the amount of financial assistance that may be provided under the Program. This is a common-sense bill that improves the functionality of a vital program.

For these reasons, we support SB445 and urge a favorable report.

Best,

Isadora Stern  
Policy Manager