

Make Your Case

Appraisal Disputes
Reconsiderations of Value (ROVs)
Implicit Bias

Welcome!

Presented by

Jo Stinett, Certified Residential Appraiser

The views and opinions presented tonight are mine personally and do not represent HUD or FHA. All materials presented and linked are from the public domain and are not proprietary or confidential to HUD or FHA.

Make Your Case

Appraisal Disputes
ROVs
Implicit Bias

Agenda

PAVE Task Force

A Deeper Dive into Research and Reports

Fair Housing & Disparate Impact
(Words Matter)

Implicit Bias

Appraisal Disputes, ROVs, Clarifications and
Corrections

Q & A and Open Discussion

Make Your Case - Appraisal Disputes, ROVs, Implicit Bias

Introduction and Course Objectives

- Introduction to The PAVE Taskforce.
- Look at the focus of the Appraisal Foundation (AF) and Appraisal Qualifications Board (AQB), GSEs and FHA as they relate to perceived appraiser bias and home mis-valuations.
- Learn about research, findings and media that are the focus on appraiser bias and mis-valuations.
- A refresher on Fair Housing, implicit bias, and non-compliant narrative found in appraisal reports.
- Review the 2018 AF White Paper on ROVs, discuss the borrower's rights for an ROV, the client's expectations for clarification or correction, and best practices.

An unconscious bias? Biracial Denver couple says they faced discrimination on home appraisal

First appraisal came back \$145,000 below value

Make Your Case

<https://www.thedenverchannel.com/news/local-news/an-unconscious-bias-biracial-denver-couple-says-they-faced-discrimination-on-home-appraisal>

When race plays a role in home appraisals

The real estate industry is coming under increased scrutiny as Black homeowners complain that their homes are being appraised for less than those of their white neighbors.



Lorenzo and Gwen Mitchell with their children — Sia, Zora and Prishad — in front of their home in Denver. The Mitchells experienced racial bias when having their home appraised.

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<https://www.inquirer.com/real-estate/housing/racialbias-real-estate-appraisal-20210127.html>



USA TODAY

May 14, 2021

Indianapolis homeowner had white friend stand in for appraisal, home value doubled

Carlette Duffy had a white friend stand in for her during her third home appraisal and her home value doubled.

Make Your Case

<https://www.usatoday.com/videos/money/2021/05/14/homeowners-home-value-doubles-when-white-friend-stands-appraisal/5088438001/>

BUSINESS

Black homeowner had a white friend stand in for third appraisal. Her home value doubled.



Alexandria Burris
Indianapolis Star

Published 5:53 a.m. ET May 13, 2021 | Updated 1:17 p.m. ET Nov. 26, 2021

Make Your Case


<https://www.indystar.com/story/money/2021/05/13/indianapolis-black-homeowner-home-appraisal-discrimination-fair-housing-center-central-indiana/4936571001/>

Morning Mix

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

By [Jonathan Edwards](#)

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

 Listen to article 4 min



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

Make Your Case

<https://www.washingtonpost.com/nation/2021/12/06/black-couple-home-value-white-washing/>

Black homeowners in Maryland get appraisal value that is less than the cost to build their home

 **Lauren Sue**
Daily Kos Staff

Thursday November 04, 2021 - 2:45 PM MDT



28 Comments 28 New



attribution: Screenshot/WUSA9

Maryland homeowners Derrick and Roshaunda Ingram-Harvey said their million-dollar-plus home appraised for \$60,000 less than expected, compared to nearby communities.

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<https://www.dailykos.com/stories/2021/11/4/2062287/-In-Maryland-community-made-for-Black-people-homeowners-report-appraisal-discrimination>

NEWS

Black California Homeowner Says He Almost Lost \$155K In Home Appraisal Because Comps Chosen Were ‘Bottom of the Barrel’

By Niara Savage | April 1, 2021 • Comments (0)

Two Black California business partners say they were lowballed by \$155,000 in a home appraisal because of their race

Make Your Case

<https://atlantablackstar.com/2021/04/01/black-california-homeowner-says-he-almost-lost-155k-in-home-appraisal-because-comps-chosen-were-bottom-of-the-barrel/>

Make Your Case - Appraisal Disputes, ROVs, Implicit Bias



In June 2021, President Biden announced an interagency initiative, the PAVE Task Force, to address inequity in home appraisals, drawing on the goals of H.R. 2553. The PAVE Task Force is led by Department of Housing and Urban Development Secretary Marcia Fudge. "...a first-of-its-kind interagency initiative to address inequity in home appraisals. The effort will seek to utilize, quickly, the many levers at the federal government's disposal, including potential enforcement under fair housing laws, regulatory action, and development of standards and guidance in close partnership with industry and state and local governments, to root out discrimination in the appraisal and homebuying process."

