

Office of Housing Counseling

2022 Community Conference

**Office of Fair Housing and Equal Opportunity's PAVE Taskforce
Spotlight**

Tierra Howard: Good afternoon. And welcome to the "Office of Fair Housing and Equal Opportunity's PAVE Taskforce Spotlight" session. My name is Tierra Howard with ICF. And before I introduce the speakers for this session, I'd like to provide instructions for how to submit questions.

Submit any technical questions via the Zoom chat box. You'll just need to make sure that you select host before sending the message. And then you submit that into the chat box. Any question and answer, so any questions that you would like answers to, you submit all of those content related questions into the Zoom Q&A box. And you'll want to make sure that you select host, presenter, and panelists.

So Melody Taylor is the Executive Director of the PAVE Task Force, HUD FHEO Acting Associate Deputy Assistant Secretary of Enforcement and Program Compliance. And Melody, if you want to speak a little bit about yourself, now's the time.

Melody Taylor: Well, sure. Again, Melody Taylor. And really glad to be here with you today. I was appointed as the executive director of the taskforce, the Property Appraisal Valuation and Equity task force. You know, government, we do talk in acronyms. In July of last year, so in July of 2021, I am and have been with the Office of Fair Housing for approximately 20 years, and have done fair housing work for about that period of time. Or actually a little longer.

And just a little known fact here, I started my fair housing career working with David Berenbaum. And you know, over the course of years we've forged quite a partnership in doing fair housing work across the spectrum of federal and nonprofit work. So David, I'll turn to you.

David Berenbaum: Melody, it is wonderful to be here with you, and to talk about the important work that you are doing. And it's not the first time that you and I have engaged on the issue of appraisal and valuation. And it's just a sad fair issue, fair housing, fair lending issue, like so many in our society that just stick with us over the years.

I want to kick off by just simply congratulating you for your leadership, working with HUD Secretary Fudge, and all of the federal agencies on the PAVE initiative. It has had tremendous impact. Did you introduce yourself to everyone? Everyone knows your background, your title? Wonderful. Okay.

Melody Taylor: I did. Yes.

David Berenbaum: Thanks so much. All right. So today we're going to really dive deep into what this whole valuation issue is about, why PAVE was something that the president asked Secretary Fudge and HUD to play a leadership role on. And Melody, as the executive director of PAVE within HUD, has just tremendous knowledge of the program.

But I'm also happy to share with you that we in the housing counseling community will be playing a critical role moving forward. And that's part of what we're going to explore in this informal conversation between Melody and I. Melody, are you ready?

Melody Taylor: I think so. We can get started.

David Berenbaum: Okay. Great. So from your perspective, Melody, what is the importance of the PAVE taskforce? How does it impact on our communities?

Melody Taylor: Sure. Just a quick backdrop to PAVE. As you mentioned, David, that the president on July 21st of last year during the centennial of the Tulsa race massacre, appointed Secretary Fudge and domestic policy council ambassador Rice to co-chair this task force. And the purpose was to root out bias in the appraisal process, but to also document the causes and consequences of appraisal bias within 180 days.

The importance of this, there are several reasons why it's important. And just a few notes. So today the median white family holds eight times the wealth of the typical black family, and five times the wealth of the typical Latino family. And so homeownership remains perhaps the biggest driver of wealth gap that reflects a wide racial and ethnic disparity in our communities as it relates to homeownership, and then the financial return associated with owning a home.

David Berenbaum: And that is so critically important. I mean if we look at issues that have really been prevalent, and it's not simply from today, but we can step back in time. We can go back to when FHA was created. We can go and look at underwriting standards that were used across housing finance. The whole issue of redlining and how valuation has been approached during the financial crisis. We are so sensitive to the fact of how in fact homes that were predominantly African American, Latino, or low to moderate income areas, how they were impacted by issues with regard to what I'll describe as motivated self-interest at times as was described within the industry.

How valuation has impacted on communities of color, as well as the elderly as well over generations, decades of intergenerational wealth lost, some would say stolen. And what's critically important as well as we're looking at these issues, is I believe that we've shared where the PAVE report and the action plan is located. It's at pave.hud.gov, for folks who would like to look at it. It's a must read.

But I'm curious, Melody, from your perspective, the recommendations have really had some positive impact already. We're seeing some actions being taken by industry. I was recently at a National Association of Realtors conference in the Washington, DC area. And I was speaking with one of their equal opportunity committee. But the theme of the entire conference was about in fact fair housing, fair lending, and access, with a focus on valuation. So the work is having impact. What impacts do you see?

