

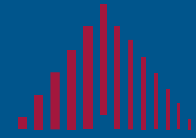
# Appraisal Institute®

*Professionals Providing Real Estate Solutions®*

## Legislative and Regulatory Update

### ICAP Conference

September 13, 2022



# Appraisal Institute®

*Professionals Providing Real Estate Solutions®*

## Valuation Bias Diversity, Equity, and Inclusion



# THE DEVALUATION OF ASSETS IN BLACK NEIGHBORHOODS

*The case of residential property*

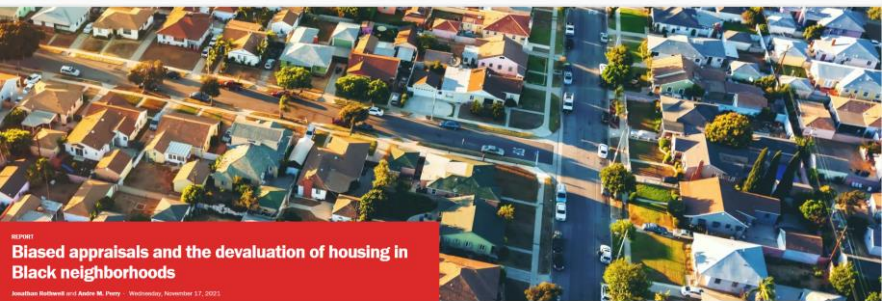
Andre Perry  
Jonathan Rothwell  
David Harshbarger

November 2018

**B** Metropolitan Policy Program  
at BROOKINGS

GALLUP®

BROOKINGS



## REPORT Biased appraisals and the devaluation of housing in Black neighborhoods

Jonathan Rothwell and Andre M. Perry    Wednesday, November 17, 2021



In September, Freddie Mac released a groundbreaking analysis of the U.S. home appraisal industry. Consistent with concerns raised by critics, they found that homes in Black and Latino or Hispanic



*Social Problems*, 2021, 68, 1051–1071  
doi: 10.1093/socpro/spaa033  
Advance Access Publication Date: 4 September 2020  
Article

OXFORD

# The Increasing Effect of Neighborhood Racial Composition on Housing Values, 1980–2015

Junia Howell<sup>1</sup> and Elizabeth Korver-Glenn<sup>2</sup>

<sup>1</sup>University of Pittsburgh, <sup>2</sup>University of New Mexico

## ABSTRACT

Beginning in the 1930s, neighborhood racial composition was an explicit determining factor in the evaluation of U.S. home values. This deliberate practice was outlawed in the 1960s and 1970s, but the correlation between neighborhood racial composition and home values persists. Using Census Bureau data from 1980 to 2015, the present study investigates the changing relationship between neighborhood racial composition and home appraisals, as well as the mechanisms that drive it. Contrary to what is often presumed, neighborhood racial composition was a stronger determinant of appraised values in 2015 than it was in 1980. Results suggest this is primarily due to contemporary appraising practices. Specifically, the use of the sales comparison approach has allowed historical racialized appraisals to influence contemporary values and appraisers' racialized assumptions about neighborhoods to drive appraisal methods. These findings provide strong evidence that persistent racial inequality is driven in part by perpetual devaluing of communities of color and they suggest further regulation is required to foster equity.

**KEYWORDS:** racial inequality; appraisals; housing market; neighborhood inequality; redlining.

Research has repeatedly shown that homes in White neighborhoods are appraised at higher values than are homes in communities of color, even when house and neighborhood characteristics are held constant (see, for example, Anacker 2010; Hipp and Singh 2014; Moya 2014). Scholars concur that this practice was first institutionalized in the 1930s by federal policies that explicitly evaluated homes based on the racial composition of their neighborhoods (Jackson and Jackson 1980; Jackson 1985; Parcel 1982; Stuart 2003; Taylor 2019). Housing market industries, including real estate brokerage and mortgage lending, further cemented this practice by favoring White communities (Massey and Denton 1993) and preying on Black homeowners, placing them into subpar housing (Taylor 2019). However, it remains unclear whether the contemporary inequality is primarily a byproduct of these

We would like to thank discussant Jacob Faber and the attendees of our session at the 2019 American Sociological Association annual meeting for their comments and questions, which helped us clarify our points and methodological approaches. We would also like to thank the anonymous reviewers and editors for their insightful comments. Please direct correspondence to the first author at the Department of Sociology, 2421 Wesley W. Posvar Hall, 230 South Bouquet Street, University of Pittsburgh, Pittsburgh, Pennsylvania 15260, email [JuniaHowell@pitt.edu](mailto:JuniaHowell@pitt.edu).

