Appraisal Subcommittee
Federal Financial Institutions Examination Council

FYI
Cover Page

September 9, 2020

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Appraisal Subcommittee Members
(Revised as of August 4, 2020)

Agency	Member	Alternate Member
CFPB	John Schroeder (Vice-Chair) Regional Director – Midwest Region Supervision, Enforcement and Fair Lending Consumer Financial Protection Bureau 230 S. Dearborn Street, Suite 1590 Chicago, IL 60604 P: 312-610-8948 C: 202-591-5938 Email: John.Schroeder@cfpb.gov	Orlando Orellano Assistant Regional Director – Midwest Region Consumer Financial Protection Bureau 230 S. Dearborn Street, Suite 1590 Chicago, IL 60604 P: 312-610-8953 C: 202-573-1010 Email: Orlando.Orellano@cfpb.gov
FDIC	John Jilovec Deputy Regional Director Division of Risk Management Supervision Federal Deposit Insurance Corporation Kansas City Regional Office 1100 Walnut Street, Suite 2100 Kansas City, MO 64106 P: 816-234-8141 C: 816-309-1779 Email: JJilovec@fdic.gov	Rae-Ann Miller Associate Director Risk Management Policy Branch Division of Risk Management Supervision Federal Deposit Insurance Corporation 550 17th Street NW Washington, DC 20429 P: 202-898-3898 Email: RMiller@fdic.gov
FHFA	Maria Fernandez Senior Associate Director Office of Housing and Regulatory Policy Division of Housing Mission & Goals Federal Housing Finance Agency 400 7th Street SW Washington, DC 20219 P: 202-649-3102 Email: Maria.Fernandez@fhfa.gov	Robert Witt Senior Policy Analyst Office of Housing & Regulatory Policy Division of Housing Mission & Goals Federal Housing Finance Agency 400 7th Street SW Washington, DC 20219 P: 202-649-3128 Email: Robert.Witt@fhfa.gov
FRB	Keith Coughlin Assistant Director Community & Regional Bank Supervision Division of Supervision and Regulation Board of Governors of the Federal Reserve System 20th & C Streets NW Washington, DC 20551 P: 202-452-2056 C: 202-294-9232 Email: Keith.J.Coughlin@frb.gov	

Appraisal Subcommittee Members
(Revised as of August 4, 2020)

Agency	Member	Alternate Member
HUD	Bobbi Borland Director Home Valuation Policy Division Office of Single Family Program Development U.S. Department of Housing & Urban Development 451 7th Street SW, Room 9272 Washington, DC 20410-8000 P: 202-402-5244 Email: Bobbi.L.Borland@hud.gov	Brian Barnes Acting Deputy Director Home Valuation Policy Division Office of Single Family Program Devel. U.S. Department of Housing & Urban Development 451 7th Street SW, Room 9270 Washington, DC 20410-8000 P: 202-402-6467 Email: Brian.S.Barnes@hud.gov
NCUA	Tim Segerson (Chair) Deputy Director Office of Examination & Insurance National Credit Union Administration 1775 Duke Street Alexandria, VA 22314-3428 P: 703-518-6397 C: 716-228-4993 Email: Segerson@ncua.gov	
OCC		James Rives National Bank Examiner Bank Supervision Policy – Credit Risk Office of the Comptroller of the Currency 400 7th Street SW, 7W-114 Washington, DC 20219 P: 202-649-6594 C: 202-294-1823 Email: James.Rives@occ.treas.gov

HISTORY:

Federal Register Vol. 64, No. 100/ Tuesday, May 25, 1999 page 21875.

Vol. 70, No. 183/Thursday, September 22, 2005, page 55621.

Dated: August 10, 2020.

Dale Aultman,

Secretary, Farm Credit Administration Board.

[FR Doc. 2020–17737 Filed 8–12–20; 8:45 am]

BILLING CODE 6705–01–P

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

[Docket No. AS20–08]

Appraisal Subcommittee; Order Extending Commercial Real Estate Transaction Temporary Waiver Relief

AGENCY: Appraisal Subcommittee, Federal Financial Institutions Examination Council.

ACTION: Order extending, with specified terms and conditions, commercial real estate transaction temporary waiver relief.

SUMMARY: The Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council (FFIEC), with approval of the FFIEC, is issuing an Order pursuant to section 1119(b) of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (Title XI) and the rules promulgated thereunder, extending temporary waiver relief of appraiser credentialing requirements for appraisals of federally related transactions (FRTs) under $1,000,000 for commercial real estate transactions throughout the State of North Dakota for an additional one-year period and subject to specified terms and conditions.

DATES: Applicable August 7, 2020.