<https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/26/memorandum-on-redressing-our-nations-and-the-federal-governments-history-of-discriminatory-housing-practices-and-policies/>

Make Your Case - Appraisal Disputes, ROVs, Implicit Bias

A Deeper Dive into Research and Reports

Brookings Institute

- <https://www.brookings.edu/research/biased-appraisals-and-the-devaluation-of-housing-in-black-neighborhoods/>

AEI Housing Center

- <https://www.aei.org/wp-content/uploads/2021/01/AEI-Appraiser-Bias-study-working-report-v34-final.pdf?x91208>

FHFA

- <https://www.fhfa.gov/Media/Blog/Pages/Reducing-Valuation-Bias-by-Addressing-Appraiser-and-Property-Valuation-Commentary.aspx>



Appraising the Appraisal

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



Make Your Case

A Deeper Dive into Research and Reports



Research Note | September 20, 2021

Racial and Ethnic Valuation Gaps In Home Purchase Appraisals

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A Deeper Dive into Research and Reports

Home Appraisal Bias Event

June 15, 2021

Thank you for joining.

*A link to Closed Captioning is in the chat box.
The audience for this event will remain in listen-only mode.*



Make Your Case

A Deeper Dive into Research and Reports

Make Your Case - Appraisal Disputes, ROVs, Implicit Bias A Deeper Dive into Research and Reports (Links)

Fannie Mae

- <https://www.fanniemae.com/media/42541/display>

Freddie Mac

- http://www.freddiemac.com/research/insight/20210920_home_appraisals.page

CFPB

- <https://www.consumerfinance.gov/about-us/events/archive-past-events/virtual-home-appraisal-bias-event/>



Advancing Equity in the Home Valuation Process

THURSDAY, JULY 29, 2021 FROM 2:00 PM TO 4:00 PM EDT
VIRTUAL EVENT

Make Your Case

<https://www.huduser.gov/portal/event/quarterlyupdate-July2021.html>

Promoting Trust for Fair and Affordable Housing



Session 1: Exploring Recent Valuation Research: 1:00 – 2:30 pm

Welcome



David S. Bunton, President
The Appraisal Foundation



Jefferson L. Sherman, MAI, AI-GRS
2020 President, Appraisal Institute

Moderators



Jim Amorin
CAE, MAI, SRA, AI-GRS
CEO, Appraisal Institute



Johnnie White
MBA, CAE, CMP
CEO/EVP, American Society of
Appraisers

Panelists



Andre M. Perry, PhD, Fellow
Metropolitan Policy Program,
Brookings Institution



Junia Howell PhD, Assistant
Professor, Sociology,
University of Pittsburgh



Elizabeth Korver-Glenn,
PhD, Assistant Professor,
Sociology, University of New
Mexico

The Symposium is structured as an open dialogue and as such the views presented may be personal opinions and not the official views of the host organizations.

Make Your Case

https://www.youtube.com/watch?v=tdPKq_4Ohj8&t=16s

Make Your Case - Appraisal Disputes, ROVs, Implicit Bias A Deeper Dive into Research and Reports

- **Appraisal Foundation**

To further this mission, we are committed to the following:

