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NATIONAL FAIR HOUSING FORUM

Collateral Damage: The Consequences of Racial Bias in the Residential Appraisal Process

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Speakers: Cashuana Hill, Executive Director, Louisiana Fair Housing Action Center; Peter Christensen, General Counsel, LIA Administrators & Insurance Services; Andre Perry, Senior Fellow, Metropolitan Policy Program, Brooking Institute, Lisa Rice, President and CEO, National Fair Housing Alliance; Jillian White, Head of Collateral, Better.com; Robert Doles, Director, Office of Systemic Investigations, Office of Fair Housing and Equal Opportunity

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CASHAUNA HILL [0:00:01]: We're very thankful that you all are taking the time to join us today and I do want to note that this forum features information and examples of the speakers and the comments you hear today do not necessarily reflect the policies of HUD. Before we get started, we're going to take just a moment to review some technical tips and instructions regarding today's event.

TECHNICAL HOST [0:00:31]: Thanks, Cashauna. First, we do recommend you close out your email and other programs that may affect the streaming of this event. If you are having technical difficulties with audio or video, we recommend that you first sign out of the webinar and sign back in. If you're still having problem trouble after that, we ask that you request help in the Q&A box which is located on the Zoom panel at the bottom of your screen.

For this event, you can choose for your audio to come through your computer speakers or through your phone and to adjust from one to the other you click the caret above the mute button on the bottom left of your screen. Once there just click the switch to phone audio button and follow the prompts to select your preferred audio source. To foster some engagement, we'll have some more polls. The polls will appear on your screen, and you can select the appropriate response and click submit.

We also encourage you to ask questions and you can do so by selecting the Q&A button on the Zoom panel. We may not be able to respond to every question today. And I'd also like to note that today's NFHTA event is 508 compliant. We have dedicated sign language interpreters.

We also have closed captioning available during this event. If you'd like to access the closed captioning, you can do so by clicking the closed caption button at the bottom of your screen and then click to show subtitles.

This webinar is scheduled for two hours and is being recorded. The recording and the transcript will be made available on the NFHTA website, along with resources that supplement today's conversation. HUD encourages to you regularly visit www.HUDexchange.info/NFHTA.

MS. HILL [0:02:28]: Great. So, we'll continue to move forward with another poll question. So, this third poll question is how much do you know about the home appraisal process? So, this is another multiple-choice question, and your choices are a lot, some, a little, no knowledge.

And again, it looks like we have a great mixture of experience levels. So, we have about 11 percent of the attendees who thinks that they know a lot about the appraisal process. We have 38 percent of attendees who think they know some about the appraisal process. 38 percent of attendees think they know a little about the appraisal process, and then 13 percent of attendees think they have no knowledge of the appraisal process.

So, I do want to point out that you can find a great flow chart that discusses the home appraisal process at the NFHTA website, at the resource page, and again you can find that at HUDexchange.info/NFHTA. So, it's a really handy guide and a resource. I think it might be useful even for those of you who know a lot about the home appraisal process. But this is something that you can feel free to refer to and we hope that it will be helpful in your work going forward.

We're going to take just a moment to review the learning objectives of today's session before we get into our conversation. It's been really great to hear directly from individuals like you all across the country who are working on the ground to advance racial equity and fair housing.

We truly appreciate all the feedback that you have given. Today in this session, we will understand the history of appraisal valuations in communities of color and its impact on those residents and communities. We will also by the end of the session understand the Fair Housing Act's provisions for nondiscriminatory appraisals of dwellings. We will identify how discrimination may occur in the appraisal valuation process. We will explain the impact of discriminatory appraisals on generational wealth. And we will identify the methods by which a discriminatory appraisal may be challenged.

So we'll now move on to our final poll, and you can see this last question coming up on your screen. The question is in your opinion, what is the biggest impact of appraisal bias on our nation? One, the impacts on generational wealth. Two, undermining the integrity of home valuations. Three, keeping home ownership low for communities of color.

And as we have our results coming in, it looks like 48 percent of the attendees today believe that the biggest impact of appraisal bias on our nation are the impacts on generational wealth. 16 percent believe that the biggest impacts of appraisal bias on our nation is that it undermines the integrity of home valuations. And 37 percent believe that the biggest impact of appraisal bias is that it keeps home ownership low for communities of color.

So, thanks again to everyone for participating in the polling. And at this time, I'm going to move us into what you all came for, that's the discussion with our panel speakers. We are very eager to learn today from the experiences of the speakers whose bios are available on the forum page of the NFHTA website. Joining us today we have Peter Christensen, Dr. Andre Perry, Jillian White and Lisa Rice.

Peter Christensen is an attorney and has been a member of the California Bar since 1993. He is the general counsel of LIA Administrators & Insurance Services in Santa Barbara, California. Dr. Andre Perry is the senior fellow in the Metropolitan Policy Program at Brookings, a scholar in residence at American University, and a columnist for the Hechinger Report. Lisa Rice is the President and CEO of the National Fair Housing Alliance, the nation's only national civil rights agency solely dedicated to eliminating all forms of housing discrimination. Jillian White is a 17-year veteran of the appraisal industry, a SRA designated appraiser, and a former NYS appraisal board member.

As the forum proceeds, I will ask a few questions of each panelist, and then open it up to other panelists for additional comments. I also want to remind you all that everyone in attendance today will have the opportunity to submit questions that we will address in today's event. You can submit questions at any time via the Q&A box.

During the question and answer section of today's event, after the panelists have all presented their information, Robert Doles, Director of FHEO's Office of Systemic Investigations, will join us to answer questions from HUD's perspective, and to ask questions of the panelists as well.

So, I do encourage you all as we're going throughout today's conversation to be thinking of questions that you would like to ask our panelists and do feel free to post them into the Q&A box.

As Peter gets ready to bring up his slides, I just want to take a moment and say Peter, we're very excited to have you here today. You know, in the previous conversation that we had hosted by the NFHA, it was really great to have your legal expertise and that legal perspective. And I would say that many of us who may work at agencies, investigating claims of appraisal discrimination were even more interested now, I think maybe even than we were during the first conversation, in what the legal avenues for recourse are.

You know, I know that my attention in particular has really been piqued by what's going on, the case that the Fair Housing Center of Central Indiana is bringing with regard to the discrimination that an African American homeowner there experienced.

And so I think the time and the moment is even more ripe for this information than it was just a few weeks ago, and so we're very excited to hear what you have to share today, and so with that, Peter Christensen.

National Fair Housing TRAINING ACADEMY

PETER CHRISTENSEN [0:09:42]: All right. Thank you, Cashauna. That was a very nice introduction. I am the lawyer here, so it might actually be the driest side of today's presentation, but it was very nice things that you just said.

There will be even more interesting things to come. So, I'm going to cover the legal side of discrimination in residential appraising here. Okay. I'm going to give you a little bit of background about where appraisers for mortgage lending actually come from, and seven key things that I think that our audience should know about these residential appraisers who are doing the appraisals that are the subject of these situations that we're really trying to address and talk about today.

So first, individual real estate appraisers are licensed by state appraiser boards and agencies. So, they're licensed by states. They're not nationally licensed. Pursuant to minimum educational and experience standards that are set by a nonprofit board, which is national, called the Appraiser Qualifications Board. It's AQB for short. AQB sets the experience qualifications that appraisers have to have in order to be appraisers. And then the states enforce that licensing.

On the residential side appraisers must also comply with standards for their work. The standards are called Uniform Standards of Professional Appraisal Practice, USPAP for short, and that is also maintained by a national board, though the states are the ones who enforce it, and that national board is called the Appraisal Standards Board. And both these boards fall under a kind of an umbrella organization called the Appraisal Foundation.

And point number three here, the appraisers who actually perform these appraisals that we're largely talking about, in these different situations whether it's the situation in Indianapolis or the situation in Jacksonville, Florida, that got the attention in a New York Times article, these appraisers are generally independent workers. They're independent contractors generally to the banks or what are called appraisal management companies that give them the assignments. Generally, they are not employees of the actual mortgage lender or the bank that's going to make a loan.

But the lenders engage these largely independent appraisers then for appraisal assignments either directly, it's the lender that hires the appraiser, or they hire an appraiser through something called an appraisal management company or an AMC. Those companies are regulated, licensed by states, but they oversee the choosing, the selection and review of appraisals for lenders.

So a fifth thing that I think you should know, as you consider these situations involving appraisals, alleged discrimination of appraisals, or just pure negligence in appraisals, is under their standards, the appraiser's clients for their work are actually, for lending appraisals are actually the lenders.

So the client of the appraiser is the lender, the mortgage lender, it's not technically the borrower, and that does present some issues here, because if you --- issues here, because if you try to sue, say if --- if a lawyer tries to sue an appraiser for negligence, on behalf of a borrower in getting a value wrong, the most common defense of that appraiser is you weren't my client. I wasn't working for you.

