

April 13, 2021

The Honorable Amy Klobuchar  
United States Senate  
425 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Emanuel Cleaver  
United States House of Representatives  
2335 Rayburn House Office Building  
Washington, DC 20515

The Honorable Raphael Warnock  
United States Senate  
B40D Dirksen Senate Office Building  
Washington, DC 20510

Dear Senator Klobuchar:

On behalf of the nearly 17,000 Designated Members, candidates and affiliates of the Appraisal Institute, thank you for your leadership and letter dated March 25 in calling on the Federal Financial Institutions Examination Council to work with the appraisal profession regarding bias and diversity. Like you, we are giving our utmost attention to this issue. And we agree that collaboration with members of the Appraisal Subcommittee and Congress is critical to finding successful and meaningful outcomes to the housing challenges that so many American communities have faced for far too long.

The Appraisal Institute has publicly and widely acknowledged that unconscious bias is real and exists in all industries, including our own. Unconscious bias is human, takes various forms, and no profession is immune from that. What is important is understanding, knowledge and guidance on how to recognize and interrupt it when it occurs. This is an area of emphasis within our education and guidance materials review, already underway. At the same time, appraisal is but one piece of a larger ecosystem to look at when it comes to housing issues. We acknowledge the responsibility to improve equitable access to homeownership for all, and as such are working alongside consumer groups, real estate brokers and agents, banks, government agencies, think tanks and others to explore where housing inequities may stem from and what combination of solutions should be considered. We welcome further collaboration with the FFIEC on that.

While we strongly support the themes and goals outlined in your letter, the statement that unconscious valuation bias “results in home appraisers assessing lower home values to communities of color due to an area’s racial makeup” is concerning. This implies a sweeping, and inaccurate, generalization that appraisal valuations are substantially and widely impacted by racial bias. Some research has attempted to draw that conclusion, but we wish to clarify that that research did not come from the Appraisal Institute. In fact, recently, additional research has argued that socio-economic factors may be an overriding influence<sup>1</sup>. With all the studies that have been published to date, it is important to note that appraisal reports have not been the central source of data. Instead, “big data” or automated valuation models, Census data (or owner reported “self-appraisals”) and tax assessment data have been the primary data points used as proxies for appraisals. We have engaged and continue to engage in conversations with

---

<sup>1</sup> “The Impact of Race and Socio-Economic Status on the Valuation of Homes by Neighborhood.” American Enterprise Institute, March 18, 2021. Available at <https://www.aei.org/economics/special-briefing-on-race-and-socioeconomic-status-on-the-valuation-of-homes-by-neighborhood/>

the authors of the primary research studies in this area to understand more about their methodologies and interpretations of the data. However, the Appraisal Institute has neither concluded nor stated a universal causative relationship between unconscious bias and lower home valuation.

This does not lessen our concern in addressing matters of unconscious bias or improving diversity in appraisal. In fact, within the past year alone, we have undertaken a multi-pronged campaign targeted at issues of unconscious bias and diversity, including:

- Developing a 5-hour seminar on valuation bias that will delve into explicit bias (discrimination), implicit (or unconscious) bias and systemic biases (historical redlining, restrictive covenants and other biases in the market) confronting appraisers. This seminar is being developed by Appraisal Institute professionals from Minnesota, and it is envisioned to satisfy expected continuing education requirements for appraisers. Minnesota is in fact leading the effort and establishing a standard for valuation bias education requirements for appraisers through legislation working its way through the legislature (*HF737/SF785*).
- Updating our *Code of Professional Ethics* with enhanced ethics requirements related to protected classes and new requirements related to personal characteristics in appraisal.
- Proposing a new Guide Note that illustrates acceptable and unacceptable use of personal characteristics in valuation practice.
- Hosting additional seminars with expert speakers and researchers such as The Appraisal Foundation and Brookings Institution.
- Working with The Appraisal Foundation to enhance standards and qualification requirements related to unconscious bias.
- Recruiting more appraisers of color and women.
  - Right now, although we work in every community in America, we could do a better job as an organization to reflect the diverse faces of the communities in which we serve.
  - We also know that representation is a leading force for equity and inclusion in every profession. Our efforts include:
    - Appraiser Diversity Initiative with Fannie Mae and National Urban League
    - Minorities and Women Course Scholarship Program from the AI Education and Relief Foundation.