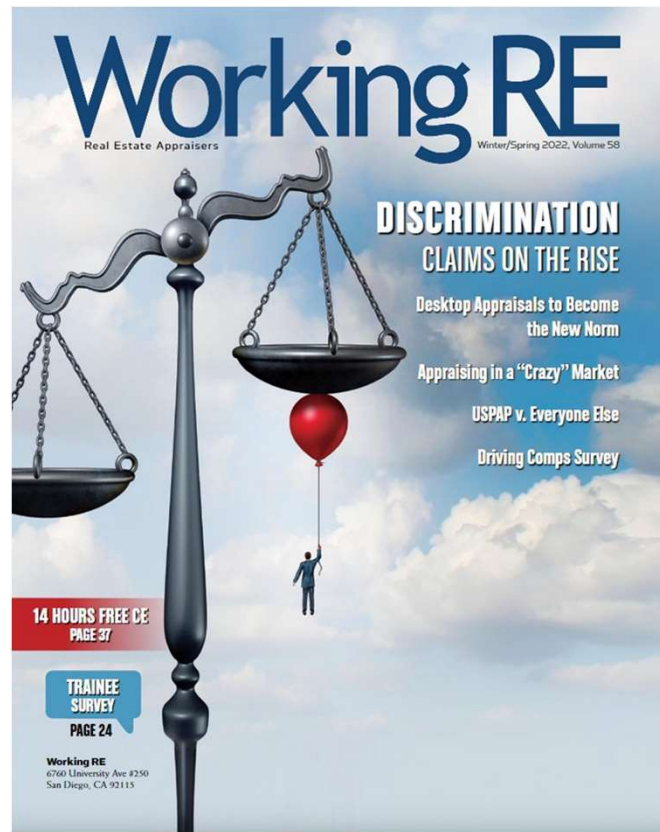
- Working towards an inclusive appraisal profession and Foundation boards that are reflective of the United States we live in today
- Expanding required anti-bias and fair housing training for appraiser credentialing and continuing education
- Facilitating connections between prospective appraisers and seasoned practitioners
- Creating a career pathway for aspiring appraisers to meet their educational and experiential requirements

- https://www.appraisalfoundation.org/imis/TAF/Resources/Diversity_Equity_and_Inclusion/TAF/Diversity_and_Inclusion.aspx?hkey=e43af95e-f315-40f6-82cf-eceae30afeac
- <https://appraisalfoundation.sharefile.com/share/view/s07b3d65a193d47e6a626af02a7aad265>
- <https://appraisalfoundation.sharefile.com/share/view/sd4c3bb191a7a4e6f9d6bf06cc04ca9ba>



Make Your Case

<https://appraisalbuzz.com/bracing-for-impact-navigating-accusations-of-bias-in-appraising/>



Make Your Case

https://issuu.com/workingre/docs/wre_issue58

<https://www.workingre.com/first-discrimination-lawsuit-what-it-means-for-appraisers/>

2022

Snapshot of Race and Home Buying in America

National Association of
REALTORS®
Research Group



 NATIONAL
ASSOCIATION OF
REALTORS®

Make Your Case

<https://www.nar.realtor/research-and-statistics/research-reports/a-snapshot-of-race-and-home-buying-in-america>

Discrimination in Home Search and Reporting Discrimination by Race/Ethnicity

	Racial and Ethnic Distribution			
	Black/African American	Asian/Pacific Islander	Hispanic/Latino	White/Caucasian
Experienced discrimination in a real estate transaction against any of the following				
Race	7%	4%	6%	*
Color	3	2	2	*
Religion	1	*	*	*
Sex	2	1	1	*
Disability	*	*	1	*
Familial status (including marriage or parental status)	*	*	1	*
National Origin	*	1	1	*
Sexual orientation	1	1	1	*
Not sure	7	4	3	1
No, but I believe it exists	39	38	36	28
No	46	53	54	70
Reported the discrimination to a government agency				
Yes, reported	7%	*	*	1%
No, did not report	93	100	100	99

* Less than 1 percent

Source: 2021 Profile of Home Buyers and Sellers

Make Your Case

Neighborhood Residents and Discrimination in Transactions by Race/Ethnicity

Racial and Ethnic Distribution

	Black/African American	Asian/Pacific Islander	Hispanic/Latino	White/Caucasian
The majority of residents in your neighborhood are the same race as you				
Yes, majority are same race	17%	15%	26%	69%
No, majority are not same race	69	74	55	16
Don't know	14	10	20	15
Ways you witnessed or experienced discrimination in a real estate transaction				
Steering towards or away from specific neighborhoods	46%	48%	50%	35%
More strict requirements for myself	32	4	16	19
Type of loan product offered	32	13	23	32
Purchase offer denied for possibly discriminatory reasons	19	39	26	17
Refusal of home owner or agent to show property to particular classes	13	17	6	4
Appraisal of home	5	9	6	6
Other	8	17	23	26

Source: 2021 Profile of Home Buyers and Sellers



Make Your Case

COLLATERAL DAMAGE:

The Consequences of Racial Bias in the Residential Appraisal Process

Thank you for participating. The event will begin shortly...



