

Appraisal Institute®

*Professionals Providing Real Estate Solutions®*

# Appraisal Regulation Under a Microscope: Federal & State Efforts to Address Diversity, Equity and Inclusion

Scott W. DiBiasio

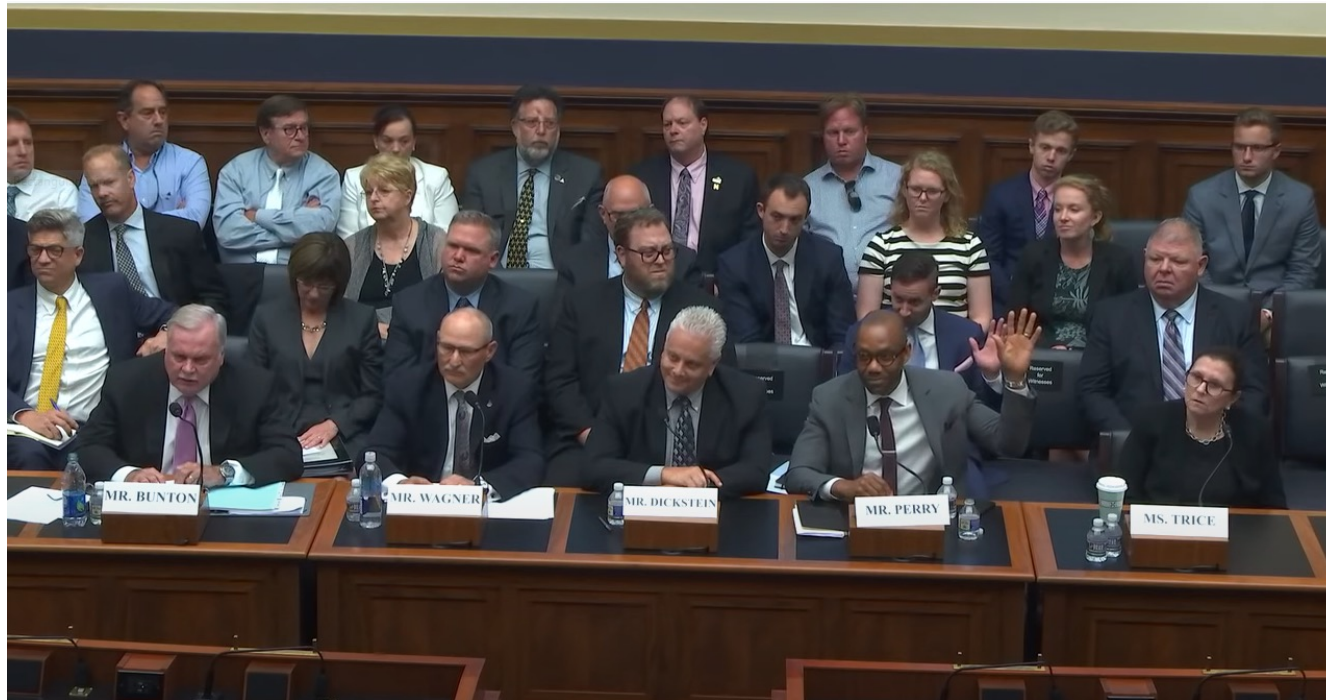
Appraisal Institute Manager of State and Industry Affairs

May 5, 2021

# 1. Legislative and Regulatory

## *What's Your Home Worth? A Review of the Appraisal Industry*

June 20, 2019



## House Financial Services Committee

- March 10, 2021 – *“Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services”*
- April 29, 2021 – *“Closing the Racial and Gender Wealth Gap Through Compensation Equity”*

## Senate Banking

- April 13, 2021 – *“Separate and Unequal: The Legacy of Racial Discrimination in Housing”*

# Legislative Hearings

**Vice-Chair**  
Seyarto, Kelly

**Members**  
Gabriel, Jesse  
Kalra, Ash  
Kiley, Kevin  
Maienschein, Brian  
Quirk-Silva, Sharon  
Wicks, Buffy

## California State Assembly HOUSING AND COMMUNITY DEVELOPMENT AND BANKING AND FINANCE



ASSEMBLY MEMBERS CHIU AND  
GRAYSON  
CHAIRS

### AGENDA

Thursday, March 25, 2021

Upon adjournment of Session -- State Capitol, Assembly Chamber

### JOINT INFORMATIONAL HEARING

***Addressing Racial Disparities in Housing***

**Chief Consultant**  
Lisa Engel

**Senior Consultant**  
Steve Wertheim

**Consultant**  
Sandra Nakagawa

**Committee Secretary**  
Despina Demas

State Capitol, PO BOX  
942849  
(916) 319-2085  
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"There is discrimination taking place when it comes down to African Americans and Latinos. When it comes down to homeownership, why is that people have to masquerade and put a friend up to masquerading as them to create some fair, equitable, reasonable opportunities for them to get homeownership and just for them to be treated fairly." – Assembly Member Mike A. Gipson of Carson.