FOR FURTHER INFORMATION CONTACT: James R. Park, Executive Director, at (202) 595–7575, or Alice M. Ritter, General Counsel, at (202) 595–7577, ASC, 1325 G Street NW, Suite 500, Washington, DC 20005.

SUPPLEMENTARY INFORMATION: Section 1119(b) of Title XI authorizes the ASC to waive, on a temporary basis and subject to the approval of the FFIEC, ''any requirement relating to certification or licensing of a person to perform appraisals under [Title XI]'' upon ''a written determination that there is a scarcity of certified or licensed appraisers to perform appraisals in connection with [FRTs] [1] in a State, or in any geographical political subdivision of a State, leading to significant delays in the performance of such appraisals.'' [2] The ASC has promulgated regulations that set forth procedures [3] that govern the processing of temporary waiver requests.

On August 1, 2018, the Governor of North Dakota, the North Dakota Department of Financial Institutions, and the North Dakota Bankers Association (Requesters) submitted a temporary waiver request to the ASC. The Requesters sought a temporary waiver of not less than five years of appraiser credentialing requirements for appraisals for FRTs under $500,000 for 1-to-4 family residential real estate transactions and under $1,000,000 for agricultural and commercial real estate transactions throughout the State of North Dakota.[4]

On July 9, 2019, the ASC convened a Special Meeting to consider the request. Based on the information provided by the Requester, the North Dakota Real Estate Appraiser Qualifications and Ethics Board (Appraiser Board), and by the public through comment letter submissions, the ASC issued an Order (2019 Order) approving a limited version of the waiver request.[5] The 2019 Order was published in the **Federal Register**,[6] and in pertinent part [7] included a temporary waiver of appraiser credentialing requirements for appraisals of FRTs under $1,000,000 for commercial real estate transactions throughout the State of North Dakota for a period of one year. The 2019 Order also provided that, among other things, the parties requesting the waiver should submit certain information to the ASC at least 30 days prior to the expiration of the one-year period and the ASC would consider the information submitted and by vote in open session may extend the temporary waiver for an additional one-year period.

On July 6, 2020, Requesters submitted certain information and as amended on July 8, 2020, sought extension of the commercial real estate transaction temporary waiver relief for an additional one-year period.[8] On July 29, 2020, the ASC convened a Special Meeting via teleconference to consider the information as presented by the Requesters and voted to extend the commercial real estate transaction temporary waiver relief in North Dakota for an additional one-year period, subject to specified terms and conditions, and subject to FFIEC approval. The FFIEC met on August 7, 2020, via WebEx, and a quorum of the Council being present, took the following action: Pursuant to § 1119(b) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, the Council approved the attached waiver extension that was approved by the ASC on July 29, 2020.

ASC Discussion

In order to extend the commercial real estate transaction temporary waiver relief in North Dakota for an additional one-year period, the 2019 Order set forth the following specified terms and conditions:

1. During the one-year period, the Requester is expected to develop a plan through continued dialogue with North Dakota stakeholders, including the Appraiser Board, to identify potential solutions to address appraiser scarcity and appraisal delay.

2. At least 30 days prior to the expiration of the one-year period, the Requester should provide (1) a status report to the ASC on the plan that was developed in collaboration with stakeholders and any implementation progress made on that plan toward identifying meaningful solutions to resolve appraiser scarcity and delay issues faced in North Dakota; and (2) supporting data showing that appraiser scarcity leading to significant delays continues to exist, which may include information to identify specific localities affected by appraiser scarcity. The ASC will consider the information as presented by the Requester, and by vote in open session, may extend the temporary waiver for an additional one-year period.

[1] ''Federally related transaction'' (FRT) refers to any real estate related financial transaction which: (a) A federal financial institutions regulatory agency engages in, contracts for, or regulates; and (b) requires the services of an appraiser. (Title XI § 1121 (4), 12 U.S.C. 3350.)

[2] 12 U.S.C. 3348(b).

[3] 12 CFR part 1102, subpart A.

[4] On September 7, 2018, ASC staff responded with a request for clarification and additional information, and on April 10, 2019, the Requesters submitted an additional letter with a clarification of the request and additional information.

[5] An approval of a temporary waiver by the ASC is subject to the approval of the FFIEC. (*See* 12 U.S.C. 3348(b); 12 CFR 1102.5.) On July 12, 2019, the FFIEC approved the temporary waiver granted by the ASC on July 9, 2019.

[6] 84 FR 38630 (August 7, 2019).