Make Your Case

<https://www.youtube.com/watch?v=NLRSpRS6M4>

Make Your Case - Appraisal Disputes, ROVs, Implicit Bias



Identifying Bias and Barriers, Promoting Equity:

An Analysis of the USPAP Standards
and Appraiser Qualifications Criteria

This groundbreaking report examines standards for the appraisal industry as well as qualifications criteria for appraisers. It details structural components of the modern-day appraisal industry that restrict meaningful industry oversight and manifest systemic bias in appraisal valuation, including issues with the governance of the appraisal industry, gaps in fair housing requirements and training, barriers to entry into the profession, and deficient compliance oversight in administering the valuation process.

Until recently, the appraisal industry has escaped the type of regulation and scrutiny faced by other participants in the mortgage market, such as lenders and insurance companies. This analysis led by the National Fair Housing Alliance finds that the appraisal industry has operated in a relatively closed, self-regulated framework and systems in the industry can work to perpetuate inequalities.

Make Your Case - Appraisal Disputes, ROVs, Implicit Bias National Fair Housing Alliance (NFHA)

Webpage

- <https://nationalfairhousing.org/groundbreaking-report-identifies-bias-and-systemic-barriers-in-real-estate-appraisals/>

Report

- https://nationalfairhousing.org/wp-content/uploads/2022/01/2022-01-18-NFHA-et-al-Analysis-of-Appraisal-Standards-and-Appraiser-Criteria_FINAL.pdf

NFHA Comments to FHFA

- https://nationalfairhousing.org/wp-content/uploads/2021/04/NFHA-Comments-FHFA-RFI-re-Appraisals-02-26-2021_FINAL.pdf

← Thread



Elizabeth Korver-Glenn
@elizabethkaygee

...

Hey @AI_National @TheAppraisalFdn, I just received this overtly racist email from an appraiser who claims MAI + AI-GRS designations. He seems to be angry about my research. What is your response?

Who the hell are you, to inject such racism. Your sociology background, well simply is flawed. You should get out of the office and work with an appraiser and see the impact of social groups, but more importantly, federal law, which makes poor minorities poorer. It's called lower-income housing or LIHTEC, and only the wealthy democrats own these. They are an annuity right from the the US Treasury into the Democrat pockets. Hence the millions of refugees in the system.

Appraisers are being turned in nationally because of so called race. The trend of course will be to refuse the assignment. While the document I read suggest racism was the underlying cause of the values being low in minority areas, I would suggest its factual data that reflects values are simply low, as investors are fewer. As the cry wolf extreme for lending and appraisals ramps up, appraisers and lendings will simply run from these loans not wanting any conflict. To suggest the loan is biased and the appraiser is racist is simple. But I have come to expect why someone with your credentials would dare to suggest they have a clue about what trained and educated

would suggest you are a tunkny and our country is racing to the bottom with people like yourself not capable of doing the work. Racism is not as prevalent as you might think. Im 62 and I live in the house I grew up in. the stret has hardly changed even wen you get to the poor black neighborhoods. The point is, not much has changed, and these neighborhoods are socially adapted based on social behavior people are attracted to.

Come to NC, I will pay for your ticket, and I will walk your through your sociology degree and then ask you what you see after spending a week with me in the heart of the deep south where minorities are paid to raise their poorly educated kids illigitamant kids. Lets not forget the parents gave the kids obserd names that most employers immediately refuse to call. !!

Dave



3:17 PM · Jan 26, 2022 · Twitter Web App

Who the hell are you, to inject such racism. Your sociology background, well simply is flawed. You should get out of the office and work with an appraiser and see the impact of social groups, but more importantly, federal law, which makes poor minorities poorer

.... Come to [state redacted], I will pay for your ticket, and I will walk your through your sociology degree and then ask you what you see after spending a week with me in the heart of the deep south where minorities are paid to raise their poorly educated kids illigitamant kids. Lets not forget the parents gave the kids obserd names that most employers immediately refuse to call. !!