© The Author(s) 2020. Published by Oxford University Press on behalf of the Society for the Study of Social Problems.  
All rights reserved. For permissions, please e-mail [journals.permissions@oup.com](mailto:journals.permissions@oup.com).

## The Philadelphia Inquirer

April 28, 2021

Residential Real Estate



### Homes in Black neighborhoods are valued less than similar homes in white areas

In Philadelphia, homes in primarily Black neighborhoods are undervalued by an average of about \$26,000, or 27%, compared with similar homes in primarily white neighborhoods.

**BUSINESS**

## **Black homeowner had a white friend stand in for third appraisal. Her home value doubled.**



**Alexandria Burris**

Indianapolis Star

Published 5:53 a.m. ET May 13, 2021 | Updated 1:17 p.m. ET Nov. 26, 2021

Appraisals and Valuations

Black Homeownership

Politics & Money

Real Estate

Mortgage

## Oakland homeowner alleges appraiser bias

Complaint filed with HUD says appraiser, appraisal management company and two lenders flouted the Fair Housing Act

July 28, 2021, 6:08 pm *By Matthew Blake*

Share On    

## MORTGAGE

# Home value soars after Black couple 'erases' identity prior to appraisal

Tenisha Tate-Austin and Paul Austin filed suit against Janette Miller of Miller & Perotti Real Estate Appraisals, who they allege devalued their Sausalito, California, home based on race

Bankrate

Mortgages

Banking

Credit cards

Loans

Investing

Home equity

Insurance

Retirement

Sign in

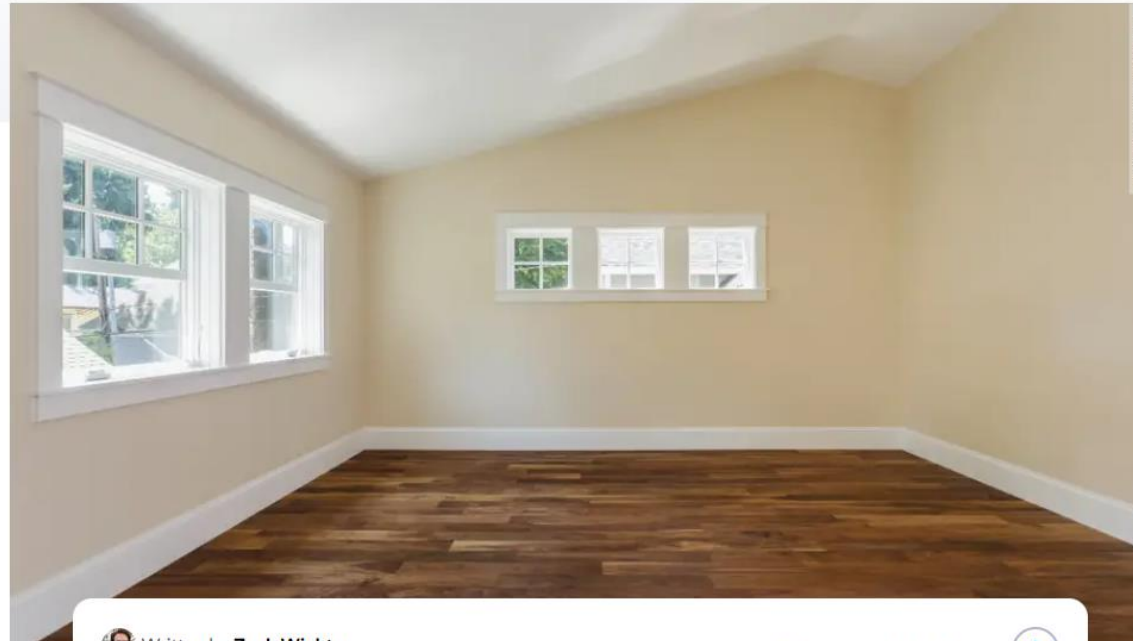
Create Account



MORTGAGES

[Advertiser Disclosure](#)

## Understanding why some homeowners of color ‘whitewash’ their homes before appraisals



Mint Images/Getty Images



Written by **Zach Wichter**



Edited By **Bill McGuire**





RACE AND CULTURE

## West Oakland family beats low appraisal by \$70,000 after help from ABC7 News

 By Julian Glover

Friday, April 23, 2021



EMBED <>

MORE VIDEOS ▶

The Barnes family knew something was off after an appraisal on their West Oakland home came in at \$750,000 flat. The family had a hunch because they've seen ABC7's on-going coverage of racially biased appraisals across the Bay Area.

