

COLOR OF LAW Part II: EQUITABLE RESIDENTIAL APPRAISALS

This brief article provides an overview of the **LAI COLOR OF LAW** webinar series prompted by the 2017 book by Richard Rothstein: <https://www.norton.com/books/the-color-of-law>

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

September 22, 2023: Dr. Junia Howell, Ph.D., Visiting Assistant Professor, Univ. of Illinois, Chicago (UIC)

Webinar Link: <https://www.youtube.com/watch?v=hOp99UkPyvM>

Dr. Howell presented a ground-breaking analysis of a dataset of 47 million 2013-2022 residential appraisals from the US Uniform Appraisal Dataset (UAD). <http://www.juniahowell.com>

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

<https://www.eruka.org/appraised>

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

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

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

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

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

Her summary remarks are as follows:

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

- PAREA modules in development - 32 states now accept PAREA for experience requirement.
- PAREA - Practical Applications of Real Estate Appraisal:
 - PAREA directly addresses the difficulty aspiring appraisers face in finding a supervisor.
 - We want the appraisal profession to reflect the population of the United States.
 - Our hope is that PAREA opens up the profession to a diverse new generation of appraisers.
- PAREA: Participants must:
 - 48 Complete all QE prior to entering a program.
 - 150 hours of QE for Licensed •200 hours of QE for Certified
 - Be periodically mentored.
 - Produce USPAP compliant appraisals.
 - Complete the PAREA program in its entirety before earning the completion certificate.
 - Pass the national licensing exam.

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

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

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

Jim Park has served as Executive Director of the Appraisal Subcommittee(ASC) of FFIEC since 2009 and has been leaders in the PAVE initiative. In his presentation, he shares actions and recommendations of the Interagency Task Force including results of the Subcommittee’s recent hearings.

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

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

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

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

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

- Role of Appraisal Institute is to monitor and promote industry standards – starting in 1980’s.
- Typical clients are lenders seeking valuations to guide financing decisions.
- Appraisal is the least diverse of all professions.
- Savings & Loan crisis prompted legislation requiring “supervisor” and “trainee” programs.
- Supervisor/Trainee model delays income 2.5-3.0 years and encourages favoritism.
- “Arm’s length” requirement has created system of Appraisal Management Companies.
- Diversity Institute has approved 500+ scholarships in last couple of years – 50% women, 35% ethnically diverse, and 33% committing to serve rural areas.

- More education needed for current appraisers regarding anti-discrimination and bias.

The earlier **LAI COLOR OF LAW PART I**, a three-part series in 2021 can also be viewed on the LAI website:

Event 1: Richard T. Ely, Homer Hoyt and Structural Racism, 2021-01-22, Presented by Ladale Winling and Peter Brown. Webinar link: https://youtu.be/MZ6aJNopS_M.

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

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