



**NATIONAL
ASSOCIATION OF
REALTORS®**

March 29, 2023

The Honorable Melody Taylor,
Associate Deputy Assistant Secretary for Enforcement Compliance
Office of Fair Housing and Equal Opportunity
Executive Director
Interagency Task Force on Property Appraisal and Valuation Equity
U.S. Department of Housing and Urban Development
451 7th St SW
Washington, DC 20410

Dear Associate Deputy Assistant Secretary Taylor:

The National Association of REALTORS® (NAR) thanks you for your commitment to improving the appraisal process for all homebuyers. Credible and fair valuations are key to sustainable financing and REALTORS® commend the Department of Housing and Urban Development (HUD) as well as the Property Appraisal and Valuation Equity (PAVE) task force for their ongoing efforts to eliminate discrimination in the valuation process. NAR has actively advocated for solutions that will increase diversity, reduce bias and maintain the public trust in the appraisal profession. Legal clarity from HUD is needed, however, to build the tools to best educate the appraisal community.

NAR acknowledges the historic role industry and government played to protect or depress property values in neighborhoods based on the race or ethnicity of their occupants. Those decades of discriminatory underinvestment, along with an array of other social factors, have led to large valuation gaps between White, Black and Hispanic neighborhoods. In addition, while there is ongoing debate about the best methodology to examine the impact of racial bias in valuations, an array of analyses¹ suggests bias in today's appraisal process to some meaningful degree may explain the gaps in values among communities. Yet little legal or practical guidance for appraisers on how to apply fair housing principles to real property valuation has come forth. NAR looks forward to continuing its collaborative efforts with HUD and the PAVE task force to create the tools that will help eliminate discrimination in valuation.

Clarity to Build the Right Tools

Section one of the PAVE Action Plan notes that, "the appraisal industry lacks clarity around its antidiscrimination obligations under current federal laws."² The Action Plan indicates that the "CFPB, DOJ, VA, and HUD will issue guidance on the Fair Housing Act's and ECOA's application to the appraisal industry." We continue to wait for the participating agencies to issue such guidance.

Moreover, we have seen no resolution of the appraisal bias cases under investigation by HUD. The Federal Housing Finance Agency (FHFA) has documented appraisals in which appraisers improperly noted observations of race and ethnicity for neighborhoods they

² HUD. Action Plan to Advance Property Appraisal and Valuation Equity. March 2022. pp. 23.

analyzed.³ These were referred to HUD by the FHFA. We understand there are numerous other cases of alleged appraisal bias under investigation. However, HUD has not issued its findings in any cases to date. Our industry relies on legal guidance from HUD and the courts to build best practices and create training and education. Without such guidance, industry efforts are stalled. To this end, NAR requests that HUD, the CFPB, VA and other members of PAVE complete their reviews of alleged discrimination in valuation with due haste and provide guidance on both documented cases of discrimination as well as cases where discrimination was not found.

Appraisal Bias impacts all REALTORS®

Over the last two years, reports of significant discrepancies in appraisals for Black homeowners who “whitewashed” their homes have made the news. In response, several groups studied the presence of appraisal bias including Fannie Mae⁴, Freddie Mac⁵, the Brookings Institute⁶, and the American Enterprise Institute⁷ (AEI). These studies found a range of impacts from 1.0% to 8.0%⁸ lower home valuations in communities of color than in White communities. This appraisal gap hurts REALTORS® by potentially disrupting agent-members’ transactions, by undermining the credibility and trust in appraiser-member’s valuations, and by reducing opportunities for wealth-building in communities they serve.

In March of 2022, NAR [wrote to the PAVE Task Force](#) outlining a number of areas of common ground and urging collaboration. Since then, NAR met with staff of the Department of Housing and Urban Development (HUD) including you in your capacity as Executive Director of PAVE to discuss the reconsideration of value the (ROV) process and how REALTORS® could collaborate with HUD on that and other efforts. NAR recently [submitted comments](#) to the Federal Housing Administration regarding its proposed revisions to its ROV process, urging greater efforts to make consumers aware of this tool and the benefits of supplying information to the appraiser before an appraisal assignment is complete and a possible dispute arises. Likewise, NAR [joined a coalition](#) to urge the FHA to coordinate ROV review with other government guarantee programs.