Melody Taylor: Yeah. I think first of all it's been great that the report has been widely received. And as you just mentioned, realtors association, independent appraisers, appraisal management

companies, academics, researchers, it's been widely received, which has been a huge impact to catalyze some of the rich dialogue that we've been able to have around the issues.

But more importantly I think we've been able to hone in on several areas that I believe create some transformative reform in the appraisal lending world around this work, right? And so first and foremost, because I come from an enforcement background, accountability and governance is critical as we move forward. But the consumer side of this, making sure that consumers are armed with information to increase their awareness, but also to have them pay attention to transactional things as it relates in the home buying process, right?

And so one of the key components of what we talked about, and we gained some support from industry as well, is reconsideration of value, right? There currently isn't a true process or guidance around that. And so one of the key elements of the report identifies the guidance and policy initiatives around that should be created.

The access to the industry, again I think no secret that the appraisal industry is 97 percent. That's a number that's been floating around for well over a year or two years, that 97 percent of the industry is predominantly white male dominated. And the notion that people need to know the communities in which they're giving valuations on. And so one of the commitments in the report is to work in tandem with industry to find ways and mechanisms to increase opportunities for people of color, women, and in rural America and other communities across the country to gain access to the industry.

And I'll finally say one of the big points -- I'm talking long, but I'm supposed to. But the issue of data and the importance of data that helps to drive the direction that we move forward as we're working through reform was one of the big tickets that again internal to the federal agencies that participated in this, it resonated. But it also resonated with industry.

And some of the recommendations were systems that are likened to [inaudible] the data, or appraisals for example. The aggregation of data, you know, across the federal spectrum, and then important to industry and the public at large is access to this information from a public perspective.

David Berenbaum: From my own engagement with the appraisal industry, many acknowledge that valuation professionals were being asked in the then existing what was called hub and spoke model, to ensure that there was an arm's length transition for the valuation versus origination of a loan. There was a general recognition that in many cases appraisal professional were being asked to do valuations in communities that they were not familiar with. And while they could look at recent sales, that absence of familiarity with the community influenced some of the valuations.

Now I say that because I know there's a trend -- and for our audience, this is a fresh question, this is just coming at Melody. So Melody, forgive me for doing this, but I'm thinking about what you're sharing with me. There's been a reliance of course on the use of automated valuation models or the new technologies to determine valuation.

There are some who would say, garbage in, garbage out. That some of these systems perpetuate institutionalized appraisal valuation disparities. And that's a complex issue. I'm the first to acknowledge that. I think housing counseling professionals have a role here. I think the industry has a role here. How do we move forward together to -- these are complex issues.

Melody Taylor: So I think, first and foremost, the dialogue around it, you know, just being in the fair housing world we recognize, as you said, garbage in, garbage out. We recognize that zip codes matter, right, in the credit world and credit scoring. We see it across the spectrum. And this is no different.

And so part of what the task force identified is that we have to make sure that Fannie, and Freddie, and others engaged in this process, have responsible, sound, and safety measures in place to evaluate their automated system, to ensure that garbage doesn't go in, right, and garbage is not baked into -- or bias is not baked into the process, that would then again render a undervaluation in communities of color.

David Berenbaum: Yeah. So important. So important. I think many in our [inaudible] who are viewing, actively participated in our collective effort through the National Fair Housing Training Academy, to really focus in on the opportunities for collaboration between housing counseling agencies, and the private not for profit fair housing groups, and of course the public fair housing organizations across the country.

I think that was a very productive effort on our part. Because often the housing counseling community is literally on the front lines working with prospective homeowners. Or for that matter also getting a call from sellers that they feel something isn't quite right with what's happening with the listing and sale of their property. Because the whole valuation issue comes in really on both sides of the equation.

I mean stepping back for a moment to the fair lending issue of block busting. I mean that was a much simpler issue at the time. It was horribly discriminatory. But really it was word of mouth, and white flight, and other issues, to undervalue homes particularly when they were owned by individuals of color, families of color in a community. And then of course when the homes were resold, they were sold at a much higher, much appreciated price to a white family. Hence block busting and the whole issue.

But when we look at valuation and appraisal, the impact on a family's net wealth is very similar in approach to what's happening -- you know, making that analogy to block busting. So for our counselors, for our practitioners who are in our audience right now, what are some issues that potentially could present themselves, that they should be sensitive to around this issue as they're counseling a consumer, either for the sale or purchase of a home?

