

COLOR OF LAW Part II: EQUITABLE RESIDENTIAL APPRAISALS –
Five Part Webinar Series, LAI Global Initiative, September 2023 – May 2024,
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This brief Keynotes article provides an overview of the LAI COLOR OF LAW, Part II webinar series prompted by the 2017 book by Richard Rothstein:

<https://wwnorton.com/books/the-color-of-law>

PART II PROFILE – LINKS, DATES, PRESENTERS, AND EXECUTIVE SUMMARIES:

September 22, 2023: Dr. Junia Howell, Ph.D., Visiting Assistant Professor, Univ. of Illinois, Chicago (UIC) Webinar Link: <https://www.youtube.com/watch?v=hOp99UkPyvM>

Dr. Howell presents a ground-breaking analysis of a dataset of 32 million 2013-2022 residential appraisals from the US Uniform Appraisal Dataset (UAD). <http://www.juniahowell.com>

Her report “Appraised: The Persistent Evaluation of White Neighborhoods as More Valuable Than Communities of Color”, November, 2022, produced with co-author Dr. Elizabeth Korver-Glenn of Washington University, documented that neighborhood racial inequality in appraisal values has been growing significantly in the last decade: <https://www.eruka.org/appraised>

These findings confirm the reported case of a Baltimore couple who achieved widely different appraisal values for their home: <https://www.nytimes.com/2022/08/18/realestate/housing-discrimination-maryland.html>

The comprehensive report findings are summarized in this webinar as the following:

- Similar homes, located in neighborhoods with the same socioeconomic status and amenities in White neighborhoods are appraised as worth \$371,000 more than their counterparts in communities of color.
- Racial inequality in appraised values has increased 75 percent over the last decade. Not only is the racial gap in home values growing, the rate in which it is expanding tripled in the last decade.
- The pandemic exacerbated racial inequality in appraised values - In two years, the average home in White neighborhoods increased in value by \$136,000 - twice the appreciation communities of color experienced.

October 19, 2023: Lisa Desmarais, SRA, Vice President, The Appraisal Foundation. Uniform Standards of Professional Appraisal Practice, Ethics, and Appraisal Bias.

Webinar Link: <https://youtu.be/c2Y6lg84Hp4>

Lisa Desmarais, SRA is Vice President of Appraisal Issues at The Appraisal Foundation. She is the foundation senior staff regarding the work of the Appraisal Standards Board (ASB) and Appraiser Qualifications Board (AQB). She provides technical expertise for the organization and is the author of numerous articles and papers.

Her summary remarks are as follows:

- Bias and Discrimination - The biggest challenge facing profession:
 - 2020: Press reports & Public Trust
 - 2022: ASC and its NFHA Report
 - 2022: PAVE: Property Appraisal and Valuation Equity – Biden Task Force
 - 2022 – March - PAVE Report – Proposed Reforms
- Action: Forward Steps to Eliminate Bias and Discrimination:
 - Strengthening guardrails against discrimination
 - Comprehensive review of Ethics Rule
 - Retaining Relman-Colfax– Council to Advocate for Residential Equity “CARE”
 - Building a well-trained, accessible, and diverse appraiser workforce – offering alternative models for training to obtain experience.
 - PAREA modules in development - 32 states now accept PAREA. requirement.

PAREA - Practical Applications of Real Estate Appraisal:

- PAREA helps aspiring appraisers find supervisors.
 - We want appraisal profession to reflect the population of United States.
 - Our hope is that PAREA opens up the profession to a diverse new generation.
- PAREA: Participants must:
 - Complete all QE prior to entering a program.
 - 150 hours QE for Licensed - 200 hours Certified.
 - Produce USPAP compliant appraisals.
 - Complete the PAREA program for completion certificate.
 - Pass the national licensing exam.

December 1, 2023: Jim Park, Exec. Director, Federal Financial Institutions Examination Committee Federal Interagency Task Force and Property Appraisal & Valuation Equity Program – PAVE.

Webinar Link: https://youtu.be/O7j_rrPrFDc

The Federal Financial Institutions Examination Committee (FFIEC) is one of 13 federal agencies working to develop a transformative set of recommendations to root out racial and ethnic bias in home valuations.

Jim Park has served as Executive Director of the Appraisal Subcommittee (ASC) of FFIEC since 2009 and has been a leader in the PAVE initiative. He shares actions and recommendations of the Interagency Task Force from Subcommittee’s recent hearings.

