

Appraisal
Institute®

*Professionals Providing
Real Estate Solutions*

Metro DC Chapter



APPRAISAL BIAS UPDATE & CHAPTER MEETING

MARCH 8, 2022



WELCOME

Presenters:

Ayako Marsh SRA, *AIDC President and President, A&B Real Estate Group*

Scott DiBiasio, *Manager of State and Industry Relations*

Mark Your Calendars

April 26 - Real Estate Update & Installation Dinner

April 28 - Introduction to Green Buildings: Principles & Concepts

June 8 - Marketability Studies: Advanced Considerations & Applications

October 3-4 - The Appraiser as an Expert Witness: Preparation and Testimony

December 12 – USPAP

December 13 - Business Practices & Ethics



KNOWLEDGE. | EXPERIENCE. | INTEGRITY.

Appraisal Bias: Appraiser's Guide

Ayako Marsh Miranda, SRA
President, A&B Real Estate Group
President, AIDC Appraisal Institute

Presentation Sources

- REI Groundwater Training
- Ashoka/Brookings Institution Collaborative Innovation Challenge: Valuing Homes in Black Communities
- Appraisal Institute, Bias Research Solutions Project Team

Recent Studies

Freddie Mac Study, *Racial and Ethnic Valuation Gaps In Home Purchase Appraisals*

The Brookings Institution, *The Devaluation of Assets in Black Neighborhoods*

Fannie Mae, *Appraising the Appraisal*

Federal Housing Finance Agency, *Reducing Valuation Bias by Addressing Appraiser and Property Valuation Commentary*

What is Appraisal Bias?

Appraisal

USPAP defines appraisal as the act or process of developing an opinion of value

Bias

Bias is a prejudice in favor of or against one thing, person, or group compared with another, usually in a way considered to be unfair

Appraisal + Bias

The direct connection of an appraiser's thoughts or beliefs to their opinions and conclusions



Groundwater

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Examples of Appraisal Bias: Case Studies

- ❖ ***Confirmation - Confirmation bias is the tendency to search for, interpret, favor, and recall information in a way that confirms or supports one's prior beliefs or values***

Appraiser based on their prior experience of assignments in a neighborhood have formed an opinion of probable value and seek data to confirm their existing belief

- ❖ ***Negativity – Holding on to a negative belief***

Appraiser holds onto their negative beliefs about a neighborhood and ignores data to the contrary

Appraisal Bias: Appraiser's Guide

Examples of Appraisal Bias: Case Studies (Continued)

- ❖ ***Similarity/Affinity – Sameness or the feeling of comfort that looks and talks like you. Appraiser trusts the validity and words of people that look like them over people that look different than them***

Appraiser assumes or gives benefit of doubt regarding recent updates to homeowner that looks and talks like him or her over homeowner that does not



Commercial Appraisal Reports

Examples of racial and ethnic references found in appraisals include:

- The residents in this neighborhood do not have the discretionary income to support this type of development.
- The racial makeup of the city was 86.28% white, 12.46% Black or African-American, 0.52% Native American, 0.22% Asian, and 0.52% from two or more races. 0.56% of the population were Hispanic or Latino of any race
- Describing that the subject property was in a "racially integrated neighborhood" but "the community has no large institutional anchor" comparable to other racially integrated neighborhoods noted in the city.
- Rising house prices were because of gentrification.
- A town was described as having a "Black race population above state average."

Proposed Guidelines/Self-Check Reports

- ✓ **Distance of Sales** – Search radius for comparable
- ✓ **Individual Adjustments** – Data support for individual adjustments
- ✓ **Condition Rating** – Similar to your peers
- ✓ **Reconciliation** – Reconciling adjusted sales at the lower range in Brown and Black Communities
- ✓ **Appraiser's Scorecard**– Ranking of appraisers (Uniform Collateral Data Portal-UCDP)
- ✓ **USPAP** – USPAP Compliant Report



Possible Solutions

Training – Mandatory bias training with Real World Appraisal Examples

Diversity/Inclusion– The number of Black appraisers is estimated at 2 percent nationally. Seek and Hire a diverse team of appraisers

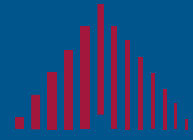
Individual Adjustments – Individual adjustments are to be performed using data support

Standard Appeal Process/Reconsideration of Value Standards – Develop standard procedure for responding to appraisal appeals or reconsideration of value that is fair and equitable

Conclusion

The issue of appraisal bias has been a topic of discussion over the past few years and there is an increase in the call for taskforce, studies and legislation to address the issue and regulate how appraisers appraise. It would be prudent of us as appraisers to begin to self-check our reports for potential bias and stay abreast of the proposed guidelines for our industry. The Property Appraisal and Valuation Equity (PAVE) Report is expected this month and will most likely set the standard for future legislation and guidelines.