[7] The Order also included a temporary waiver of appraiser credentialing requirements for appraisals of FRTs under $500,000 for 1-to-4 family residential real estate transactions throughout the State of North Dakota for a period of one year, subject to earlier termination in the event the federal banking agencies issued a rule increasing appraisal exemption threshold limits for residential real estate transactions, in which case the residential waiver would terminate 60 days after the effective date of that threshold increase. The federal banking agencies issued a final rule increasing the appraisal exemption threshold for residential real estate transactions with an effective date of October 9, 2019. 83 FR 63110 (December 7, 2018). The temporary waiver for residential real estate transactions terminated by its own terms 60 days after the effective date of that rule on December 8, 2019.

[8] Requesters were joined in their July 6 submission by the Credit Union Association of the Dakotas and the Independent Community Banks of North Dakota.

In their July 6 submission, Requesters reported that a November 6, 2019 meeting had been held with North Dakota stakeholders, including appraisers.[9] Requesters provided a list of 25 ''ideas and potential solutions'' identified by the meeting's 58 attendees as potential steps to address appraiser scarcity or appraisal delays. Requesters stated that a follow-up meeting was planned for the spring of 2020, but that ''due to the challenges presented by the COVID–19 pandemic, all in-person meetings and conventions were canceled when travel became restricted and everyone responded to the crisis.'' Requesters further stated that ''[a]lthough our collaboration efforts have been disrupted for the time being, we are anticipating future collaboration to do as much as we can locally.''

In support of their assertion that a scarcity of appraisers persists in North Dakota, Requesters cited data from the Appraiser Board indicating that the number of certified general appraisers (needed to appraise commercial and agricultural properties) has fallen from 67 as of September 17, 2018, to 65 as of April 30, 2020. Requesters reported that a May 2020 survey by the North Dakota Department of Financial Institutions found that turnaround times for commercial appraisals have improved over the past year (which Requesters attributed to the current waiver and the increased appraisal threshold for credit unions for commercial real estate transactions) but 23 percent of respondents still report delays more than 50 percent of the time and 23 percent of respondents reported 5 or more delays in the past 12 months.

The ASC also considered information received from the Appraiser Board. The Appraiser Board stated that a July 2020 survey found that at least 80 percent of commercial appraisers responding reported appraisal turn times of five weeks or less in each of North Dakota's six regions. According to the same survey, 90 percent of agricultural appraisers responding reported appraisal turn times of six weeks or less in five of North Dakota's six regions.

In considering this request to extend commercial real estate transaction temporary waiver relief in North Dakota, the ASC found the information submitted by the Requesters to be less robust than the ASC had expected to support a one-year extension under the terms of the 2019 Order. The ASC also acknowledges extenuating and unprecedented circumstances. The United States has been operating under a presidentially declared emergency since March 13, 2020. The ASC acknowledges challenges posed by Coronavirus Disease 2019 (COVID–19). As stated in the *Interagency Statement on Appraisals and Evaluations for Real Estate Related Financial Transactions Affected by the Coronavirus*,[10] ''COVID–19 has significantly affected financial institutions and their customers.'' It is reasonable to conclude that the Requesters' intentions to further collaborate with financial institutions as well as other North Dakota stakeholders were negatively impacted by the disruption resulting from COVID–19. Further, the disruption resulting from COVID–19 impacted the ASC's expectations of what steps the Requesters could be expected to take to further collaborate with financial institutions as well as other North Dakota stakeholders. Given the impediments resulting from COVID–19, the State has sufficiently fulfilled the requirements of the 2019 Order to meet the ASC's altered expectations.

Specifically, in order to extend the temporary waiver, the ASC must make a determination that a scarcity of credentialed appraisers leading to significant delays in obtaining appraisals for FRTs continues to exist. In considering whether to extend the current waiver, the ASC has examined both evidence of scarcity of appraisers in North Dakota, and the evidence of scarcity leading to significant delays. The ASC considered the challenges the current pandemic has posed in gathering data about turnaround times. After reviewing all the facts of record, a majority of the ASC members have determined that a scarcity of appraisers continues to exist in North Dakota and that the scarcity is leading to significant delays in appraisal services for FRTs under $1,000,000 for commercial real estate transactions in North Dakota.

Therefore, for the reasons described above and after considering all the facts of record, by majority vote, the ASC determined to extend commercial real estate transaction temporary waiver relief for an additional one-year period, subject to specified terms and conditions, and subject to FFIEC approval, as follows:

1. A temporary waiver of appraiser credentialing requirements for appraisals of FRTs under $1,000,000 for commercial real estate transactions throughout the State of North Dakota is extended for an additional one-year period, expiring August 7, 2021.
2. During the additional one-year period, Requesters are expected to continue efforts to develop, through continued dialogue with the Appraiser Board and other North Dakota stakeholders, a plan to identify potential solutions to address appraiser scarcity and appraisal delays.
3. The ASC pursuant to 12 CFR 1102.7 may terminate this waiver order on a finding that significant delays in the receipt of appraisals for FRTs no longer exists, or that the terms and conditions of the order are not being satisfied.