But this kind of problem here because obviously the valuations that residential appraisers give are vitally important and impact borrowers, purchasers, and sellers of property. These people's most important asset in their lives usually in their lives, so even though the appraiser's technical client may be the lender, they obviously have a giant impact on these individuals.

Number six here, that's an important thing to know, is that appraisers and also those management companies, AMCs for short that I spoke about, they are subject to professional discipline by those same boards that license them in each state.

And I will tell you at that appraisers and AMCs, they do very much fear that discipline by a state agency, because that license they get from the state is what enables them to work as an appraiser.

And then the seventh thing you need to know is appraisers are required to follow both state and federal laws that apply to appraising and most importantly here that we'll talk about, with respect to bias in appraising, the most important law is that federal law, the Fair Housing Act.

So, here's a little chart about the federal oversight of where USPAP comes from, and how appraisers are regulated. Sitting kind of at the top here is this federal agency called the Appraisal Subcommittee. And it actually is under federal law in charge of overseeing state appraiser boards at the state level, and then also in charge of overseeing that Appraisal Foundation. So, they're the appraisal standards board, and the qualifications board.

So, what about borrower complaints about residential appraisals? So, we've heard a number of these situations come up across the country, and the Indianapolis situation of discrimination, alleged discrimination in the appraisal arose in this way. That when a borrower has a grievance about a valuation, that borrower, their initial process to challenge that valuation is to go back to the lender, to go back to that appraisal management company if there's an AMC involved, and submit something called a reconsideration of value.

So --- but the thing about a reconsideration of value is it's not a --- at this point in time of appraiser regulation, it's not a formal process. It's not something where the form or the process is dictated by law. It's an ad hoc process. Varies from lender to lender. There's no formal rules written or no formal guidance, either federally or at the state level. And this is something that I think is going to be the subject of future attention here as better guidance comes about.

So that reconsideration of value usually gets forwarded out from the lender or the AMC to the appraiser, to weigh and consider. Hey, you got the value wrong on my house for this reason or that reason. I believe that there was racial bias here might even be in a reconsideration of value.

But the thing is that generally this process historically results in no change in value. There are varying statistics from different lenders that they put out. It's 90 as many percent plus of reconsideration of value requests result in no change of value. And then even beyond that, borrowers are often really disappointed by that process. Because if you go back and you read the Indianapolis complaint, you'll see the response essentially back to the borrower was one line, and it was essentially with respect to the reconsideration of value, it was something like the opinion of value of the appraiser stands. Well, that's not very helpful to the homeowner in understanding why the value wasn't where they believe it should be. So that's the informal way of dealing with a bad --- an allegedly incorrect value.

The borrower's primary formal means of addressing an issue of value is to file a complaint to a state appraiser licensing board. They receive complaints. They can discipline appraisers, but the thing they aren't set up to actually correct the value. They're not going to fix a value that has been arrived at incorrectly. And also the discipline process typically takes 12 plus months, and it doesn't result in any kind of fix for the individual homeowner. It can just result in discipline of the appraiser.

A second option would be for that borrower to file legal action in court for damages. If it's a discrimination complaint, the Fair Housing Act is open to them, or if they believe it's a matter of negligence, they can sue for negligence.

But again there's a problem there that I mentioned, if a homeowner is suing for negligence, if a borrower is suing for negligence, the problem is the most common defense of the appraiser a going to be I was actually hired by the lender. I don't work for the borrower. That would be the most common defense.

But that's not a defense that's available when you bring a claim against an appraiser for discrimination. Nobody gets to claim, hey, I was allowed to discriminate because you weren't my client. Nobody gets that defense. So, there is a strength in a behind the Fair Housing Act in that regard.

So, and a third option is in the case of alleged discrimination for that borrower to file a complaint with HUD or an equivalent state agency at the state level.

So, let's talk a little bit about appraiser specific standards and laws regarding discrimination.

So, I mentioned that the standards that apply to appraisal work are called USPAP for short. Are there actually expressed prohibitions against discrimination within USPAP? At this point in time, no. There are no express provision in USPAP that states in those standards that discrimination is prohibited. However, at the same time, there is general guidance within USPAP, the ethical --- what's called the ethics rule in USPAP, that does require appraisers to perform appraisals without bias. Now, bias is a very general term in USPAP of any type. So there is that. But there's no specifics about racial discrimination, gender, national origin discrimination within USPAP itself. But no party is going to say that an appraiser can do a biased appraisal and not have consequence under appraisal standards, because appraisal standards is general enough in its prohibition of bias to cover that. There's just not anything specific.

Now, that might be changing as a result of these kinds of discussions. So, there are several states, California, Illinois, New Jersey, each have bills and there are a few more states with bills, and these bills are designed to actually change the appraiser laws in each state to include specific prohibitions, equivalent to the Fair Housing Act within the appraiser law. That would be a positive development if we see some of these laws passed because then those requirements will be more in the minds of appraisers, and they will be subject specifically to discipline if these laws pass.

Let's look at the Fair Housing Act now, because it is the key law when we talk about any kind of legal action with respect to alleged discrimination in appraising. And historically the Fair Housing Act has been the key law in legal proceedings or actions that allege discrimination, and it becomes relevant in two ways.

HUD, of course, investigates and prosecutes Fair Housing Act complaints in relation to appraising. It has done that historically, and it's doing that now, but then separately, plaintiffs can also file their own legal actions under the FHA. And in 1988, while the Fair Housing Act even was regarded before 1988 as prohibiting discrimination in residential appraising, in 1988, it was amended specifically to include prohibitions against discrimination in appraising.

So now most of us would be familiar with the basic prohibitions in the FHA that it is unlawful for any person or entity whose business is in residential transactions to discriminate on the basis of familiar protected categories, but the key now is that Section 3605 of the Fair Housing Act has now specifically, as of 1988, specifically says that appraising is included within a residential real property transaction. So there's no question about the FHA's application to appraising.

And there have been historically very important cases brought under the FHA with regard to residential appraising, and the most important case was filed in 1976 by the Department of Justice, and it was brought against four national appraiser and real estate and lending organizations at that time. And the important thing is --- about this complaint that goes always way back to 1976, is it challenged specific principles and instructional materials that appraisers were being given at that time. So you have a challenge to the very standard, the very standard that standards, principles that appraisers are following in their work, and the four organizations, the national organizations at that time, did agree to settle, revamp their training, revamp some of their principles, and the materials that they were giving to appraisers at that time.

And I just want to highlight one of the key principles that was challenged by that lawsuit was something called the principle of conformity, which an appraisal text, a key appraisal text at that point in time described as “the principle of conformity holds that maximum value is realized when a reasonable degree of sociological and economic homogeneity is present.” So basically the principle, an appraisal principle in play at that time said that the more homogeneity there is within a neighborhood, the greater the value. So obviously this was a principle that would violate any kind of thinking that we have now, and as a result of that litigation, that principle was kind of cast out of the appraisal texts at that time. It was eliminated.

The reason I bring that up is because that's kind of what's happening now. We're having a new discussion about existing appraisal standards and principles, and it's not out of the question that those principles and standards can be changed as a result of the kinds of discussions that we're having right now.

So of course HUD as I said has been --- HUD really has been the most important investigator of alleged discrimination in appraising historically, and there have been cases in the past, and so --- and in just in March of this year, there was a public news release from HUD regarding an appraisal complaint and a settlement, a conciliation agreement that was reached by the parties. It concerned a Black homeowner in the Chicago area, and she had filed a complaint against Chase home lending, alleging discrimination in connection with an appraisal of her property.

And again, I've highlighted there that reconsideration of value, because that's where her problem began, right in that ad hoc procedure there of challenging a value. And the ultimate outcome of that complaint was that Chase agreed to revamp, more formalize its reconsideration of value process. So, there are changes there within that lender, but what I'm hearing now is discussion of change to create more of a national kind of --- a national improvement at maybe a regulatory level about this reconsideration of value process. The homeowner in that case was also awarded $50,000 of damages as a result of the settlement agreement that she reached with Chase.

So what does an appraisal discrimination lawsuit look like? Well, actually I'm going to skip over this particular case, but it is in the materials that you have available to you. I'm just going to skip over it in the interest of time.

This is what I would consider actually the most important case to look at, if you are thinking about bringing a legal action as a private organization or on behalf of a private party under the Fair Housing Act, because this case, Swanson versus Citibank, actually sets forth the pleading standards of what a plaintiff needs to show in a court complaint as far as satisfying, getting past a motion to dismiss. And I really urge you to read this particular case, Swanson versus Citibank, because it's also an amazing story. It's an African American woman who challenged Citibank, and she represented herself. She had no lawyers in this particular about the --- in this particular battle. She represented herself successfully against an appraiser firm and appraiser, and ultimately forced them into a settlement with her. So, I'm going to urge you to read that particular case.