³ *Reducing Valuation Bias by Addressing Appraiser and Property Valuation Commentary*. Federal Housing Finance Agency. December 14, 2021.

⁴ Jake Williamson and Mark Palim. *Appraising the Appraisal*. Fannie Mae. February 2022

⁵ Racial and Ethnic Valuation Gaps In Home Purchase. Freddie Mac. Research Note. September 20, 2021.

⁶ Jonathan Rothwell and Andre M. Perry. *How racial bias in appraisals affects the devaluation of homes in majority-Black neighborhoods*. Brookings Institute. Monday, December 5, 2022

⁷ Ed Pinto and Tobias Peter, *How Common Is Appraiser Racial Bias—an Update*. American Enterprise Institute. May 26, 2022.

⁸ Freddie Mac’s analysis of proprietary purchase-money appraisal data revealed that, nationwide, 12.5% and 15.4% of homes in majority Black and Latino neighborhoods, respectively, were appraised below the contract sale price compared to 7.4% in White neighborhoods, for gaps of 5.2% and 8.0%. Fannie Mae found that, “in majority-Black neighborhoods, the frequency of undervaluation for Black and white homeowners is within a percentage point of each other”. Researchers at the Brookings Institute found that 6% more (13% versus 7%) homes in Black neighborhoods were under-appraised relative to non-Black neighborhoods, but that after that after accounting for characteristics of the home and neighborhood that gap slipped to 4.4%. Finally, AEI’s analysis points to a gap of 0.8% between black and white homebuyers. While some might argue that this effect is small, the cumulative effect of this annual difference over decades could be considerable, impacting the ability of communities of color to build wealth.

Raising the Bar of Professionalism

NAR has a sizeable number of appraiser-members who are obligated to conform to the same REALTOR® Code of Ethics as NAR's agent-members. These members are also accountable to their state and federal licensing bodies.

NAR has previously urged its state associations to promote legislation or regulation to state real estate licensing boards to require regular fair housing training for real estate agents. In 2022, NAR wrote the Appraisal Foundation (TAF), urging it to adopt minimum fair housing training for licensure as well as continuing education.

Looking inward, NAR is currently developing Article 10 Training for appraisers that is part of NAR's online Code of Ethics training module. This training will seek to help define equal professional services for appraisers, provide case studies intended to generate an in-depth, multi-faceted understanding of the ethical duties under Article 10, and a checklist to help appraisers avoid Article 10 violations with an emphasis on following protocols and being proactive.

Improving Access to the Appraisal Profession

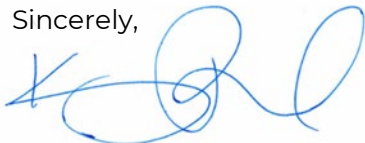
It's well documented that the appraisal profession lacks racial and gender diversity. The standards to attain accreditation as an appraiser are high, often relying on "who you know" to gain an apprenticeship and requiring many hours of unpaid experience. In November, NAR wrote The Appraisal Foundation urging it to [consider allowing for education and experience](#) in parallel industries like real estate brokerage and sales to count towards the experience requirement for appraisal accreditation. The goal is to expand the pool of appraiser-candidates from appraiser-adjacent professions while maintaining high standards for candidates.

In recognition of this mentorship gap, NAR began its [NAR Spire](#) program in 2021. The program matches seasoned real estate professionals with aspiring professionals from underserved communities with the intent of helping them further careers. In a similar vein, NAR has provided financial support for the [Appraisal Diversity Initiative](#), which recruits, provides scholarships to, and matches aspiring appraisers with mentors.

Working Together

Thank you again for your efforts to improve the valuation process and to support diverse homeownership. We look forward to incorporating the requested federal guidance into training programs for our members. If you have any questions or comments, please feel free to reach out to Ken Fears, NAR's Director of Conventional Housing Finance and Valuation Policy at (202)383-1066 or KFears@NAR.REALTOR. Thank you once again and we look forward to our next meeting.

Sincerely,



Kenny Parcell
2023 President, National Association of REALTORS®