Melody Taylor: So again, I go back to the increasing awareness, right, and giving consumers a sound education on where appraisals happen in the process. It's emotional. It's very transactional. And at the point that you're wanting to get to an end, to become that homeowner and get your keys to your new home, some may not pay attention to the valuation process and the issues that it could create for long term wealth gains, the transfer of wealth, equity building, not just for the

individual, but for the community at large, right, something that we raise in the report surrounding the compounding effect of devaluation in communities is a big deal.

And so I think housing counselors can really and have a very unique opportunity to raise awareness, and to make sure that consumers have a good understanding of value in their communities. You know, the whole sales comparison approach, right? Making sure that as a consumer, what are the sales values in the communities in which you're going to purchase. So that you have some comparative data going into this transaction knowing what your property should be valued at, or opportunities that I think that we could educate consumers around.

David Berenbaum: I'm really pleased that you and the members of the PAVE task force within HUD reached out to the Office of Housing Counseling to discuss how we could move forward to really educate and sensitive the housing counseling community to the issue of appraisal bias. And what is responsible valuation, which is equally important. We want to celebrate that each and every time there is a professional appraisal that's on point that's done.

We in the PAVE document has some responsibilities. Would you care to speak to those? I'm happy to. Whatever you'd like to do.

Melody Taylor: We can play ping pong with that.

David Berenbaum: Okay.

Melody Taylor: But what I will say about it is that, you know, it's a one HUD approach. And that the commitment that's born in the report gives us a great opportunity for collaboration. Prior to the report we've collaboration with their office. But I think that there are even greater opportunities to do so.

And one of the recommendations in the report speaks to and calls out creating appraisal bias training modules for first time home buyer education and providers to use during the course of their first time home buyer education classes. I'd flip the script, David, and ask you a question.

David Berenbaum: Sure.

Melody Taylor: And based on that particular commitment, how do you see this playing out in the housing counseling process? And how do you think we can best support from a fair housing perspective support this initiative so that it becomes something that's not just discussed, but we actually implement it?

David Berenbaum: Really good question. I see several responses to that. I'll throw a compliment FHEO's way. I have always been very impressed by the national education and outreach campaign, to sensitive the general public to their fair housing rights, and what to do if they encounter discrimination.

The Office of Housing Counseling, as you know from HUD's strategic plan, is also preparing to pursue and launch a national education outreach effort to sensitive the public to the availability

of HUD's housing counseling organizations and our HUD certified counselors. And we're looking forward to that announcement a little bit later this year as we move through our internal processes.

But there is a connection, a synergy between our office's priorities and of course HUD's priority of ensuring housing equity and racial equity in everything that we do. And so we already are discussing, and in fact it's been a theme of this conference, one of the most effective ways of reaching these market segments, underserved populations, and in the case of FHEO protected class members as well. That's one step.

The other is we're also looking and beginning a discussion about updating our entire industry's best practices. They were developed over a decade ago by NeighborWorks America, in concert with a number of other public and private sector participants. And they are in many ways still very strong, but across many areas need to be updated.

One of the areas that we're looking at reactively as we convene and begin to discuss new group coming together and updating best practices, is as you noted, creating valuation modules so that our counselors in turn can have a best practice approach to educating their stakeholders and consumers. And I think that's going to be a very significant effort in the coming months as we move forward.

And then last we've already begun the process working with you and working internally to plan our own subject matter trainings through our office of outreach and capacity building on this subject. And we are very committed to following through on the action plan that has been adopted within HUD on PAVE, and working closely with FHEO.

It's my hope as well that we can bring in appraisal practitioners, professionals who are subject matter experts, who really can get into the weeds, and share their insights and subject matter expertise with our housing counselors. So that when something isn't quite right, our counselors will know to raise some fair housing, fair lending questions, and as appropriate guide the consumer and perhaps refer them to FHEO or [inaudible] organization.

Melody Taylor: That's outstanding. And I'll just add to that, you know, with our fair housing initiative program agencies, a number of which are -- and participate in providing housing counseling as well. And so as we're leveraging our partnerships internal to the government, I'm encouraging housing counselors to partner external to the government with your fair housing initiative program agencies, and fair housing assistance program agencies. Because they too are doing this work as well.

David Berenbaum: Yeah. I will share, working within the Office of Housing, that is where the Office of Housing Counseling is located, I'm also very pleased that the FHA has required fair housing, fair lending training for valuation professionals working with the FHA, as well as issued a mortgagee letter on the issue as well. These are initial step forwards, but they send a very important message about the importance of this issue to the Department of Housing and Urban Development.