But I'll end my time with some observations about appraisal discrimination claims, because this is awe of my legal work --- all of my legal work. All of my legal work concerns appraiser valuation services. So, borrowers out there generally don't know about existing resources, whether they are HUD or state appraiser licensing agencies. There's very little information that borrowers know about how to file a complaint of this sort.

Individual plaintiffs, when they have looked at actions like I just showed you in, Ms. Swanson's in Chicago, dating back to the 1990s, they have generally not had access to legal counsel, and so that --- you know, this is what's so great about NFHA's vision or services here, is they are providing access to legal counsel through the local and regional fair housing organizations. So that homeowner in Indianapolis has access to a fair housing organization in Indiana. That's going to help immensely.

And then another observation is while the initial pleading standard for one of these claims is very low, a prime difficulty that borrowers run into is distinguishing between negligence, did the appraiser - make a mistake, versus discrimination, a violation of the Fair Housing Act. And often, too often perhaps, judges will find it easier to say, oh, the appraiser was negligent here, not discriminatory. So that's something to be very careful about, because that negligence theory, as I've said, the problem with it is the appraiser, if you're going that route on a negligence theory, is that the appraiser may be able to argue, I don't have liability under a negligence theory, because the homeowner is not my client. So that Fair Housing Act claim is actually a more powerful tool here.

And then lastly, I'll end on, I have not ever seen, and I've been representing appraisers and appraisal firms for over 15 years, I've never observed legal claims with respect to appraisals based on pair testing, such as is done with multifamily apartment type families. I've never observed claims brought yet with true pair testing, or statistical study in the last ten years. But I think that's what's really powerful about like the situation that Jillian is going to describe. That is really your informal version of pair testing there.

And so, you know, that kind of testing in the future is going to be on a formal basis, would be vital to Fair Housing Act claims in the future. So, listen closely to Jillian's story, and of course Andre provides a bigger perspective of discrimination at kind of --- on a much larger scale than individual claims. So, thank you very much for listening. That's the legal side of discrimination in appraising.

MS. HILL [0:31:40]: Thank you so much, Peter. And I definitely just want to also thank you for sort of wrapping us up with that --- the comments about testing. We are definitely going to talk more about that as we get further into the conversation.

I also want to say that you've gotten us off to such a great start, because we're getting lots of questions already about whether the materials will be made available to everyone after the conversation, and so for everyone who has posted that question in the chat, please know that you can find all of the slides and the information that we're sharing today on the NFHTA resource page.

And we'll be posting a link in the chat so that you can go there directly and find all of the information that's being presented today, as well as a recording of today's session.

So, Peter, thanks so much for your presentation.

We are now going to transition and hear from my fellow New Orleanian, Dr. Andre Perry. Andre, as you prepare your slides, I just want to say that I know so many of us who work in this space are so thankful for your attention and your careful work on this issue, because what you have done has really brought so much life to this issue and so much conversation and so we're really excited to hear what you have to share today, so please take it away.

ANDRE PERRY: Well, Cashauna, it's always a pleasure. For someone who has lived in New Orleans for a while, for 14 years, and I used to serve on the Fair Housing Action Board down there, so it's always a pleasure for me to see how things are coming full circle. I'm going to actually transition to my slide deck here, hopefully. Let's see. Hopefully you can see it.

Worthy of investment, the devaluation of assets in Black communities. And it's interesting. Literally a year ago today, we released *Know Your Price, Valuing Black Lives and Property in America's Black Cities*, and it included a study we did about two years ago or three years ago about home values in the United States.

And since that study and since this book have come out, there's been a reckoning of sorts in terms of looking at how property is valued in the intrinsic value of whiteness and blackness in these processes. So, I'm going to share with you a little bit of what's in this book, and the implications of lower values or lower valuation in home pricing.

At the Brookings Institution, I study Black majority cities and neighborhoods. There are too many neighborhoods to put on a map, but here is a map of all the Black majority cities where the share of the Black population is 50 percent or higher. There's a lot of them. There are more than 1200 of varying sizes.

But like a lot of good stories, this one will begin at home. This is where I grew up. This is 1320 Hill Avenue, Wilkinsburg, Pennsylvania. Wilkinsburg is a small municipality surrounded by Pittsburgh on three sides, and as you can see here, the home is abandoned. It's boarded up. It's generally condemned. You can actually pick this property up by agreeing to pay taxes on it to the borough of Wilkinsburg. But the home is worth so much more to me.

That woman in the upper right hand corner, her name is Elsie Boyd. I call her mom. As the story was told to me, when I was born, she agreed to take me in, and raise me. It's unclear for how long, but eventually I just stayed through --- till I graduated from high school. However, she reared other children of varying durations. Some would stay a few weeks. Some would stay a few months. Like I said, I stayed till I graduated from high school. She reared about 12 to 15 kids.

One of the reasons why, my father, who is pictured here, he was a heroin addict. He was in and out of prison. He was eventually murdered in Jackson State penitentiary, a prison outside of Detroit. Now, he certainly did a lot of wrong things, but I wanted to learn what surrounded his behavior, what was the context in which he lived, and how the woman who raised me lived. So, I just started looking at real estate in those communities.

I will save you the longer lecture, but when I did my analysis, we found that they both lived in areas that were redlined. The places in which the federally backed Homeowners Loan Corporation literally drew red lines determining that those areas were unworthy of investment in the form of low interest refinancing and down payment assistance throughout the 30s and 70s. They were areas in which they were displaced, in which highway construction barreled through the neighborhoods, decimating commercial corridors and residential areas. They were in areas where there was urban renewal, and we know that we put that term renewal in quotes, because it often --- the bulldozing of neighborhoods just often just left this barren nothingness in its wake. They also lived in areas where there was predatory lending, especially contracts in which homes were purchased under nefarious sort of conditions and homes were often taken away from those who decided to do a rent to own contract. And then they lived in areas surrounded by racial housing covenants. So, they couldn't leave these areas if they wanted to.

But specifically, I started looking at home values in Black neighborhoods. On this chart, as indicated on the X axis, that horizontal line at the bottom, that's the percentage of Black people in a neighborhood. On the Y axis, as indicated by the prices at the top of the bar charts, that's the average home price in that zip code. So, we looked at home prices, the median on Zillow and the median in census data. And you can see here as the percentage of the Black population increases in the neighborhood, the home prices decrease.

In areas where there are very little Black people, on average those homes are priced $340,000 roughly by Zillow. And then they are half as much in areas where the Black population is 50 percent or higher.

Now, a lot of people will say that's because of education, crime, and other factors. But those are things you can control for in a study, and that's what we did. We looked at the absolute price. Then we controlled for structural characteristics. So, the size --- excuse me, the size of the home, the number of rooms. But then we controlled for neighborhood amenities, things like education, crime, walkability, all those fancy Zillow metrics, because we wanted to get an apples to apples comparison between homes in Black neighborhoods and their equivalents in white neighborhoods under similar social circumstances.

And what we found is that home prices on average are priced about 23 percent less in Black neighborhoods, about $48,000 per home. Cumulatively that's 156 billion dollars in lost equity, and this is occurring all over the United States. Wherever you see a magenta circle, that's where home devaluation is occurring. Wherever you see a green circle, that's where homes in Black neighborhoods are actually priced higher. I flash there Philadelphia-

Camden area, 28 percent difference. About 36,000 per home difference in that metropolitan area.

And you can see here that it ranges in price by metro. So in Lynchburg, Virginia, for instance, there's a negative 81 percent difference. So if I helicoptered a home in a Black neighborhood and placed it in an area that is of similar social circumstances, it would increase in value by 81 percent.

Now, why is this important? It is the price comparison model that appraisers use often limit the comparisons they use to the same neighborhood. When you do that, you essentially recycle discrimination over and over again, if you are using a comparable within an area that's been discriminated against.

And so what we did, we just look for pairs or twins outside of the neighborhood, and so when you do that, you really get a sense of the value differences by race. And so with that said, Rochester, New York, 65 percent difference. Jacksonville, Florida, 47 percent difference. Detroit, 37 percent difference. Again there are places in which home values are higher in Black neighborhoods. For instance, plus ten percent in Nashville. Plus 16 percent in Wichita Falls. Boston, plus 23. I always go, yes, Boston, plus 23 percent Black neighborhoods, but Boston is no less racist than Lynchburg but the home prices are higher.

I always put this 156 billion in perspective so that people understand the gravity of this. 156 billion would have financed more than 4 million black owned businesses based on the amounts that Blacks use to start their firms. It would have financed more than eight million four-year degrees, it would replace the pipes in Flint Michigan nearly 3,000 times over, covered nearly all of Hurricane Katrina damage and is double the annual economic burden of the opioid crisis.