THANK YOU



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Bias in Appraisals Diversity, Equity, and Inclusion

D.C. Chapter
March 8, 2022

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*

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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.

Morning Mix

A Black couple says an appraiser lowballed them. So, they ‘whitewashed’ their home and say the value shot up.

 Listen to article 4 min

By Jonathan Edwards

December 6, 2021 at 7:22 a.m. EST



Paul Austin and Tenisha Tate-Austin talk to a reporter in February about how they believe an appraiser lowballed their home's value because they're Black. (KGO)



Paul Austin said he felt good as the appraiser roamed his Northern California home last year, ticking off some of the \$400,000 worth of improvements he and his wife had made to the property.

The appraiser noted the new fireplace, Austin told a [state reparations task force](#) in October, mentioned a room they'd added and complimented the view from the new deck.

So Austin and his wife were shocked when the appraiser pegged the value of their Marin City home in the San Francisco Bay area at \$995,000, far lower than previous appraisals.



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

Black homeowners allege appraisal bias in Prince George's County



Some Prince George's County homeowners claim their homes are being devalued because they live in majority-Black neighborhoods.

Bankrate

Mortgages

Banking

Credit cards

Loans

Investing

Home equity

Insurance

Retirement

Sign in

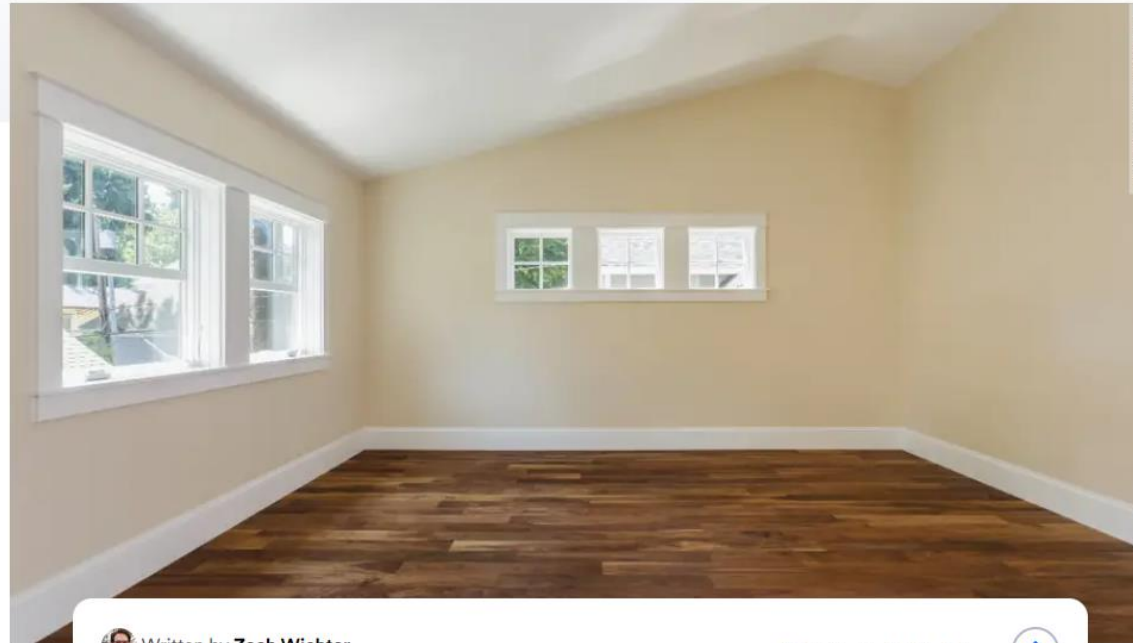
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MORTGAGES

[Advertiser Disclosure](#)

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



Mint Images/Getty Images

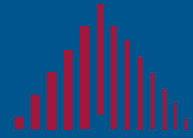


Written by **Zach Wichter**



Edited By **Bill McGuire**





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Appraisal Disparities: Biden Administration Response

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.