We must confront and combat potential bias in appraisal, and we support vigorous enforcement if discrimination is proven. However, we must not lose sight that structural biases within the broader marketplace and among all stakeholders within real estate and lending continue to play significant roles that impact the realities of the real property market.

We strongly believe the issue requires engagement of the broader homeownership ecosystem, as appraisal is one part of a larger risk management and underwriting process. Therefore, we support and would urge Senate consideration for companion legislation to the draft legislation noticed in a hearing of the House Financial Services Committee on March 10, 2021. The proposed legislation would establish an interagency task force to evaluate lender collateral underwriting and appraisal guidelines, along with other processes and procedures, such as appraisal appeals and reconsiderations of value by lenders.

One of the issues that would be within the purview of this proposed task force is the appraisal appeal process with financial institutions, which has been a focal point of recent media reports involving refinance transactions. Preliminarily, we believe some of these concerns could be mitigated by hiring appraisers with enhanced ethics and training requirements, such as those who have received professional designations from nationally-recognized appraisal organizations like the Appraisal Institute. Likewise, the appraisal review work could be enhanced by engaging credentialed reviewers and within clearly defined policies and procedures. These are just two potential ideas that we believe could strengthen protections for consumers, and we look forward to contributing in whatever way we can to a holistic, comprehensive approach.

Letter to Financial Institutions Examination Council  
April 13, 2021

The circumstances over the past year, and over the history of this nation, have laid bare the challenges faced by communities of color, and homeownership and wealth-building through real property are no exception. Appraisal Institute remains committed to working to address unconscious bias and improving diversity in appraisal. We are eager to partner with you and other homeownership-adjacent industries and professions to develop rigorous and impactful policy ideas.

Should you have any questions, or would like additional information, please contact Bill Garber, director of government and external relations, at 202-298-5586, [bgarber@appraisalinstitute.org](mailto:bgarber@appraisalinstitute.org).

Sincerely,



Rodman Schley, MAI, SRA  
President

CC:

The Honorable Tammy Baldwin	The Honorable Bonnie Watson Coleman
The Honorable Ron Wyden	The Honorable Donald Beyer
The Honorable Sheldon Whitehouse	The Honorable Sanford Bishop, Jr.
The Honorable Chris Van Hollen	The Honorable Deborah Ross
The Honorable Richard Blumenthal	The Honorable Cindy Axne
The Honorable Elizabeth Warren	The Honorable Carolyn Maloney
The Honorable Jeffrey Merkley	The Honorable Grace Meng
The Honorable Catherine Cortez Masto	The Honorable Bill Foster
The Honorable Tina Smith	The Honorable Jamal Bowman, Ed.D.
The Honorable Kristin Gillibrand	The Honorable Mondaire Jones
The Honorable Cory Booker	The Honorable Bobby Rush
The Honorable Diane Feinstein	The Honorable Alcee Hastings
The Honorable Dick Durbin	The Honorable Peter Welch
The Honorable Bernie Sanders	The Honorable Andre Carson
The Honorable Robert Menendez	The Honorable Chuy Garcia
The Honorable Tammy Duckworth	The Honorable Kwesi Mfume
The Honorable Eddie Bernice Johnson	The Honorable Thomas Suozzi
The Honorable Eleanor Holmes Norton	The Honorable Alma Adams, Ph.D.
The Honorable Dwight Evans	

Congress of the United States  
Washington, DC 20510

March 25, 2021

David Uejio  
Acting Director  
Consumer Financial Protection Bureau  
1700 G Street, NW  
Washington, DC 20552

Dear Acting Director Uejio:

We write to request the Federal Financial Institutions Examination Council (FFIEC), working in coordination with the housing appraisal industry, take action to address disparities in home valuations for communities of color.