The reason I put that last bullet there is my father had a heroin addiction. If he lived in an area where home values were at market rate or the White rate, he would have had better schools. Remember we partially fund education through housing prices that are assessed through taxation. He would have had better infrastructure. He would have had better opportunities to start a business, go to college. He probably --- his drug use probably wouldn't be criminalized. He would have had a much different life.

I brought all this to say that there's nothing wrong with Black people that ending racism can't solve. Oftentimes when we see things going wrong in Black neighborhoods, we bring Black people. We don't go to these structural issues. And so a lot of my work is really built to get to the structures that rob Black people and Black communities of the wealth and opportunities that they should have.

I'm going to show you a clip here. This is Representative Al Green. Now, this is two years ago. And he asked us a simple question, us meaning members of the appraisal industry, so the Appraisal Foundation and others were on this committee, and we were asked a basic question of is there discrimination in the pricing of homes. Now, two years ago, before this reckoning in real estate industry around appraisals, listen to this exchange.

(Captioned video.)

(End of video.)

DR. PERRY [0:46:20]: I show this for a couple of reasons. There's clearly a disconnect. Many people, individual appraisers will say, I followed the rules. I did nothing wrong.

And to a certain extent, they did follow the rules. But if the rules allow for discrimination, then you can still have an impact, a disparate impact, that robs Black families and communities of wealth.

Now, one of the reasons why I look at the impact of structural racism on whole communities is that we know that an individual can do or make a racist act, and that is what some of the reporting suggests, that an individual appraiser acts in --- based upon their racial biases.

But a far worse situation is the discrimination that occurs in entire Black neighborhoods, and so there's another way to interpret my findings, that when people look at Black neighborhoods, they see twice as much crime than there actually is. They see worse education than there actually is. They see worse conditions than there actually is, and they make a value judgment based upon that perception.

And it is in my opinion based on the data, that this is occurring not only with appraisers, but with lenders, real estate agents, and other market actors.

Now, I want to just share with you just a brief --- another area where this has significant impact, and it's on businesses. Most people start their businesses using the equity in their home. So if you don't have equity in your home or if it's robbed, you're less likely to have a business.

So you can see here, Black people represent about 13 percent of the population, but only two percent of the nation's employer businesses, meaning businesses with more than one person.

Only one percent of Black business owners were able to attain a loan compared to seven percent of white entrepreneurs. White entrepreneurs are denied a loan twice as often as their (indiscernible), compared to just 60 percent of white owned firms. And we know that number is going to be the same with this past pandemic, because of the PPP loans that did not distribute subsidies to a great deal of Black businesses in the initial dissemination of those funds.

But we wanted to look at business quality the same way we looked at home quality. So we did a similar experiment. We looked at business revenue, but then we scraped all the Yelp data from businesses across the country to get a sense of quality. And then we controlled for neighborhood conditions, so education, crime, all those different things, spending power, so we could get an apples to apples comparison between businesses.

And what we found is that Black, Brown, and Asian owned businesses are rated higher on Yelp than their white counterparts, higher than their white counterparts, but they get less stars as the neighborhood gets Blacker. I'll explain.

Man, the clicker keeps going forward for some reason. I apologize for that.

But as you can see, on this --- the magenta line represents Black, Brown and Asian businesses. The gray line represents white businesses.

Regardless of the neighborhood composition, Black, Brown and Asian businesses actually are ranked higher than their white counterparts, but they get less revenue as the neighborhood gets blacker, and this is costing businesses upwards of 4 million dollars --- I mean 4 billion dollars, high quality businesses I should say.

And there's a saying in the community that's pertinent here that you would hear all the time in Black communities. Our ice is just as cold. Because the elders knew that if you don't frequent businesses in the hood, you distort the market in a way that forces high quality businesses to compete with low quality businesses, really throttling the amount of revenue in that neighborhood, which furthers the devaluation of that area.

You know, I'm going to stop there, because I wanted my deck just to show the impact of discrimination. That 23 percent gap, we know is a result of a bundle of discrimination as I described it. We know that it's not just appraisers. It's also lending practices. It's also real estate agent behavior.

But we know that all of those actors are involved in that gap, as evidenced by the number of reports that are coming out almost daily.

And so for me I wanted to share the impacts, because what I then do with this information is give it to homeowners, give it to communities, give it to other organizations so that they know when you are in a certain environment, there's something going on worth pursuing.

And so that's why I'm --- when I talk with Lisa Rice and Jillian about this issue, you know, they're experts in the field and they can tell you in the way that they're picking up how appraisers are a part of this devaluation.

So I'm going to end there, and pass it off.

>> CASHAUNA HILL: Andre, thank you so much. And actually before we move on to Lisa, I did want to ask you a follow up question if you don't mind.

I would imagine that this comes up often, and I know in housing conversations that I happen to be a part of, we talk a lot about gentrification. There's a lot of concern about gentrification, a lot of questions about generality, and today's discussion is no different.

And so there were a couple of questions around gentrification that I wanted to pose to you at this time.

So there may be two sides of a coin, but feel free to address them however you see fit.

So firstly there was a question about whether your --- the information that you shared with regard to valuations accounts for gentrification in these communities. The community that the question asker asked about was Nashville in particular. I don't know if you have specific experience in Nashville.

But is gentrification being accounted for in these valuations.

And then the second question was whether you're seeing anything around a higher appraisal value being used as a means to raise property taxes as opposed to displace people of color through gentrification.

>> ANDRE PERRY: Okay. Let me go back to a slide here to show you this, because it's pretty amazing. This slide right here.

Again the devaluation, the lower price, is a linear phenomenon. So the more white people move into a community, the higher the value.

So just as this --- as on this bottom row, where you see the concentration of Black people increase and the home prices decrease, the true is opposite, in the opposite direction. The more white people that come into a neighborhood, the prices increase.

And so certainly there's an impact of white people moving in, but you shouldn't see the dramatic decrease or increase in value when white people do.

And that's what's problematic, but, yes, more white people come in, the higher the values. That is generally true.

In the cases of places like Nashville, there is a --- some truth to when there's any what we call sort of anchors in a community, things like universities, banks, Black owned banks, universities and other institutions, and chiefly in Nashville, you have three HBCUs, between Fisk, Maharry medical school, other colleges that higher a lot of people, it generally predicts higher home ownership.

In Nashville in particular, those areas where you have higher home ownership, it's also older owners, and so you are starting to see more white people buy those properties that are valuable in those areas, and it's creating rising property values.

Now, in particular around taxation, we know that there's been --- one of the heir looms of white supremacy is the way we appraise homes for taxes. For so long they would say Black people use more services. Therefore we can tax people more.

And we see all across the country, mechanisms to negotiate with the tax assessor that always seem to favor white areas of town over Black areas.

And so you would see almost, and Cashauna knows this, there were years where the mansions on St. Charles were getting taxed at the same levels of a two bedroom in Algiers Point. I mean it didn't make any sense.

But because tax assessor had so much flexibility, they would compensate for low taxation in one area with higher taxation in another.

And so because of the variability by municipality, you see different things going on, but in general there's always been this effort to tax --- and that's where the term Black tax largely originates from, that there is a penalty for living in Black neighborhoods that is officially assessed by fiscal agents in these municipalities. So that's my general response to that.

>> CASHAUNA HILL: Thank you so much.

And now as we move to Lisa Rice, we are going to hear from Lisa, our resident fair housing expert, who is going to pick up on something that Peter mentioned in his earlier presentation, which was really that the Fair Housing Act does provide an avenue for remedies when it comes to discrimination in the appraisal process.

And this information, Lisa, is new for many of us. It's certainly information that is important as we think again about all the instances of appraisal discrimination that we're now starting to hear more about, and so we're thankful that you're with us today to share the fair housing perspective when it comes to appraisal discrimination.

So Lisa.

>> LISA RICE: Thank you so much, Cashauna, and it's a pleasure to be here and an honor to be on this panel with such distinguished guests as Jillian White and Peter Christensen and Andre Perry. I look to them for a lot of guidance.

I'm going to have the team here advance the slides for me, so could you advance the slides? One more. One more.

So what I'm going to do is share a little bit of information about some of the ways in which we have identified appraisal bias. I've probably conducted, I don't know, 300 investigations involving appraisal bias. Most of them were during the predatory lending debacle, when in Black and Latino communities, some Asian American communities, what we saw ---

We typically think of appraisal processes as homes in communities of color being undervalued and I certainly worked on some of those cases but the lion's share of cases I worked on were in situations where properties were being overvalued, to support predatory lending schemes in communities of color.

It doesn't matter --- again I worked on both overvaluation cases and undervaluation cases. We conducted primarily for our overvaluation cases what I would call a quasi-form of testing, so we would often utilize other appraisers to conduct appraisals. We would hire them to conduct appraisals of the subject property in question, and that's how I sort of identified --- that's how we sort of formulated information and evidence about how appraisers were using different practices and tricks of the trade to either overvalue a property or undervalue a property.