"I certainly think additional levels of oversight and auditing of these appraisal processes makes sense, figuring out a way to hopefully work with the industry to diversify their appraisers and consider bias training - those seem like no brainers to me." – Assembly Member David Chiu

GOVERNMENT

## Franklin County Auditor Michael Stinziano looks at racial inequalities in housing appraisal process

Earl Hopkins The Columbus Dispatch USA TODAY NETWORK  
Published 6:00 a.m. ET Sep. 24, 2020 | Updated 6:35 a.m. ET Sep. 24, 2020

[View Comments](#)



A For Sale real estate sign announces that a home at 1385 S. Third Street was in contract on Tuesday morning, September 22, 2020. *Julie Fulton/Dispatch*

## The Philadelphia Inquirer

April 28, 2021

Residential Real Estate



# Homes in Black neighborhoods are valued less than similar homes in white areas

In Philadelphia, homes in primarily Black neighborhoods are undervalued by an average of about \$26,000, or 27%, compared with similar homes in primarily white neighborhoods.

# Pre-existing Requirements

- Ohio (OAC 1301:11-3-02, -03)
  - Since 2008 - “One course devoted exclusively to federal, state, and municipal fair housing law”
  - 3 hours as part of QE for all credentials
- New York (19 NYCRR § 1103.2)
  - Since 2010 – QE Course on “Fair Housing/Fair Lending and Environmental Issues”
  - 15 hours; Not required of Appraiser Assistants or Licensed, Elective for Cert. Res., mandatory for Cert. Gen.



# Proposed Legislation



## Federal

- H.R. 2553 – “Real Estate Valuation Fairness & Improvement Act of 2021”

## State

- California – AB 948 – “Fair Appraisal Act”
- Illinois – HB 93 & HB 3714
- Minnesota – SF 1020
- New Jersey – AB 5185
- New York – “Fair Housing Requirements for Appraisers and Assistant Appraisers”

# Suggestions for State Regulators

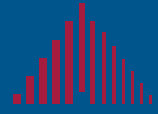


- Mandatory CE on valuation bias – explicit, implicit, systemic
- Let the fair housing & discrimination agencies do their jobs
- Stick to USPAP compliance
- Appraiser discipline should come on the back end

# PAREA Has a Role to Play



- State uptake has been slow
  - CO, IA, and MT
  - CA
  - PA
- 14 other states fully incorporate the RPAQC by reference
- AQB approval should be sufficient
- State overlays and anything but 100% defeats the intent & purpose



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Peter J. Fontana

Chair, Montana Board of Real Estate Appraisers

Trustee, The Appraisal Foundation

Director, Association of Appraiser Regulatory Officials

May 5, 2021

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## 2. Regulatory Structure

# Evolution of the Regulatory Structure



- Numerous products
  - Appraisals
  - Evaluations
  - AVMs
  - Bifurcated Appraisals
  - Appraisal Waivers

# Evolution of the Regulatory Structure



- Supreme Court decision in the North Carolina Dental case
  - Federal antitrust law is a central safeguard for the nations free market structure
  - Montana Legislature passed an active supervision statute. The statute requires the state agency to take an active role in advising professional licensing boards of possible antitrust issues before the board.

# Evolution of the Regulatory Structure



- Regulation is to protect the public trust
  - Responsibly license individuals that meet the minimum AQB criteria
  - Review applicants record for certain felonies or misdemeanors that may impact the practitioners ability to responsibly practice
  - Field and hear consumer complaints
  - But NOT to interfere with individuals desiring to enter the profession who meet the AQB minimum criteria for licensure



# The Appraisal Profession Today

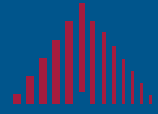


- What is the make up of our profession?
  - Majority are white males
  - Majority are over 55 years old
  - How can we over come these issues?

# What Can We Do As Regulators/Administrators?



- Be progressive and bold in your approach to regulation
  - Tear down unnecessary barriers to entry!
  - Accept PAREA in whole! The use of technology is how young folks learn today.
  - Accept alternative forms of experience!
  - We need our profession to be more representative of the social fabric of America. State regulators can help create a more open and inclusive profession!



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Craig Steinley, MAI, SRA, AI-GRS, AI-RRS  
Appraisal Institute Vice President

May 5, 2021

## 3. Diversity, Equity and Inclusion

# AI's Reaction to Diversity, Equity and Inclusion



- Appraisal values
- Objective source
- Policymakers and scholars
- Approaches to value
- Unintended consequences
- Unconscious bias
- Appraisal circumstances
- Appraisal ecosystem
- Appraisal groups

# AI's Diversity, Equity and Inclusion Efforts



- Broader efforts
- Advance equity
- Brookings Institution challenge
- Working with Congress
- Ethics, education and training
- 5-hour seminar

# AI's Diversity, Equity and Inclusion Efforts

(continued)



- Code of Professional Ethics
- Guide Note
- Additional seminars
- The Appraisal Foundation
- Continuous education
- Project team
- Appraisal methodology

# AI's Diversity, Equity and Inclusion Efforts

(continued)



- Recruiting appraisers
- Diversity in communities
- AI's efforts
- Cultural awareness
- Consumer rights
- Valuation profession
- Fair housing agency or state authority



# Promoting Diversity in the Profession



- PAREA program
- Women's Initiative Committee
- Diversity Panel

## 4. Where are Things Now?

# Current State of Diversity, Equity and Inclusion



- Associations and companies
- Ongoing scrutiny
- Real estate challenges
- Racial home ownership differences
- Studies and stories
- New solutions

# What's at Stake for Appraisers and the Profession?



- Legislators and regulators
- Educate the public
- Real estate ecosystem
- Younger professionals
- Longtime appraisers
- Consumer advocates
- DE&I efforts

# Q&A