Homeownership has consistently been a critical component of American families' ability to build intergenerational wealth. Even following the substantial decline in wealth after the 2008 housing downturn, the net worth of homeowners has significantly outpaced that of renters over time. In fact, it is estimated that the typical homeowner today has a net worth that is about 40 times higher than that of the typical renter.<sup>1</sup>

The Appraisal Institute, the global association representing nearly 17,000 real estate appraisers, recently expressed the need to confront "unconscious valuation bias," which results in home appraisers assessing lower home values to communities of color due to an area's racial makeup. A 2018 Brookings Institution study found that homes in neighborhoods where the share of the population is 50 percent black are valued at roughly half the price as homes in neighborhoods with no black residents.<sup>2</sup> The same study found that differences in home and neighborhood quality do not completely explain the disparities in property values. The report also stated that "homes of similar quality in neighborhoods with similar amenities are worth 23 percent less in majority black neighborhoods, compared to those with very few or no black residents" and "across all majority black neighborhoods, owner-occupied homes are undervalued by \$48,000 per home on average, amounting to \$156 billion in cumulative losses."<sup>3</sup>

There remain significant disparities in homeownership rates between white families and families of color. Years of discriminatory policies—such as segregation, limited access to federally-backed mortgages, and restrictive neighborhood covenants—have created significant barriers to homeownership for families of color. These structural factors continue to exist today, where

---

<sup>1</sup>October 7, 2020. *A Homeowner's Net Worth Is 40x Greater Than a Renter's*. Keeping Current Matters. <https://www.keepingcurrentmatters.com/2020/10/07/a-homeowners-net-worth-is-40x-greater-than-a-renters/>

<sup>2</sup>Perry, Andre et al. (November 27, 2018). *The devaluation of assets in Black neighborhoods*. The Brookings Institution. <https://www.brookings.edu/research/devaluation-of-assets-in-black-neighborhoods/>


<sup>3</sup>*Id.*

there is now an estimated 50-year high in the gap between black and white homeownership rates, as well as persistent gaps for Asian, Hispanic, and Native households.<sup>4</sup>


Given the critical connection between homeownership and wealth, as well as the longstanding structural barriers to homeownership for families of color, it is crucial that appraisers accurately and impartially assess the values of Americans' homes. Therefore, we encourage FFIEC to work with appraisers to reduce the racial appraisal gap and to address the long-term undervaluation of neighborhoods of color. The Appraisal Institute has recently acknowledged the need to address the issue of racial bias in the appraisal industry and committed to diversifying the appraisal profession, and we urge FFIEC and its respective member agencies – the Consumer Financial Protection Bureau (CFPB), Board of Governors of the Federal Reserve System (FRB), Federal Deposit Insurance Corporation (FDIC), Office of the Comptroller of the Currency (OCC), and the National Credit Union Administration (NCUA) – to consider near- and long-term structural reforms to address and meaningfully reduce racial bias and improve impartiality in home valuations for communities of color.

We look forward to working with you to address the issue of racial disparities in home valuations and to create more equitable outcomes for communities of color. Thank you for your time and attention to this important issue.

Sincerely,

  
Amy Klobuchar  
United States Senator

  
Emanuel Cleaver, II  
Member of Congress

  
Raphael Warnock  
United States Senator

/S/ Tammy Baldwin  
Tammy Baldwin  
United States Senator

/S/ Ron Wyden  
Ron Wyden  
United States Senator

/S/ Sheldon Whitehouse  
Sheldon Whitehouse  
United States Senator

/S/ Chris Van Hollen  
Chris Van Hollen  
United States Senator

/S/ Richard Blumenthal  
Richard Blumenthal  
United States Senator

/S/ Elizabeth Warren  
Elizabeth Warren  
United States Senator

<sup>4</sup>Choi, Jung Hyun. (February 21, 2020). *Breaking Down the Black-White Homeownership Gap*. The Urban Institute. <https://www.urban.org/urban-wire/breaking-down-black-white-homeownership-gap> and

Veal, Roy and Spader, Jonathan. (July 10, 2019). *Rebounds in Homeownership Have Not Reduced the Gap for Black Homeowners*. Joint Center for Housing Studies of Harvard University. <https://www.jchs.harvard.edu/blog/rebounds-in-homeownership-have-not-reduced-the-gap-for-black-homeowners>