## National Mortgage News

ORIGINATIONS   SERVICING   SECONDARY   TECH   INDUSTRY   HOUSING MARKETS   POLICY   VOICES

# LoanDepot, appraiser sued by Black couple for racial bias

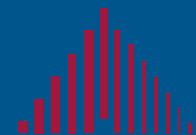
By [Andrew Martinez](#)   August 23, 2022, 5:30 p.m. EDT   4 Min Read



A Black couple is suing loanDepot and an appraiser over allegations of racial bias, claiming a discriminatory, undervalued home valuation led to the lender's rejection of their refinance application.

Nathan Connolly and Shani Mott later received a higher home valuation and secured a refi loan with a different lender, after "whitewashing" their home for another appraiser, according to a suit filed last week in the U.S. District Court for the District of Maryland. The couple, both professors at John Hopkins University, live in Homeland, a small, historic and predominantly white neighborhood in north Baltimore. According to 2020 census data, its population is 77.5% white, the suit said.

Shane Lanham, the sole owner of Parkville, Maryland-based 20/20 Valuations, appraised their home last June at \$472K, far below a loanDepot lending officer's conservative estimate of \$550K, according to the complaint. The couple contends the appraisal was based on



Appraisal Institute®

*Professionals Providing Real Estate Solutions®*

Biden Administration

## Joe Biden wants tougher standards for real-estate appraisers to help black and Latinx homeowners

Published: Feb. 26, 2020 at 7:09 a.m. ET

By Jacob Passy

Racial bias in home appraisals has contributed to the racial wealth gap, researchers say

19

BRIEFING ROOM

## FACT SHEET: Biden-Harris Administration Announces New Actions to Build Black Wealth and Narrow the Racial Wealth Gap

JUNE 01, 2021 • STATEMENTS AND RELEASES

The Administration will:

- Take action to address racial discrimination in the housing market, including by launching a first-of-its-kind interagency effort to address inequity in home appraisals, and conducting rulemaking to aggressively combat housing discrimination.

## PAVE Task Force

- Scope of Work
  - Ensuring that government oversight and industry practices further valuation equity.
  - Combating valuation bias through consumer education and practitioner training.
  - Ensuring equity in valuation through the availability of high-quality data.
  - Creating a comprehensive approach to combating valuation bias through enforcement and other efforts.



# Valuation Bias



## Action Plan to Advance Property Appraisal and Valuation Equity

Closing the Racial Wealth Gap by Addressing Mis-valuations for  
Families and Communities of Color

## PAVE Task Force

### Task Force Commitments:

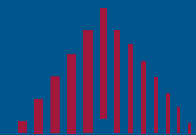
- 1. Strengthening guardrails against unlawful discrimination in all stages of residential valuation
- 2. Enhancing fair housing / fair lending enforcement and driving accountability in the industry
- 3. Building a well-trained, accessible, and diverse appraiser workforce
- 4. Empowering consumers to take action
- 5. Giving researchers and enforcement agencies better data to study and monitor valuation bias



## PAVE Task Force

PAVE Task Force's work continues:

1. Expanded use of alternatives to traditional appraisals as a means of reducing the prevalence and impact of appraisal bias.
2. Range-of-value estimates instead of point estimates as a means of reducing the impact of racial or ethnic bias in appraisals.
3. The potential use of alternatives and modifications to the sales comparison approach that may yield more accurate and equitable home valuation
4. Public sharing of a subset of historical appraisal data to foster development of unbiased valuation methods.



# Appraisal Institute®

*Professionals Providing Real Estate Solutions®*

## ASC Activity

## Identifying Bias and Barriers, Promoting Equity:

An Analysis of the USPAP Standards  
and Appraiser Qualifications Criteria

January 2022

A study commissioned by the Appraisal Subcommittee of the Federal Financial Institutions Examination Council and carried out by the Council on Licensure, Enforcement and Regulation under Cooperative Agreement number TTA2021KY02.