I did want to start out by picking up on a point that Peter made relative to the Fair Housing Act. Just wanted to make this point so that everybody knows this.

The Fair Housing Act actually has a really broad definition of what constitutes an appraisal. It covers oral statements of a property's value. It also covers written statements or written documents. It covers assessments of value that are transmitted formally, or even informally.

So it's really, really broad, and that broad definition is how we've been able to use the Fair Housing Act to tackle appraisal bias issues over the years.

So for example, it also includes all supplemental documents upon which the valuation was based.

So for example, and this was a case we had against Huntington bank, if an appraiser submits an addendum to the appraisal report that lists all of the share sales that happened within a half mile radius of a home located in a community of color but doesn't use that same practice for homes predominantly in white communities, that’s evidence --- that could be probative evidence of potential discrimination.

Can you advance the slide, please, Madeline? One more time. One more time.

So what I'm going to do is walk us through the different elements, not all. I don't have time to go through all, but I'll walk through a couple of elements of the uniform residential appraisal report to provide just a few examples again of where we see problems.

So let's start with the first section of the appraisal report that covers the basic details about the subject property. And we've seen cases in which the address of the property is inaccurate, and that can happen in a number of ways.

So for example, the numbers on the address can be transposed, which would result in the property being located in a physically, physically located in a different place, and so then what happens is the appraiser will pull up different comparables to use to support the valuation of the property.

We've also seen cases where the address is correct, but the zip code is wrong, or the city is wrong, and again what that does is sort of move the physical location of the property and then the appraiser uses comparables that are from that new physical location, which is not actually where the home is located.

The next slide, please.

One of the things that we saw pretty regularly during the predatory lending debacle as a means of overvaluing properties was the exclusion of financial assistance provided by the seller or on behalf of the borrower. This particularly occurred when these concessions ended up impacting the value of the property.

So for example, during the predatory lending heyday, there used to be these programs that were really common in which essentially the seller or another organization, and a lot of times it was a nonprofit organization, would provide what were called concessions to the buyer.

So paying the buyer's closing costs and let's say the closing costs are $20,000. Well, the seller isn't really going to give the buyer $20,000 out of their property. What they're going to do is increase the price of the home by $20,000, so the purchase price is elevated by 20 grand.

And then what happens is the mortgage broker would coach the appraiser that the price needs to come in $20,000 higher in order to make the deal work. It was a really common practice.

Next slide, please.

In terms of the neighborhood description of the property, even though the report does indicate at the top that race is not a factor, you're not supposed to consider racial composition of the neighborhood, we have seen instances in which the race of the community is indicated, but more commonly what we see are proxies for race.

So for example, we will see things like listing the name of a high school that is commonly equated with a particular race.

So in my home city of Toledo, Ohio, everybody knows Scott High School is a hundred percent Black student body and on an appraisal property it would be very common to see home is located two blocks from Scott High School.

So that's an indicator, that would be a flag that the house is in a Black neighborhood.

We've also seen our markers included in the descriptor that again provide that clue as to the racial composition of the neighborhood. So for example, the house is two blocks down the street from or the house is adjacent to the Caesar Chavez community center.

Next slide, please.

We also see errors in the improvements section of the report that really can impact a property value. So for instance, providing an inaccurate square footage for the gross living area of the property.

You see that a lot either in deflating the value of the property or inflating the value of the property.

Next slide, please.

And this is the last one I'm going to touch on, because this is actually the area where we've seen --- I'm sorry, can you go one more slide? Thank you.

This is the area where we have seen primary evidence of appraisal bias. I mean most of the cases that I have worked on have involved issues with this area of the appraisal report. This is the sales comparisons section.

This is the section where the appraiser selects comparables that would be used to primarily determine the value of the property, so that what should happen is the appraiser would select three properties that are closely matched to the subject property in order to support the ultimate value of the home.

And the objective is to select properties that are really close to the subject property, both in terms of the geographic location, and in terms of the property's features.

So for example the subject property is a brick ranch, and there are many brick ranches in close proximity to the home that have been sold recently. You'd want to select among those brick ranch homes, as opposed to, for instance, selecting a wood frame mini mansion as your comparable.

I won't go into explicit details, but you can see here just from the graphic that there are many features and variables that need to be matched, and often what we will see is that homes are selected for the comparable that are very poorly matched to the subject property of the --- that is being evaluated.

Now, I was always taught that when you're selecting the properties and issues, see those individual line items, you know, if there is some differentiation between the comparable and the subject property, you're going to indicate what that adjustment is, and that adjustment can either be positive or it could be a negative adjustment.

And then you add up your adjustments, and when you get down to the bottom, you don't want to see adjustments that are over 25 percent. So I'm really interested in hearing from Peter and Jillian if that's still the standard.

But this issue has been raised quite a bit I think in news articles that we've seen about appraisal bias. This was the issue in the case that was just brought by the fair housing center of central Indiana. This was the same issue that we saw in a case in Denver, Colorado, where a mixed race couple scheduled an appraisal in connection with a home equity loan that they were trying to get.

And when the husband greeted the first appraiser, the home was valued at $405,000 based on comparable homes that were selected in a predominantly Black neighborhood in a different location.

When the second appraisal was ordered, the white wife greeted the second appraiser. That home came in at $550,000. That's a $145,000 increase, but that second appraisal was based on a completely different set of comparables that were pulled from a predominantly white community.

I want to close by sharing --- picking up on something Peter said, really how difficult it can be to hold appraisers accountable for bias. I worked on a case in which we ultimately brought both civil claims under the Fair Housing Act and criminal claims against an appraiser and a mortgage broker in part because of the really horrible comparables that the appraiser selected for the property.

They were very   completely inappropriate, and our estimation it was a clear case of elder abuse and fraud.

The judge threw the criminal case out, stating that appraising is an art, and not a science. And part of our problem is we were seeing that the bias lies in the more subjective renderings that appraiser can make.

So I'll stop there. Thank you, Cashauna.

>> CASHAUNA HILL: Thank you so much, Lisa.

We are going to move on to our final panelist, and again I do want to remind everyone to please place your questions in the Q&A box, if you do have them, because after we hear from Jillian, we will move into taking your questions.

Now, Jillian, we are all so interested in your perspective and what you have to share with us today. I know I learned a lot as someone who has been doing this work for several years, I learned a lot from you and I just want to say again that your perspective is so valuable, as someone who has worked for so long actually as an appraiser.

And so we thank you for continuing to share your perspective, your experience, and your stories with us, and I know everyone is looking forward to what you have to say.

And so, Jillian White.

>> JILLIAN WHITE: Thank you, I'm very happy to be here to talk with you all about bias in appraising.

I'm an appraiser. I've been appraising for 18 years, but I am also a Black person, and a part of that community and a lot of this conversation about bias in appraising makes me feel as though I'm stuck in the middle, so my presentation is going to highlight some personal experiences and some of the ways that these biases can show up in appraisal reports.

So with that being said, let's get started.

I like to start with a story. This is a story about Gwen and Dennis Skinner who live in Long Island. This is a picture of the exterior of their home over on the left, and a picture of the interior of their home during the holidays on the righthand side.

And the thing to know about their house is they purchased it in 1998, and in 2003, they decided that they wanted to move. And so at that point in time, the average marketing time for that particular area was roughly 30 days. And what was unique to that area was that all the houses are exactly the same. Same floor plan, for I think, you know hundreds of them.

And so it would stand to reason that their house when they put it on the market would sell within the normal marketing time. However, the home sat on the market for 30 days, then 60 days, and then 90 days, 120 days, and it finally sold at around the 140-day mark.

So there are a few things to know about the property. The main one being that it was right next to a six-lane highway, so when you're in the backyard, you can actually hear noise from the highway and so that certainly could have contributed to the extended days on market.

Also there are a couple of price decreases as well, which suggests that perhaps it was overpriced but there was an tidbit the information that leads me to question that was around the highway or overpriced.

And that's because the real estate agent for Gwen and Dennis said hey, I think I know why the property isn't selling. If you make these changes, I think you'll have success in getting a buyer.

And so they took that agent's advice and shortly thereafter, they were able to accept an offer on the property, and close the sale.

So you're probably wondering what is it that the real estate agent said to it? What was his tidbit of advice, and it was to remove this picture from the wall.

So this is a picture of me during my college graduation, and the reason why my photograph was hanging on the wall of Gwen and Dennis Skinner is because they are my aunt and uncle. They have quite a few nieces and nephews. They are very proud of all of us and our pictures are prominently displayed all throughout their home.

However, their agent told them that they believed the reason why the property wasn't moving and wasn't selling is because prospective homeowners didn't feel comfortable buying a home after a Black family and they were advised to start packing early.

And once they showed the house that was empty, miraculously, they got an accepted offer.

So we don't know for certain exactly what happened in this case, the extended days on the market of my aunt and uncle's property. However, it certainly informed all future real estate decisions that I made throughout my career.