(How NOT to) Make Your Case

<https://twitter.com/elizabethkaygee/status/1486463258995437568>

<https://www.housingwire.com/articles/waters-demands-investigation-following-racist-appraiser-email/>

Make Your Case

Fair Housing
Disparate Impact
Words Matter

Make Your Case - Appraisal Disputes, ROVs, Implicit Bias HUD/FHEO FAIR LENDING

Discrimination in mortgage lending is illegal under the Fair Housing Act.

What Is Prohibited?

The Fair Housing Act makes it illegal to discriminate against someone because of race, color, religion, sex (including gender, gender identity, sexual orientation, and sexual harassment), familial status, national origin or disability at any stage of the mortgage process, including:

- Approvals and denials
- Terms, e.g. interest rates, points, fees and other costs
- Advertising
- Mortgage broker services
- ***Property appraisals***
- Servicing
- Home loan modification assistance
- Homeowners insurance

(Actual or Perceived)

https://www.hud.gov/program_offices/fair_housing_equal_opp/fair_lending

Make Your Case - Appraisal Disputes, ROVs, Implicit Bias Theories of Proof and Disparate Impact (Treatment)

Theories of Proof

- Courts have relied on different theories of proof when assessing claims of discrimination under civil rights statutes. The primary means of establishing discriminatory conduct under the Fair Housing Act include disparate treatment (through either direct evidence or circumstantial evidence), or disparate impact.

Disparate Treatment

- Both the Fair Housing Act and the ECOA prohibit explicit intentional or differential discrimination, known as “disparate treatment discrimination.” Although this form of discrimination is often referred to as “intentional discrimination,” the law does not require proof that the lender or appraiser acted with malice, but that they acted in part on the basis of the alleged discriminatory reason rather than on some other, non-prohibited consideration.

Make Your Case - Appraisal Disputes, ROVs, Implicit Bias Theories of Proof and Disparate Impact (Treatment)

Direct Evidence:

One means of establishing disparate treatment discrimination is through direct evidence. For example, disparate treatment discrimination may be established through evidence of instances where a home appraiser makes express discriminatory statements when performing appraisal services or utilizes policies that, in their terms, limit or otherwise restrict services to individuals or neighborhoods on the basis of a protected class.

- Example: A bank provides appraisers with written guidelines requiring the appraisers to assign a higher value to mobile home parks that are for childless adults than to mobile home parks that allow families. This policy would likely violate the Fair Housing Act's prohibition against discrimination on the basis of familial status.⁷⁰
- Example: An appraiser indicates on an appraisal form that a deduction has been made with respect to the location of a property due to its close proximity to a group home for persons with disabilities. This policy would likely violate the Fair Housing Act's prohibition on discrimination on the basis of disability.

Make Your Case - Appraisal Disputes, ROVs, Implicit Bias Theories of Proof and Disparate Impact (Treatment)

Circumstantial (or Comparative) Evidence:

Absent direct discriminatory statements or policies, disparate treatment discrimination may be established through an analysis of relevant circumstantial (or comparative) evidence. One means of using circumstantial evidence to prove disparate treatment discrimination in home appraisals is by examining divergent activities from otherwise standard business practices, such as soliciting information from only some prospective borrowers on appropriate comparable sales on a prohibited basis.

- An appraiser's seemingly race-neutral policy may be unequally applied, resulting in different treatment based on race or some other protected characteristics.

Make Your Case - Appraisal Disputes, ROVs, Implicit Bias Theories of Proof and Disparate Impact (Treatment)

Disparate Impact

- Under the “disparate impact” theory of discrimination, home appraisal services may be performed in a discriminatory manner if they employ neutral policies that have an unjustified discriminatory effect. In 2015, the U.S. Supreme Court upheld broad consensus among the circuit courts in its *Texas Department of Housing and Community Affairs v. Inclusive Communities Project* decision holding that disparate impact is a viable means for proving discrimination under the Fair Housing Act.⁷⁷ Disparate impact claims arise when there is a policy that is otherwise non-discriminatory on its face, but when put into practice has an unjustified discriminatory effect on the basis of a protected class. Disparate impact claims may be brought in conjunction with intentional discrimination claims but can occur absent any showing of intentional discrimination.