Att. Housing  
**DANE LAW**  
Civil Rights

**NFHA** NATIONAL  
FAIR HOUSING  
ALLIANCE



“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. “ - ASC

- Key Findings
  - Questions About the Governance of the Appraisal Industry
  - Gaps in Fair Housing Requirements and Training
  - Barriers to Entry Into the Appraisal Profession
  - Compliance and Enforcement

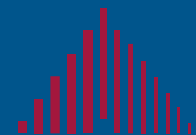
- Questions About the Governance of the Appraisal Industry
  - Legal Authority
  - Appointments and Elections Process
  - Rules of Procedure and Exposure Draft Process

- Gaps in Fair Housing Requirements and Training
  - Clear Prohibition on Discriminatory Conduct
  - Guidance on Discretion
  - Fair Housing Training Requirements
  - Fair Housing Training

- Barriers to Entry Into the Appraisal Profession
  - Multiple Levels of Credentials
  - College Degree Requirements
  - Appraiser Education Hours
  - Experience Hours
  - Standardized Tests
  - Pipeline and Future of the Profession

- Compliance and Enforcement
  - Need for Data
  - Compliance Management Systems
  - Duty of Care
  - Reconsideration of Value Process





Appraisal Institute®

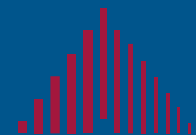
*Professionals Providing Real Estate Solutions®*

## Congressional Action

- Housing Fairness Act, H.R. 68/S 769
  - Addresses broader topics related to housing discrimination
- The Real Estate Valuation Fairness and Improvement Act, H.R. 2553
  - Task Force to develop consistent policies and procedures across federal agencies
  - ROV standards and guidelines
  - Study potential racial disparities, such as barriers to entry-AQB minimum requirements

- House Financial Services Chair Discussion Draft – “Fair Appraisal and Inequity Reform Act of 2022”
  - Proposes "Federal Valuation Agency" for standards and qualifications/includes an “Office of Fair Lending”
  - Mandatory fair housing QE and CE
  - Publicly available, searchable database of valuation information
  - Funding “to investigate discriminatory practices in the provision of real estate valuations”
  - Establishes procedures of appraisal discrimination complaints, including requiring respondent to submit all appraisals performed in the previous 24 months
  - Stiffer penalties, extends statute of limitations to 5 years

- Future of Profession-more regulation, and penalties with no mention of due process.
- Layering effect and impact on bottom line and attractiveness of the profession

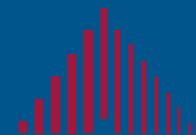


# Appraisal Institute®

*Professionals Providing Real Estate Solutions®*

## Enforcement

- Well over 100 Fair Housing Act complaints submitted
- No published actions to date
- CFPB
  - ECOA
  - Unfair, Deceptive, or Abusive Acts or Practices (UDAAP)



# Appraisal Institute®

*Professionals Providing Real Estate Solutions®*

## Industry Responses

# Appraiser Diversity Initiative (ADI)

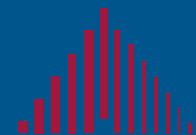


Supervisor Sponsors	Advisor Sponsors	In-Kind & Event Sponsors
<a href="#">Accurity Valuation</a>	<a href="#">Clear Capital</a>	<a href="#">Clear Capital</a>
<a href="#">Better Mortgage</a>	<a href="#">Corelogic</a>	<a href="#">Corelogic</a>
<a href="#">Corelogic</a>	<a href="#">HF Appraisal Ltd.</a>	<a href="#">JPMorgan Chase</a>
<a href="#">HF Appraisal Ltd.</a>	<a href="#">Jack Poe Company, Inc.</a>	<a href="#">Solidifi</a>
<a href="#">Jack Poe Company, Inc.</a>	<a href="#">Solidifi</a>	<a href="#">The Appraisal Foundation</a>
<a href="#">JPMorgan Chase</a>	<a href="#">Valligent</a>	
<a href="#">Valligent</a>		



- “The initiative is intended to attract new entrants to the residential appraisal field, overcome barriers to entry (such as education, training and experience requirements) and to foster diversity.”
- “Working through the National Urban League's regional Entrepreneurship Centers, The Appraiser Diversity Initiative is designed to reach diverse, talented candidates and educate them about the appraisal profession; provide resources for interested candidates to help them get on a path to success; and offer guidance from appraisers employed by Fannie Mae and Freddie Mac.”