I'd like to allow some time for us to respond to some questions from our audience. So Tierra, I know you've been watching the Q&A board. Is there anything you'd like to share with us?

Tierra Howard: Yes. Someone asked, has there been any conversation about marketing and encouraging BIPOC into the appraisal field?

David Berenbaum: So Melody, let's talk about diversification of those professionals again.

Melody Taylor: Sure. So I'll do a replay here. Again, we're well aware during the course of this production of the action plan, that the industry does not represent the communities in which many appraisers serve. And so one of the commitments in the report, we are working in tandem with the appraisal subcommittee, with the Department of Labor in fact, to think through opportunities to create apprentice programs.

There's current legislation that introduces additional funding to support the appraisal subcommittee in offering grants across the country for states to be able to create pilot programs that will serve to create diversity and increase access to the industry. In fact, I was just made aware that the state of Mississippi, who's a participant of the grant program, in fact are graduating a cohort of 17 appraisers, diverse group of appraisers, towards the end of this month.

And the interesting point I'd like to make about that, so in parts of the country where rural America, you know, some places don't even have appraisers. Mississippi spoke of counties within their state where they don't have appraisers that exist to do this work. And so they work in tandem with the appraisal subcommittee to pilot a program, and again will be graduating a team of 17 appraisers that will be introduced to this profession. So those are some of the efforts that we're working on nationally to be able to increase diversity.

David Berenbaum: That's marvelous. Congratulations. I think this could be a very proud moment for that group, that cohort of new valuation professionals.

Melody Taylor: Yes. Absolutely.

David Berenbaum: Tierra, anything else?

Tierra Howard: Sure. Someone asked, is there a guide for housing counselors to promote consumer protection?

David Berenbaum: So that's a great question. And in fact there are a number of resources on the HUD Exchange. And I'll also add, also on the CFPB website, and also the federal trade commission website, from a fair housing, fair lending perspective, also we have a host of materials from FHEO available, I believe on the HUD Exchange as well. Is that correct, Melody?

Melody Taylor: That's correct.

David Berenbaum: Yeah. So feel free to reach out to us if there's a particular area you're looking into. But I know we have put together a really robust source of information on a number of fronts. And we look forward to continue to update that group of resources.

Melody Taylor: And I'll just add a shameless plug here, at PAVE at hud.gov, on that website. So we've linked to CFPB, to the appraisal subcommittee, and to -- there's information regarding each of the states and their processes for filing complaints, etc. So that's a good source of information as well. And I think we'll share it towards the end of this presentation.

David Berenbaum: Melody, I know we're running out of time, but I also just want to commend you. Because what was the total number of agencies that were a member of the PAVE effort?

Melody Taylor: Yes. There were 13 federal and independent federal agencies that participated in this.

David Berenbaum: Yeah. And your efforts working collaboratively with them in a very short period of time really complied with the president and HUD Secretary Fudge's request to bring this in quickly due to the importance of the issue. So congratulations again for all of the good works that you have done.

We're going to end on time today. Tierra, I'll turn it back to you. And Melody, thank you for spending time with the housing counseling community today.

Melody Taylor: Sure. Thank you so much for having me.

Tierra Howard: So the next couple of slides are resources, additional PAVE and NFHTA resources. Here you'll be able to link to the PAVE website at hud.gov. Then also the website on the HUD Exchange for National Fair Housing Training Academy Forums, housing forums. And you'll see some of the subject examples here.

And then this next slide is to continue the conversation on Whova. And David, if you want to go over Whova and just let the folks know how they can connect here, that would be great.

David Berenbaum: Well Whova is a downloadable app. I know everyone in their inbox have received emails about Whova as well. I must say, some of our conference attendees are just, my goodness, they are using the tool, it must be every moment that we're all together. Because the questions are just building upon each other. The discussions are wonderful. They cover the gamut of all the areas we're touching base, the conference on. As well as people asking for assistance for real life issues they're dealing with in the counseling field.

So please take advantage of it. Take advantage of the resources there. You can of course view all of the programs through Whova as well on Zoom. And I just want to thank ICF for their connecting us with this terrific resource that I think people really have felt more connected on in a virtual environment.

Tierra Howard: Thank you. And if you would like to stay connected, we have the event web page here. You can also find us at www.hudexchange.info/counseling. And then also you'll be able to see the email address here where you can contact us with any questions. And this is a list of the upcoming sessions today.

And then we just want to once again, to echo David, thank you for attending today. We appreciate your time. Thank you to Melody and David.

David Berenbaum: Thank you very much.

(END)