Problematic phrase	Objective description
<p>Desirable neighborhood Different families have different needs, which change what they will see as "desirable."</p>	<p>List the neighborhood's features or amenities that potential buyers would find of value. For example: Newly updated neighborhood swimming pool.</p>
<p>Crime-ridden area Crime-ridden is a subjective assessment. All locations can experience some crime. Where does one draw the line between "ridden" or not?</p>	<p>"The crime rate in this area is x%" is objective and allows the reader to make their own judgment about the potential impact of crime.</p>
<p>Affordable neighborhood While some may have enough to purchase this property, others may find it is outside what they can afford.</p>	<p>State whether the valuation of the property is aligned with the price range of the neighborhood.</p>
<p>Integrated community Language pertaining to demographic composition, whether subjective or objective, should not be included.</p>	<p>The valuation should focus on the property, not the residents.</p>

Make Your Case

<https://singlefamily.fanniemae.com/media/26126/display>

Make Your Case

Appraisal Disputes

ROVs

Implicit Bias

10 Minute Break

Make Your Case

Implicit Bias

Make Your Case - Appraisal Disputes, ROVs, Implicit Bias Implicit Bias (Unconscious Bias)



[Jillian White – Solutions](#)

https://youtu.be/9ZGaVARzt_U?t=1271

<https://www.appraisalbuzz.com/racial-and-ethnic-bias-in-the-appraisal-process/>

Make Your Case - Appraisal Disputes, ROVs, Implicit Bias

Implicit Bias (Unconscious Bias)



<http://kirwaninstitute.osu.edu/implicit-bias-training/>

Module 3 IAT

<https://implicit.harvard.edu/implicit/>



Make Your Case

David and Julie

Harvard.edu: Unconscious Bias and Mindset

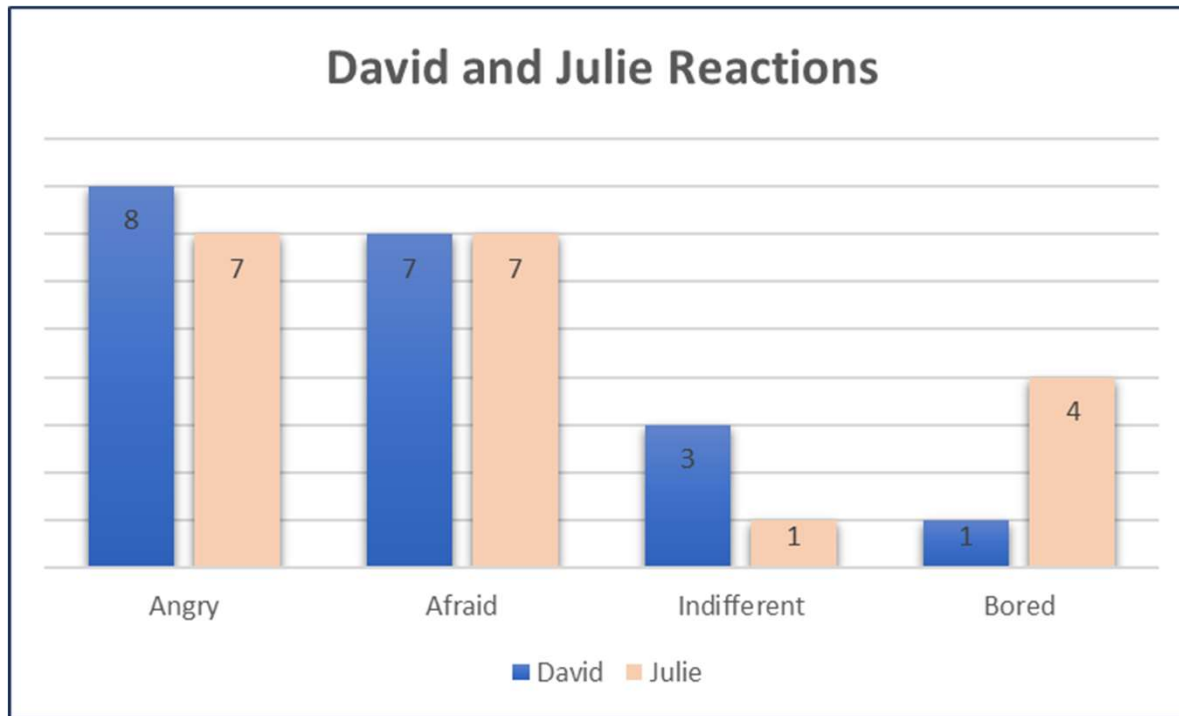
This exercise came from a classic study. In it, two different groups of college students watched a video of the exact same baby and jack-in-the-box.