- Recognized in PAVE Action Plan and FHFA Equitable Housing Finance Plans
- 416 scholarships awarded to date
- 32 have already been placed with Supervisors
- Next workshop scheduled this Fall



# Appraisal Institute®

*Professionals Providing Real Estate Solutions®*

## State/Local Response

- California – AB 948 (2021) – “Fair Appraisal Act”
- Illinois – HB 4410 – “Real Estate Valuation Task Force Act”
- Maryland – HB 1097 – Task Force on Property Appraisal and Valuation Equity
- New Jersey – AB 1518/1519 and SB 777

- Pre-existing
  - Ohio (2008) - “One course devoted exclusively to federal, state, and municipal fair housing law” 3 hours as part of QE for all credentials
  - New York (2010) – QE Course on “Fair Housing/Fair Lending and Environmental Issues” 15 hours
- New
  - California – 3 hours of “elimination of bias” and “cultural competencies” during each 4-year cycle
  - Delaware – 4 hours of fair housing or valuation bias during each cycle
  - Maryland – 3 hours of CE on valuation bias, discrimination, and fair housing
  - Minnesota – Mandatory CE on valuation bias during each cycle
  - New York (New) – “Fair Housing Requirements for Appraisers and Assistant Appraisers” - 7 hours of mandatory CE during each 2-year cycle
  - Virginia – 2 hours of valuation bias or fair housing

# Local Activity



**CHERELLE L. PARKER**  
9TH DISTRICT COUNCILMEMBER, MAJORITY LEADER



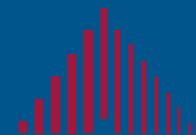
City  
Council  
PHILADELPHIA  
PHLCouncil.com

**PHILADELPHIA HOME APPRAISAL BIAS TASK FORCE  
FINAL REPORT AND RECOMMENDATIONS**



Office of Cherelle Parker, 9<sup>th</sup> District Councilmember | City Hall Room 577 | (215) 686-3455  
District Office: 1503C E. Wadsworth Ave., Philadelphia, PA 19150 | (215) 686-3454

 @CouncilwomanCherelleLParker  @CherelleParker9  @CherelleParker9  PHLCouncil.com



# Appraisal Institute®

*Professionals Providing Real Estate Solutions®*

## PAREA

- PAREA is an important part of efforts to make the appraisal profession look more like America
- Research has shown that African-, Asian-, and Hispanic-Americans have a disproportionately more difficult time finding supervisors
- AQB has reviewed several “Concept Papers” from potential PAREA developers

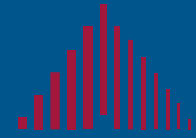


- **Practical Applications of Real Estate Appraisal (PAREA)**
- PAREA provides another pathway for aspiring appraisers to fulfill their experience requirements by taking advantage of innovative technology. PAREA is designed to offer practical experience in a virtual environment combining appraisal theory and methodology in real-world simulations. This experience can be provided through a wide range of online and virtual reality technologies.

The Appraiser Qualifications Board created the program as an alternative to the traditional supervisor/trainee model for gaining appraisal experience. To meet the experience requirements for the Licensed Residential and the Certified Residential credential level, a participant can now choose between PAREA or the supervisor/trainee model.

- **What is PAREA?**
- The [Criteria](#) and Guide Note for PAREA was adopted by the AQB on October 16, 2020 and became effective January 1, 2021. You can read the [exposure draft which led to the adoption of PAREA](#) and the revised [Criteria](#). Below are the [highlights](#):
- It provides an alternative to the traditional supervisor/trainee model.
- Participants complete all Qualifying Education prior to beginning program.
- Initially available for Licensed Residential and Certified Residential experience credits. Partial experience credit for the Certified General credential can also be awarded.
- When complete the participant is eligible for up to 100% of experience credit for Licensed and Certified Residential credentials.
- Providers and participants must complete training on all topics listed in the detailed content outline.
- Participants will receive periodic mentoring throughout, ensuring sufficient demonstration of experience and understanding prior to moving forward in the program.
- Participants will be required to produce USPAP-compliant appraisals within the program.
- Participants, successfully completing PAREA must also pass the national licensing and certification exam for the appropriate credential level.