So now if we fast forward about seven to ten years later, first I'd like to introduce you to Curtis and Sandra White, and if you can't tell from the strong family resemblance or the last name, these are my parents. And this here in the background is their house.

And so quite a few years ago, my parents retired, and they have often told me that I was going to be their listing agent, because that point in time I had my real estate salesperson's license.

And so being a dutiful daughter, I said absolutely, I will list your property. However, before I took any of the listing photos, I had a family meeting, and I said what are we going to do about this? Because we know that this picture right here, possibly has a track record in extending the days on market.

So collectively as a family we decided to erase ourselves from the home. So my pictures had to come down. My sister's pictures had to come down. My brother's pictures came down. All of the Black art in our home came down. We had Black figurines. Those had to come down and also anything with a hint of Kente cloth.

And so we went through the exercise of erasing ourselves, but the reason my parents had to tell me that I was going to be the listing agent versus me volunteering to do so, because I knew them. I knew they weren't going anywhere.

True to form, two weeks after I list the property, they said never mind. We're going to stay. So they live in this house to this day. But the exercise of erasing ourselves, it was time-consuming and again that made a very lasting impression.

So now fast-forwarding again to about two years after their property was listed for sale, my parents wanted to refinance in order to take advantage of very favorable rate.

And so in preparation for the appraisal, for the refinancing action, again another conversation was had, and so we discussed, you know, to re-erase uncle Robert who passed away in 1998 and do we erase Aunt Lou who passed away, and do we erase my brother's kindergarten photographs, his prom photographs, graduation photos, photos of me and my sibling and all Black authors.

This photograph is taken from one shelf in one room of the house, and collectively my parents and myself included were like, no, not doing it. Didn't have it in us, and my parents said we're going to let the chips fall where they may.

They had a lot of equity in the home and were confident the house would appraise. However one concession was made, and that concession was I would meet the appraiser at the door as a fellow appraiser and give them a lay of the land and share with them what it is I know to be true about that particular market area.

So I did that and I met the appraiser. Then I allowed him to continue with the inspection. And a couple days later, my mother said great news, the house appraised. We're able to move forward with the loan.

The appraiser in me wanted to know what did it appraise for and when my mother told me the number, I knew that that was incorrect. And that wasn't me talking as a disgruntled homeowner who isn't able to move forward with the loan. Their loan was going through. Just as an appraiser, I knew that this value is incorrect.

So on behalf of my parents, I submitted a reconsideration of value, which Peter explained beautifully. Just a rebuttal of the appraisal report, and the vast majority of the time, reconsiderations of value are unsuccessful.

Now, I didn't know this at the time, but now working at a lender, I have the stats on it. Most of them, the appraiser says, there's going to be no movement whatsoever in the value.

When it is successful, the movement in value is only about $5,000 or less, so you'll get a thousand dollar here, $2,000 here. However, my reconsideration of value resulted in a $100,000 increase of the appraised value. And so what that means is the appraiser admitted to making a $100,000 mistake, or $100,000 devaluation of my familial home.

So again we don't know a hundred percent for certain what was going on there, but it's believed that there was some sort of bias taking place, and as an appraiser, I was able to successfully rebut it.

So this is an example of what I believe to be an example of unconscious biases that can appear in appraisers.

However, there are other instances in my career where I come across very explicit biases, very conscious biases.

So when I started my company, I would sub some of our appraisal work out to other appraisers in nearby territories that I myself did not cover. And so I worked in my home office and each of those appraisers work in their home offices and we never saw each other.

And so one of these appraisers made some assumptions about me based off of the sound of my voice, and he felt comfortable saying this to me.

He said, Jillian, you just never know about people. The people you would think would be clean are dirty and the people you think would be dirty are clean.

And then he went on to give me an example. He said a couple weeks ago, I appraised this house of an Irish Italian family, and Jillian, their house was filthy. He said but just a couple of days ago I appraised the house of a young Black woman and her house was spotless, so you just never know about people.

So in the mind of this appraiser, young Black women, such as myself, should have dirty homes. And here is a person who is entering into Black homes and attaching his opinion of value, because at the end of the day, that is the definition of an appraisal, it is an opinion.

So fast forward to about a year ago. The very first article that kind of started this cascade Black people, Black couples and families coming forward with allegations of appraisal bias, and so this first one took place in August of last year, and it says Black homeowners face discrimination in appraisals.

Companies that value homes for sale are bound by law not to discriminate, but Black homeowners are saying it happens anyway.

For those not familiar with this particular story, Abena Horton who is the wife, let the appraiser in. She got one valuation. It was exceptionally low, so much so that the lender provided a second appraisal and the second time she left herself from the home and let her husband meet the appraisal and miraculously the valuation shot up quite a bit.

As luck would have it, Abena and I went to Columbia together, and not only were we together, we were in the same graduating class.

So we have a mutual friend who put us in contact with each other and she was kind enough to share the appraisal reports with me. So when I first presented this particular presentation, it was to a group of appraisers and I started the presentation with a poll, and what I did is provide the redacted information of the comparables from the first appraisal report with the information, the comparables from the second appraisal report.

And I tapped into the collective wisdom of the appraisal community to find out at a glance which comparables they felt to be the most appropriate.

And so here are the results of that poll. Overwhelmingly the appraiser community chose comparables B, D, and E as being the most appropriate comps. And they value in range from roughly 400,000 to roughly 600,000.

So when Abena let the appraiser into her home, her estimate of value came back at $330,000. However, when her husband let the appraiser in, his estimate of value came in at $465,000. And that 465 is well within the range outlined by the appraisers that this was originally presented to, whereas the 330 isn't even within the ballpark range.

So in conclusion, going back to the example of my aunt and uncle, do I know for certain what was going on that had the days on the market being extended? No, I do not. In the case of my parents, is it possible that their home would have sold in the regular marking time and --- marketing time and at the normal price had we not erased ourselves from the home. Yes that's certainly possible.

Is it possible that the appraiser who undervalued their home was in fact bias --- wasn't in fact biased but instead of was just incompetent, yes, that is a possibility, and is it possible that Abena and I, two Black women, separated by nearly 20 years got reconnected through a shared experience of a devaluation of their homes, could that just be a fluke, yes, it could be.

But the question is could that be probable? No, I do not think it is. So again very excited to be here talking to this group about a topic that I think is getting the attention it deserves.

And that concludes my presentation. Thank you.

>> CASHAUNA HILL: Thank you, Jillian, absolutely amazing, even though I've heard the story before, so I'll take a moment to really deal with what you shared.

We did get a question that came in that I think would make a great follow up. Would you mind quickly just sharing with the attendees what education or experience a person needs in order to become an appraiser?

>> JILLIAN WHITE: Sure. So there are different tiers and levels of being an appraiser. Everyone to start has to become an appraiser trainee. And so in order to become a trainee, you have to take a series of courses.

I do not remember off the top of my head how many there are, but let's say it's something around seven courses. At the end of each course there is an exam that you need to take and pass, and then what the appraiser does is take a bundle of passing certificates and send it into their state board.

This varies from state to state, but in the state of New York, you have to send it in, and then you're issued a trainees license.

After that, the trainee then has to find a supervisor to teach them the ropes, and also to sign off on their appraisal reports, and so after they acquire enough experience with their supervisor, then that appraiser can either go off and become a licensed appraiser, who is somebody who can appraise, but there's a cap on the amount of the loan transaction that they can complete, or they can go and take another exam, the state exam, to become a certified appraiser, and for certified appraisers, there's no limit to the values of properties that they can appraise.

>> CASHAUNA HILL: Great. Thank you so much for clarifying that, Jillian.

And I want to thank all of the panelists for all of that information that I know will be so helpful to all of us going forward. It's been a great dialogue, and so as I mentioned, we have a lot of questions that are coming in, and so we're now going to move to the question and answer portion of today's forum.

If you do have a question and you haven't already submitted it, feel free. We'll do our best to get through them all before we wrap up today.

As I mentioned earlier, we do have with us today Robert Doles, who is going to help answer your questions from HUD's perspective, and also will pose a few questions to our panelists.

Robert is the fair housing and equal opportunity director at the Office of Systemic Investigations at HUD. He has a background in administering federal civil rights programs, including strong field and complex investigations, compliance reviews, settlement negotiations, and management.

Robert, is there anything you'd like to share with us before we get into the questions?

>> ROBERT DOLES: Thank you very much, Cashauna.

First of all, I'd like to thank all the panelists today for their excellent presentations. And I would just like to take a moment to reemphasize the importance of this topic that we're discussing today.

We've heard throughout the presentations how home ownership has been a significant factor in wealth creation in our society. The amount of a purchase loan or a refinance loan is based on the value of a subject's property. And you've just heard that the definition of an appraisal is the act of determining an opinion about value, and if that opinion is biased based on race, the ability for minorities to create wealth is significantly restricted.