The findings and recommendations of the task force are summarized in the Action Plan commissioned by the Biden Administration and released in March 2022: <https://pave.hud.gov/>

- Three Players: Appraisal Fdn., State Government, Appraisal Subcommittee
- 2021 Report: Membership 96% white, 29% female, 2.3% black, 6.0% Hispanic
- Appraiser Diversity Institute - \$5.0 million bank grant to implement.
- Industry is shrinking and aging – majority over 50 years of age.
- Fair Housing Training now being required – following PAVE report.

December 13, 2023: Craig Steinley, President, Appraisal Institute and Jonathan Miller, Miller Samuel, Inc.

Webinar Link: <https://www.youtube.com/watch?v=gN2gQPP7h8Q>

Mr. Steinley and Jonathan Miller collaborate on a dialogue on the issues impacting the appraisal industry, the lack of diversity in the profession, and the challenges involved in getting its members and practices to reflect the changing population of the country.

- Role of Appraisal Institute is to monitor and promote industry standards – starting in 1980's.
- Typical clients are lenders seeking valuations to guide financing decisions.
- Appraisal is the least diverse profession (BoL, 2021 Survey of 400 professions).
- Savings & Loan crisis prompted 1989 FIRREA legislation instituting “supervisor” and “trainee” programs, and The Appraisal Foundation.
- Supervisor/Trainee model delays income 2.5-3.0 years and encourages favoritism.
- 'Arm's Length' lender appraisals dominated by Appraisal Management Companies, who capture 50-70% of appraisal fees.
- Appraisal Diversity Institute has approved 500+ student scholarships for qualification education in last couple of years.
- Appraisal Institute supports new on-line PAREA for experience qualification. 100 students completed PAREA in 2023: 50% women, 35% ethnically diverse.
- More education is being instituted for current appraisers regarding anti-discrimination and bias, conscious and unconscious, through the 2024 USPAP standards

May 17, 2024: [National Fair Housing Alliance](#): Maureen Yap, Senior Counsel for Fair Lending and Shivaughn Ferguson, Senior Associate Director of Enforcement

Webinar Link: <https://www.youtube.com/watch?v=0aZrdnkZA-U>

The National Fair Housing Alliance is dedicated solely to ending discrimination in housing. Speaking for the Alliance, Maureen Yap and Shivaughn Ferguson,

collaborate on a dialogue on the challenge of appraisal bias and measures to address it, from the consumer's perspective.

LAI Philadelphia member Carlo Batts, principal of Rittenhouse Appraisals responds on the need to achieve diversity in appraisers over time, and for lenders to ensure qualified appraisers are engaged and evaluated, with fair compensation.

Rick Cook of LAI Vancouver provides an international perspective on the challenge of equitable residential appraisal for a Canadian First Nation.

NFHA recognizes that issue of disparate treatment and disparate valuations is a complex problem, and that it is not just at the feet of appraisers to solve this problem. The consumer experience is more than just a response to undervaluation, but also to timing, potential discrimination, and the ability to finance or refinance their home.- For many, 'whitewashing' to sell one's home is emotional and life-changing.

-An example of disparate impact is the sales comparison approach, which can apply a racially neutral policy, but have adverse impact on an individual or community in a protected class.

- Five recommended reforms for federal regulators:

- HUD to resolve 160+ consumer complaints alleging appraisal discrimination
- Issue exam procedures to oversee lenders & 3rd party appraisers to identify appraisal discrimination
- Release Appraisal Dataset to the public at the property level with protections for consumer privacy
- Publicly review barriers to entry to the profession, including the Supervisory Appraiser requirement
- Ensure appraisers receive comprehensive fair housing training, developed by fair housing experts

See link to NFHA slide presentation: https://www.lai.org/sites/default/files/keynotes/2024-05_nfha_appraisal_reform_presentation_to_lai.pdf

EPILOGUE:

The earlier LAI COLOR OF LAW PART I, a three-part series in 2021 is also on the LAI website: Event 1: Richard T. Ely, Homer Hoyt and Structural Racism, 2021-01-22, Presented by Ladale Winling and Peter Brown. Webinar link: https://youtu.be/MZ6aJNopS_M.

Event 2: Where Public Housing Got Located, 2021-04-16, Presented by Angela Brooks and Brad Hunt. Webinar link: <https://youtu.be/pmqra6kV2Pw>.

Event 3: Highway Removal, St. Paul, Austin, 2021-06-18, Presented by Heyden Black Walker and Nick Koch. Webinar link: <https://youtu.be/U2pPEwk83PA>.