- One group was told the baby had a male name. David. These students were more likely to believe that the baby was angry.
- The other group was told the baby had a female name. Dana. They were more likely to believe that she was afraid.

Make Your Case

David and Julie

https://implicit.harvard.edu/implicit/user/andy/module1/story_content/external_files/Unconscious_Bias_and_Mindset.pdf



Congratulations to you all on showing equity in your decision making as a group.

Make Your Case

David and Julie

CAREA Responses

Make Your Case

Appraisal Disputes

ROVs

Clarifications & Corrections

Make Your Case

Appraisal Disputes, ROVs, Clarifications and Corrections

The Do's and Don'ts of Addressing a Reconsideration of Value – Dwellworks Sep 24, 2021

- Don't go on the defensive.
- Do be thorough in all responses.
- Don't dismiss presented information without research.
- Do review all the information about the subject property.
- Don't be worried if the opinion of value should be revised.
- Do feel free to reach out to any member of our review department with any questions or concerns.

<https://blog.dwellworks.com/the-dos-and-donts-of-addressing-a-reconsideration-of-value>

Make Your Case

Appraisal Disputes, ROVs, Clarifications and Corrections

How to Respond to a Reconsideration of Value Request

1. Confidentiality
2. Pause before responding
3. Meet deadlines, if attainable
4. Take the ROV seriously
5. Start with a positive
6. Assess the problem and research facts
7. Respond to all points and sales forwarded for consideration
8. Rectify an error
9. Use understandable language
10. Do not strike back



Make Your Case

Appraisal Disputes, ROVs, Clarifications & Corrections

Appraisal Foundation White Paper on ROVs

- <https://appraisalfoundation.sharefile.com/share/view/s58d8b7251524c38a>

McKissock ROV Blog

- <https://blog.mckissock.com/blog/appraisal/how-to-respond-to-a-reconsideration-of-value-request/>

NFHTA Flowchart of the Real Estate Appraisal

- <https://files.hudexchange.info/resources/documents/NFHTA-Job-Aid-Flowchart-of-the-Real-Estate-Appraisal-Process.pdf>



Borrower Complaints in General Regarding Residential Appraisals

With a grievance about a valuation, a borrower's initial process to challenge the residential valuation usually begins with a request for "reconsideration of value" submitted to the lender:

- It's an *ad hoc* process, varies by lender. Not a formal legal process.
- The information submitted with the request usually gets forwarded to the appraiser for them to consider and weigh.
- Generally, the process results in no change. Borrowers are often disappointed.
- Also – not likely the right avenue for a discrimination issue.

Make Your Case

<https://youtu.be/NLRSqpRS6M4?t=926> – Peter Christensen ROVs

Full Video (see slide 25)

Make Your Case

Appraisal Disputes, ROVs, Clarifications and Corrections

Some additional ROV Links:

- <https://www.propertyappraisalzone.com/reconsideration-of-value/?open-article-id=20883914&article-title=chief-appraiser-outlines-the-specifics-of-rovs&blog-domain=valuationreview.com&blog-title=valuation-review>
- <https://www.propertyappraisalzone.com/reconsideration-of-value/?open-article-id=16094089&article-title=challenging-a-mortgage-appraisal&blog-domain=annarborappraisal.blog&blog-title=annarbor-appraisal>
- <https://riverfrontappraisals.com/the-lenders-guide-to-appraisals-part-4-tips-for-a-successful-reconsideration-of-value/>
- <https://www.homelight.com/blog/reconsideration-of-value/>
- <https://www.classvaluation.com/reconsideration/>

Make Your Case

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Questions & Discussion

Make Your Case

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Thank You!