So HUD takes this issue very seriously, and we appreciate the opportunity to engage in these types of discussions that we're having today, because bringing these issues to light in my opinion is the first step to identifying and implementing meaningful solutions. So I'd like to say that before we get into the questions.

So I have an initial question that I'd like to pose to Dr. Perry. During your presentation, you referenced the 2018 study that found homes in minority neighborhoods were undervalued by $48,000 on average, as compared to those homes in neighborhoods that were majority white.

Has your research provided you with an indication of whether the current undervaluation has been perpetuated more so by the bias of individual appraisers using the sales comparison approach, or by the informal red lining policies that some lenders use to deny loans based on their true market values in the communities?

>> ANDRE PERRY: Well, that's a great question, and one I get asked a lot, and I pretty much said both are at play, because we got to always remember that most of America's history, it was legal to discriminate against African-Americans. It was legal to segregate. It was legal to deny Black people housing.

And a lot of the practices we see today actually were born during a segregated era.

And so one, you know, it goes without saying, the Fair Housing Act did not eliminate all discrimination. That is clear. It comes out of the data.

But we have yet to really unpack how these everyday practices that on their face look race neutral, but in fact there's still a disparate impact.

But --- and I just want to emphasize this. There's both the act of individuals, so there can be a claim made from an individual homeowner to a lender or an appraiser based on a bad appraisal.

But then there's what I study that is actually worse. The structural way that homes are priced using the sort of the --- that price comparison model. It's just a --- it's a wealth extractor. You're just constantly recycling discrimination over and over again, and that's leading to billions of dollars of lost equity.

So both feed each other. So individual racism just reinforces what happens in Black neighborhoods, and in like a lot of the other cases, the --- the Indy case was a case of a person in a Black neighborhood. But there's lots of cases of white --- or Black homeowners in white neighborhoods, and Black books, Black art, I mean Jillian really made it clear.

They signal, they send a signal to appraisers that in their mind connotes lesser value.

And I just think that that's an heirloom of red lining, because they set a template to say that Black people are hazardous. I mean that was it by definition.

And so for me, it's both are at play. It's hard to untangle. But we both see claims that can be made at an individual level and at a community level.

>> ROBERT DOLES: Thank you.

The next question is directed to Miss Rice. What would be the challenges involved for fair housing organizations to conduct pair testing for appraisal discrimination?

>> LISA RICE: Thanks so much, Robert. That's a great question.

So one challenge is cost, because the appraisal testing will invariably require the testers who are going undercover and simulating this real life housing transaction. It will require them to order the appraisal and the appraisal has to be paid for.

And those kind of costs are generally not the kind of costs that fair housing organizations include, for example, in their FHIP proposals, their fair housing initiative program proposals. So it can be hard to come up with the funds that you need in order to order the additional appraisal, and in some cases you need to have two appraisals or three appraisals that you'll have to order in order to sufficiently investigate the case.

So I think the cost issue is really prohibitive.

The second one is knowing the industry. So we strongly encourage fair housing practitioners who are getting into this line of work to get education, to get training about the appraisal process, how you conduct appraisals, you know, the difference between a good appraisal and one that may not be so good.

That training is really important, so that you really can't design a good investigative strategy if you don't understand the industry.

>> ROBERT DOLES: Thank you.

>> ANDRE PERRY: Robert, can I just add one thing? 'Cause I get a lot of requests from individuals across the country, and it's clear that there's an information gap around what a seller or somebody trying to buy a home, you know, who they can go to.

And so for me, why I think this seminar is important, because I only direct people to fair housing advocates and/or actually journalists at times.

But I also think that people just need to understand the recourse that Peter described, or lack thereof, because people really just don't know where to go.

If you say HUD, you know, HUD to them is like, okay, what does --- this big, you know, monstrosity of an agency, what does that mean?

So we also just need to outline where people can go when they have a dispute.

>> ROBERT DOLES: Very good point.

Cashauna, do we have questions?

>> CASHAUNA HILL: We have so many questions. I will get to more of those, and we also have so many compliments for all of you panelists, and so I definitely want to make sure that I state that so many people have in the Q&A box shared that they really appreciate your expertise and all of you sharing this information with us today.

So I want to make sure that you know that.

Lisa, for you, we did have a question about whether appraisal testing is something that fair housing groups should be doing, are doing? Sort of how important is it for fair housing groups to be doing this kind of work at this time?

>> LISA RICE: Oh, yeah, thank you, Cashauna. Great question. So yeah, there are fair housing groups who are doing and conducting fair housing investigations. So if folks want more detailed information, please contact Justin Montero at the National Fair Housing Alliance. Those of you in the fair housing field who are engaged in this work know Justin very well. Reach out to Justin. He's actually coordinating with a number of fair housing groups on a variety of cases throughout the nation.

>> CASHAUNA HILL: Thank you, Lisa. Thank you for sharing that.

Dr. Perry, I'm coming back to you with a question, but first I want to say that someone noted in the Q&A box that living in majority Black neighborhoods will also result in higher car insurance premiums, just as a way to sort of further elaborate on the fact that the legacy of discrimination really shows itself in a variety of different ways.

But I had two questions that are in the chat that I wanted to pose to you, both asked by the same person.

And one is what explanation, if any, do you have for the cities in which Black homes are valued higher, and then a question about how Asian American communities fit into the valuation of homes.

>> ANDRE PERRY: Yeah, I'll take the latter first. We're actually going to look and examine the valuation based on other races here soon. I mean we kind of have an indication that Brown communities are often --- you also see a similar drop, but what is clear that so much of the devaluation was rooted in anti-black practices.

And so communities aren't completely --- I mean the red line communities of the past don't look the same now actually. I mean they've changed over time.

But what has not changed is that as Black people move, it's like the discrimination follows, and so there is something really significant about Black people in the devaluation versus other races.

But it makes sense. So much of the policies were anti-black, and so that impacts people in the real estate industry and beyond, and so there's that.

And then in terms of the places where you see higher values, you know, and I mentioned this a little bit in Nashville, there are places where you do see either --- they have a lot of good things going on. They have generally higher home ownership rates. They have financial institutions that lend to Black people at a higher rate. Not only just in home ownership but in business development.

You see government agencies nearby where people are working. They have benefits. So there's a lot of different issues going on.

And then there's a little bit of demographic play. Like in Boston, you can see all the bougie Black people living together, surrounded by lower income residents and it distorts the numbers a little bit. And likewise in Florida, you see a lot of retirement communities that somewhat distorts those findings.

But people always ask me that question. I go, yeah, there are places, but the overwhelming trend is devaluation. I mean it's not even close, 'cause when most Black places are priced higher, it's like ten percent, nine percent. You know, it's not the 80 something percent you see in Lynchburg. I mean it's marginal at best.

>> JILLIAN WHITE: Cashauna, can I piggyback on the first question about how other races play into this. I think it's important to highlight the demographics of the appraiser community. So 85 percent of appraisers are white. 70 percent are male. And the average age is at or near retirement age --- retirement age.

So I think any community that doesn't fit into that very specific demographic, there's a set of thoughts and beliefs that are going to be --- going to present themselves. And so right now the focus is really on the Black community, but I think, you know, if you were to do an analysis of like women appraising, there might be trends that appear, because it's such a homogenous group that is attaching these opinions of value to properties.

>> CASHAUNA HILL: Thank you, Jillian. And I actually have a question for you, and then Peter, I'll be coming to you with some legal questions, so if you can get ready to be on the hot seat, that would be great.

But Jillian, you talked to us a little bit earlier about what the training requirements are for people who want to become appraisers, and we have a question about whether there's specific fair housing related training in the process to becoming an appraiser. Is that something that appraisers or prospective appraisers are required to become educated about?

>> JILLIAN WHITE: So there are talks about including that in a qualifying education process, and rolling it out at the federal level. I think now it's on a state-by-state basis, so if the state requires you to take some sort of fair housing training, then that is the case.

But by rolling it into the qualifications, it would ensure that every appraiser coming in would have this training, and also appraisers are required to do continuing education. So I've also heard talks of having it being a prerequisite to being able to renew your license.

>> CASHAUNA HILL: Thank you. That's great. And it's helpful to know that the requirements kind of vary on a state-by-state basis.

So Peter, we've got some questions about possible legal remedies and moving forward with litigation in a case around appraisal discrimination, and so the first question that I think can be answered quickly is whether appraisers --- appraisals are covered by the equal credit opportunity act?

>> PETER CHRISTENSEN: Yes, they are. So we focused today on talking about appraisers and appraisal firms. But when you talk about the equal credit opportunity act, that applies to creditors, and it does apply to them in using appraisals.

So if a creditor, a mortgage lender, is misusing an appraisal, is knowingly using an appraisal that has a biased result, or is systemically doing this, it's most definitely an ECOA issue, but if they're not an appraiser, it doesn't apply to them, so that's why the Fair Housing Act is the more relevant law to an appraiser.