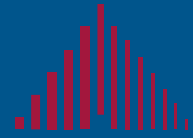
- Scope of Work
 - Ensuring that government oversight and industry practices further valuation equity.
 - Combating valuation bias through consumer education and practitioner training.
 - Ensuring equity in valuation through the availability of high-quality data.
 - Creating a comprehensive approach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

- **Core Objectives**

- Coordinating efforts to evaluate and identify the extent of, causes and factors that contribute to the persistent mis-valuation and devaluation of assets. This includes evaluating issues related to biased appraisals in mortgage transactions and Automated Valuation Models (AVMs).
- To the greatest extent feasible, coordinating agencies' guidance, enforcement efforts, and monitoring authority. This may include reviewing of valuation related authorities enforced by federal entities, determining areas of commonality and conflict, and creating a framework for appropriate information sharing among agencies with enforcement authorities regarding coordinated enforcement and compliance, respecting enforcement independence.
- Leveraging the authority of the Appraisal Subcommittee to strengthen oversight of the Appraisal Foundation, encourage diversity of State Appraisal regulatory agencies, and create opportunities for transparent data sharing.
- To the greatest extent feasible, coordinating data collection and reporting, maintaining data repositories (contingent upon feasibility and legal opinion).
- Recommending and implementing actions within agencies' authorities, including concrete steps that federal, state, and local governments and industry will take as expeditiously as possible.

Biden Administration

- Property Appraisal and Valuation Equity (PAVE) Task Force
 - Potential Regulatory Changes
 - Legislative Recommendations



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Appraisal Disparities: ASC Projects

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.



“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

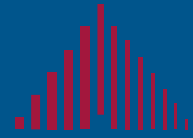
- Key Findings
 - Questions About the Governance of the Appraisal Industry
 - Gaps in Fair Housing Requirements and Training
 - Barriers to Entry Into the Appraisal Profession
 - Compliance and Enforcement

- 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

- 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



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Appraisal Disparities: GSE Activities



Economic & Housing Research **Note**

SEPTEMBER 2021

Racial and Ethnic Valuation Gaps in Home Purchase Appraisals¹

“Appraisal is one piece of a larger ecosystem, and appraisal groups are working alongside consumer groups, real estate brokers and agents, banks, government agencies, think tanks and others to explore where housing inequities may stem from and what combination of solutions should be considered. What is important is understanding, knowledge and guidance on how to recognize and interrupt it when it occurs.” – Rodman Schley, 2021 Appraisal Institute President

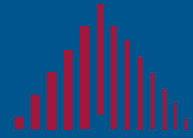


Appraising the Appraisal

A closer look at divergent appraisal
values for Black and white borrowers
refinancing their home

Jake Williamson
Mark Palim
January 2022





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Appraisal Disparities: Enforcement

- Well over 100 Fair Housing Act complaints
- Several have resulted in Conciliation Agreements
- Does HUD/FH have the ability to investigate these types of complaints?
- “Well, I just won’t provide services in those neighborhoods.”

Fair Housing Enforcement



Case 3:21-cv-09319 Document 1 Filed 12/02/21 Page 1 of 26

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10
11 Attorneys for Plaintiffs

12 UNITED STATES DISTRICT COURT
13 NORTHERN DISTRICT OF CALIFORNIA
14

15 TENISHA TATE-AUSTIN; PAUL
16 AUSTIN; and FAIR HOUSING
ADVOCATES OF NORTHERN
17 CALIFORNIA,

18 Plaintiffs,

19 v.

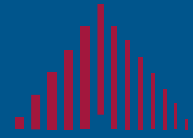
20 JANETTE C. MILLER; MILLER AND
PEROTTI REAL ESTATE APPRAISALS,
INC., AMC LINKS LLC;
21 Defendants.

Case No.

**COMPLAINT FOR INJUNCTIVE,
DECLARATORY, AND MONETARY
RELIEF; JURY TRIAL DEMAND**

22
23 **INTRODUCTION**

24 1. Plaintiffs Tenisha Tate-Austin and Paul Austin, an African American couple,
25 invested in the American dream. In December 2016, they purchased a house in Marin County,
26 California and moved into their house with their minor children. After spending thousands of
27 dollars on renovations that increased the square footage of the house and upgraded many features,
28 and beginning renovations on an accessory dwelling unit, the Austins sought to refinance their



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Appraisal Disparities: Industry Responses



Supervisor Sponsors	Advisor Sponsors	In-Kind & Event Sponsors
Accurity Valuation	Clear Capital	Clear Capital
Better Mortgage	Corelogic	Corelogic
Corelogic	HF Appraisal Ltd.	JPMorgan Chase
HF Appraisal Ltd.	Jack Poe Company, Inc.	Solidifi
Jack Poe Company, Inc.	Solidifi	The Appraisal Foundation
JPMorgan Chase	Valligent	
Valligent		

- “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.”