- State uptake is gaining momentum
- ≈ 24 jurisdictions have adopted PAREA by statute or regulation
  - AK, AR, CO, DC, DE, FL, ID, IA, KY, LA, ME, MT, NC, NE, NH, NM, OH, OK, PA, SD, TX, UT, WA, and WV
- 10 additional states adopt the RPAQC by reference
  - AZ, MI, MN, MS, NJ, ND, RI, SC, TN and VT
  - PAREA should be accepted in these states by virtue of being in the RPAQC
- Illinois is still discussing
- AI is developing a PAREA program
  - BOD authorized up to \$2.5M
  - \$500,000 Pathways to Success grant from TAF
- 2023 Delivery commitment



# Appraisal Institute®

*Professionals Providing Real Estate Solutions®*

## Other Federal Legislation/Regulation

- **Portal for Appraisal Licensing Act-H.R. 5756/S.?**
  - Based on precedents recently enacted by Congress
  - Original Co-Sponsors: Ed Perlmutter (D-CO) & David Kustoff (R-TN)
  - Consistent with PAVE Act Action Plan Recommendation
  - Establishes a “cloud-based” nationwide licensing system for state appraiser certification/licensing
  - “One stop shopping” for licensing and renewals
  - Establishes consistent procedures for
    - Continuing education renewal time periods
    - Conducting a common background check for states that require one.

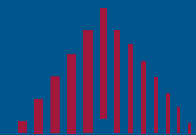
- Homebuyer Assistance Act-HR 3008
  - Introduced by Brad Sherman (D-CA) & Van Taylor (R-TX)
  - Allows licensed appraisers to perform FHA appraisals
  - 7 Hour verified FHA education requirement

- The Charitable Conservation Easement Program Integrity Act- S. 2256/HR 414
  - Bipartisan:
    - Senate Original Sponsors: Steve Daines (R-MT) & Ron Wyden (D-OR)
    - House Original Sponsors: Mike Thompson (D-CA) & Mike Kelly (R-PA)
  - The legislation imposes a limitation on the tax deduction for qualified conservation contributions made by certain partnerships if the amount of the contribution exceeds 2.5% times the sum of each partner's relevant basis in the partnership. This limitation also applies to other pass-thru entities, such as S corporations
- Added as an amendment to the Enhancing American Retirement Now Act-Passed Committee

- The Improving Access to the VA Home Loan Benefit Act- H.R. 7735/S.4208
  - If enacted, it directs the Secretary of the VA to prescribe updated regulations or program requirements to clarify when an appraisal is required, how an appraisal is to be conducted, and who is eligible to conduct an appraisal for a loan guaranteed by the Department of Veterans Affairs
    - Senate Original Sponsors Dan Sullivan (R-AK)
    - House Original Sponsor Mike Bost (R-IL)
- AVM Circular 26-22-13



- **Veterans Affairs Circular 26-22-13**
  - Clarifies when an appraisal is required for VA-guaranteed loans and announces new procedures for alternative valuation methods
  - VA will accept Exterior Only/Desktop If
    - Lender is approved to participate in the Lender Appraisal Processing Program (LAPP)
    - Purchase price does not exceed the current calendar year conforming loan limit
    - The dwelling is a single-family home that is not a manufactured home or condo not located on a leasehold estate, and not undergoing renovation
    - The Veteran is making a down payment of at least 20 percent of the purchase price; OR more than 7 business days have elapsed since the lender requested an appraisal and the case remains unassigned in VA's system.
  - Effective immediately

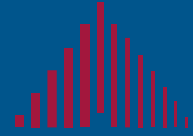


Appraisal Institute®

*Professionals Providing Real Estate Solutions®*

## Other State Legislation & Regulation

- Statutes of Repose enacted in Pennsylvania, Texas and Wisconsin
- Colorado, Connecticut, Minnesota and Texas passed laws or enacted regulations allowing appraiser evaluations
- Louisiana passed a law that re-establishes the LR credential
- Continuing to monitor employee vs. independent contractor matters



# Appraisal Institute®

*Professionals Providing Real Estate Solutions®*

Bill Garber

Director, Government & External Relations

(202) 298-5586

[Bgarber@appraisalinstitute.org](mailto:Bgarber@appraisalinstitute.org)

Brian Rodgers

Manager, Federal Affairs

(202) 298-5597

[Brodgers@appraisalinstitute.org](mailto:Brodgers@appraisalinstitute.org)

Scott DiBiasio

Manager, State Affairs

(202) 298-5593

[Sdibiasio@appraisalinstitute.org](mailto:Sdibiasio@appraisalinstitute.org)