>> CASHAUNA HILL: Thank you, okay. This one might be long. It's got several parts to it. So here we go.

Would an individual filing a discrimination case have to dual file with both the appraiser as well as the company that hired the appraiser? And then the second part ---

>> PETER CHRISTENSEN: Let me take that part.

>> CASHAUNA HILL: Oh, yeah sure.

>> PETER CHRISTENSEN: That part is easy. You would generally see all of the potential defendants named in one suit. You would generally see --- when we're talking about a lawsuit. So it would be normal in these kinds of suits to, if there's an appraisal management company, an appraiser or a lender, to have them all three in the same suit.

>> CASHAUNA HILL: Great.

And the next part is would that circumvent the defense of the appraiser saying that they were hired by the company and not the individual?

>> PETER CHRISTENSEN: Well, so that defense, when I was talking about that defense, and that was basically to a negligence claim, because an appraiser generally would be able to argue, I don't owe a legal duty to anyone other than my client or these parties that are specifically named in appraisal reports as intended users of the report.

But I don't think naming all of the parties in one suit is going to actually help with that particular issue. But I want to be really clear. When you're talking about a Fair Housing Act claim, this concept of legal duty that is relevant to a negligence claim doesn't apply because we all have an obligation to follow the Fair Housing Act when we are appraising or selling residential real estate. Everyone has that duty who participates in that activity.

>> CASHAUNA HILL: Okay. Then the last part of this question around sort of who the claim should be brought against is should the bank and mortgage lender also be named in a complaint along with the appraiser and the appraisal company?

>> PETER CHRISTENSEN: I would tend to say --- I would tend to think so. That's --- for a number of reasons. Banks are very afraid of these kinds of suits right now. Filing that kind of suit right now involving a lender, that is a fast way to get --- to spur action.

The HUD settlement that occurred recently for which there was a press release, now, that was a HUD investigation that resulted in a conciliation agreement. That involved Chase home lending, and there's an immediate result right there. Chase home lending is changing its reconsideration of value process to specifically tell its borrowers that if you have a complaint about the value but if you also have a discrimination complaint, here's how you can challenge that.

So they're formalizing that process, so that's how you get the fastest change.

And then there is some good news to --- about just this discussion that's happening. It is causing I think the beginnings of real change at kind of the federal level, because last week that agency that I --- well, it's called the appraisal subcommittee, met last week, and there are a number of federal regulators that are a part of that committee.

And that appraisal subcommittee is basically the agency that oversees the appraisal standards board and the appraiser qualifications board, which are under that appraisal foundation. They have directed that an independent study be done, an audit be done, of both the appraiser qualification criteria, so ending some things that keep minorities out of being appraisers, namely the supervisory system.

And then --- and possibly also looking at the educational requirements to include things like fair housing in the basic education requirements.

And then secondly looking at the standards themselves. So that's real change, like real systemic change there.

So good things are happening because of these discussions.

>> CASHAUNA HILL: Cashauna. And I know we're getting --- oh, yeah, go ahead.

>> ANDRE PERRY: I can't agree with Peter more. I mean I've never seen in any sector really a reckoning that is occurring like this. I mean I think the appraisal issue is just raising the bar on so many housing issues that we haven't seen since like Dodd Frank and the housing crisis.

But the appraisal issue is just a trigger, 'cause people keep asking how do we hold appraisers who are appraisers accountable to is leading to new accountability systems in many different sectors of the market.

So if you're talking about lenders, with, you know, reifying what lenders' roles are, what the appraisal foundation and the appraisal institute role is.

So there are lots of bills now being introduced, and eventually I think they will be passed, but we're just seeing an overall reckoning that we haven't seen in a long time.

And so I think the --- it's really the accumulation of fair housing action work, individual homeowners doing things, researchers like myself exploring this, and it's just all coming together, and so we have really the opportunity to change the field.

So I'm looking forward --- and one big thing, you have a --- the Biden administration who essentially put equity up front, and housing equity in particular.

So I think a lot of things are just coming together where we're going to see real change in this area.

>> CASHAUNA HILL: Thank you. We are very close to the end --- oh, yeah. I was actually --- go ahead, Lisa.

>> LISA RICE: I just wanted to comment, piggybacking on Andre's remark there. There is an increased interest in these issues, and in fact the federal housing finance agency not too long ago, a couple of months ago, issued an RFI, a request for information, on appraisal related practices to include issues of bias.

The National Fair Housing Alliance led an effort to submit comments on that RFI, and we can share later after the webinar a link to our comments in case folks want to see that.

But there definitely is increased interest.

>> CASHAUNA HILL: So I have --- I was going to throw out two final questions for anyone to answer, and folks should share their thoughts and then we are going to wrap this up.

The first question is given all of the problems that can arise with the current system of appraisals, why do we need to have them? Why do we need to have appraisals? And what the attendee is asking is can we base the valuation of a home on local tax data, or would that lead to any discriminatory outcomes. So that's the first question. Can we reimagine the system and the way in which we place valuation on a home?

And then the last question, which I think is very important that we address, is what can people do to safeguard themselves if they believe they might experience appraisal discrimination or if they have experienced appraisal discrimination?

So if anyone would like to take either one of those questions, that would be great.

>> JILLIAN WHITE: Cashauna, can I take the first one in terms of why do we need appraisals?

So as a risk manager at a mortgage bank, the appraisal is a tool to assess the risk in the event of a default. If we liquidate this property, will we as a lender be able to recoup our investment. However it's just one tool in the toolkit. And going back to what Lisa was saying about the RFI that was put out by the NFHA, that was one part of it.

And one of the things was we were asking for a cascade. Right now you have either a full appraisal, which is an interior and exterior inspection or you have something called a PIW, a property inspection waiver, which means no appraisal. So it's either a one percent or zero percent and one of the things we were asking for is there be gradations in between. So maybe there are a couple of tiers when the profile of that particular loan is lower.

So I think the answer is why do we need appraisals? It's a risk tool. However, we don't need the same tool for all levels of risk, so I think that is a way in the future of the appraisal industry and moving away every single time that you have to have somebody in your property who may or may not be applying bias.

>> CASHAUNA HILL: Thank you, Jillian.

Anyone else want to share any thoughts on sort of the system of appraisals and whether we keep doing thing the way we're doing them, or thoughts about what people can do to protect themselves?

>> ANDRE PERRY: Well, the one thing is clear. There are so many other ways to get at the value of the home that is not rooted in sort of the ways we do it now, and the big threat that hearing that I presented to you in the film was really a discussion about automated valuation systems, and there's just a fear that they will take over.

Now, and I say this all the time, that bias in, bias out. The same biases that appraisers have are the same biases that developers have. So there's no --- tech is not a solution.

With that said, tech will be --- tech is coming. It's already here. The GSEs are already exploring various valuation systems. What we need is really to understand the root causes of the problem in the first place, and for me, if we don't take racism head on, you can just, you know, exacerbate the issues by using tech.

I mean we see that in other areas, and so, you know, that's why I think we need to really explore racism as a function of value creation, 'cause we know value is socially constructed. And every time we socially construct something, we should guard against racism. We should assume that we will have a negative bias on Black people. We should assume that and do everything in our power to make sure we don't exercise those false perceptions, whether it's in human appraisals or tech-based appraisals, which are also human-driven.

So it's a daunting task, but just as I did --- well, my team did, we just went beyond the Black neighborhood to look for comparisons, and --- 'cause there are places with similar social circumstances in metro areas, and you can see the bias that way.

So if a small team from Brookings, as great as I think Brookings is, if we can do it, there are others who can find different ways.

>> CASHAUNA HILL: Thank you so much. And I just want to take a minute to thank all of our panelists, we do have to close out the discussion, but to our esteemed panel, it has been our absolute pleasure to have you here with us today. Thank you again for continuing to share your expertise around this very important topic.

I'd also like to thank all of our attendees for your participation in today's forum. We hope that you will join us for the next conversation. I invite you to check out the NFHTA website for a description and an important --- and important information on registration for upcoming events.

We also want to know that one of our upcoming forums later this summer will continue this conversation, particularly around investigating racial bias in appraisals.

I'd also like to thank everyone who made today's event possible, including the National Fair Housing Alliance for coordinating today's event. I'd also like to thank our hard-working interpreters for all the services that you provided today.

After today's event, everyone should please be on the lookout for an email that includes a survey link which will allow you to provide feedback on today's conversation. Your feedback is critical to improving these events and changes will be made going forward based on feedback.

It shouldn't take very long to complete the anonymous survey, and we highly value your input.

I'd also like to thank HUD for having me here today. I really hoped that I wouldn't make anyone regret the decision and I hope that's the case. Thank you for inviting me to moderate this very important discussion.

Thank you all again, and we look forward to seeing you at the next NFHTA event.