- Over 143 scholarships awarded to date
- ≈ 17 have completed the QE to become a Trainee
- ≈ 14 have already been placed with Supervisors
- Next orientation webinar April 21

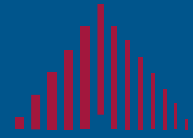
- PAREA is an important part of efforts to make the appraisal profession look more like America
- Research has shown that African-, Asian-, and Hispanic-Americans have a disproportionately more difficult time finding supervisors
- AQB has reviewed several “Concept Papers” from potential PAREA developers

- **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
- ≈ 29 states have adopted PAREA
 - 15 of those states, including TX, adopt the RPAQC by reference
- AI is developing a PAREA program
 - BOD authorized up to \$2.5M
 - \$500,000 Pathways to Success grant from TAF
- 2023 Delivery commitment
- AQB approval should be sufficient
- State overlays/less than 100% credit defeats the intent & purpose

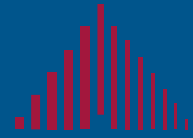


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Appraisal Disparities: Federal Legislation

- Real Estate Valuation Fairness and Improvement Act (HR 2553) – Precursor to PAVE
- Homebuyer Assistance Act (HR 3008) – FHA & Licensed Appraiser allowance
- Housing Fairness Act, H.R. 68/S 769



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Appraisal Disparities: State Legislation & Regulation

- California – “Fair Appraisal Act”
- Illinois – Task Force
- Maryland – Task Force
- Minnesota – Continuing Ed.
- Virginia – Continuing Ed.

[About Black Homes Matter](#)[Resources](#)[Know Your Rights](#)[Relevant News](#)

Dismantling Racial Bias in Home Appraisals

Racial appraisal bias is a pervasive issue that has long contributed to the widening wealth gap for Black families across America.

Black Homes Matter is a movement led by the Fair and Unbiased Appraisal Advocates (FUAA), a coalition of community leaders, realtors, elected officials and other concerned citizens across Prince George's County, MD.

Together, we are working to bring fair and unbiased appraisal practices to Prince George's County and to communities everywhere.

Appraisal Bias in Numbers.

HOUSE BILL 1097

HOUSE BILL 1097

3

N1

2lr1402

By: Delegates Holmes, Amprey, Anderson, Attar, Atterbeary, D. Barnes, Bartlett, Boyce, C. Branch, T. Branch, Bridges, Brooks, Carr, Charles, Crutchfield, Fennell, Harrison, Henson, Hill, Howell, Ivey, R. Jones, Landis, R. Lewis, Prettyman, Proctor, Queen, Rogers, Sample-Hughes, Toles, Turner, Valderrama, Walker, Washington, Wells, Wilkins, and Williams

Introduced and read first time: February 10, 2022

Assigned to: Environment and Transportation

A BILL ENTITLED

AN ACT concerning

Task Force on Property Appraisal and Valuation Equity

FOR the purpose of establishing the Task Force on Property Appraisal and Valuation Equity to study the misvaluation and undervaluation of property owned by minorities; and generally relating to the Task Force on Property Appraisal and Valuation Equity.

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That:

(f) The Task Force shall address the persistent misvaluation and undervaluation of property owned by minorities by:

(1) studying strategies and actions that will:

(i) help ensure that governmental oversight and industry standards and practices further valuation equity;

(ii) increase training of appraisers to combat valuation bias;

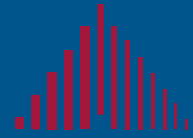
(iii) remove barriers to entry into the appraisal profession by minorities;

(iv) assist in the development of a model for a meaningful reconsideration of value process; and

(v) reduce or eliminate bias related to automated valuation models and alternative property valuation methods; and

(2) identify legislative or other policy recommendations that will provide a comprehensive and coordinated approach for reducing bias in valuations, through enforcement, compliance, or other methods.

- Ohio (OAC 1301:11-3-02, -03)
 - Since 2008 - “One course devoted exclusively to federal, state, and municipal fair housing law”
 - 3 hours as part of QE for all credentials
- New York (19 NYCRR § 1103.2)
 - Since 2010 – QE Course on “Fair Housing/Fair Lending and Environmental Issues”
 - 15 hours; Not required of Appraiser Assistants or Licensed, Elective for Cert. Res., mandatory for Cert. Gen.
- New York (New) – “Fair Housing Requirements for Appraisers and Assistant Appraisers”
 - 7 hours of mandatory CE during each 2-year cycle



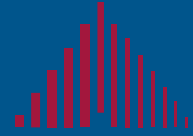
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Appraisal Disparities: AI Responses

Bias/D, E, & I Strategy

- BOD commissioned a D, E & I Action Plan
- The profession MUST be pro-active
- If industry is not pro-active, “solutions” will be dictated
- Mandatory CE on valuation bias – explicit, implicit, systemic – must be on the table
- Let the fair housing & discrimination agencies do their jobs
- State appraiser agencies should stick to USPAP compliance
- Appraiser discipline should come on the back end



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