Order

After reviewing all the facts of record, including submissions by the Requesters and by the Appraiser Board, the ASC has determined that a scarcity of appraisers continues to exist in North Dakota and that the scarcity is leading to a significant delays in appraisal services for FRTs under $1,000,000 for commercial real estate transactions in North Dakota.

Accordingly, and for the reasons stated in the ''ASC Discussion'' section above, and pursuant to section 1119(b) of Title XI and 12 CFR part 1102, subpart A, the ASC is extending the commercial real estate transaction temporary waiver relief for North Dakota for an additional one-year period, subject to the following specified terms and conditions, and subject to FFIEC approval:

1. A temporary waiver of appraiser credentialing requirements for appraisals of FRTs under $1,000,000 for commercial real estate transactions throughout the State of North Dakota is extended for an additional one-year period, expiring August 7, 2021.
2. During the additional one-year period, Requesters are expected to continue efforts to develop, through continued dialogue with the Appraiser Board and other North Dakota stakeholders, a plan to identify potential solutions to address appraiser scarcity and appraisal delays.
3. The ASC pursuant to 12 CFR 1102.7 may terminate this waiver order on a finding that significant delays in the receipt of appraisals for FRTs no longer exists, or that the terms and conditions of the order are not being satisfied.

* * * * *

By the Appraisal Subcommittee, August 7, 2020.

Tim Segerson,

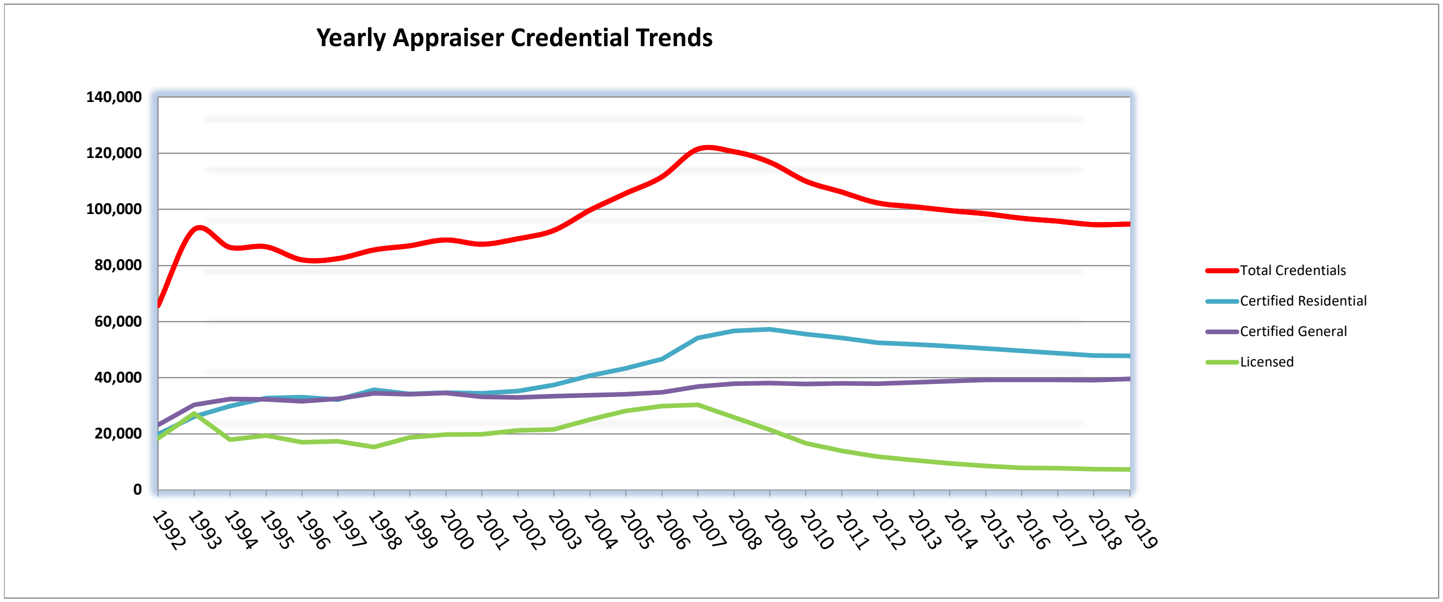
Chairman.

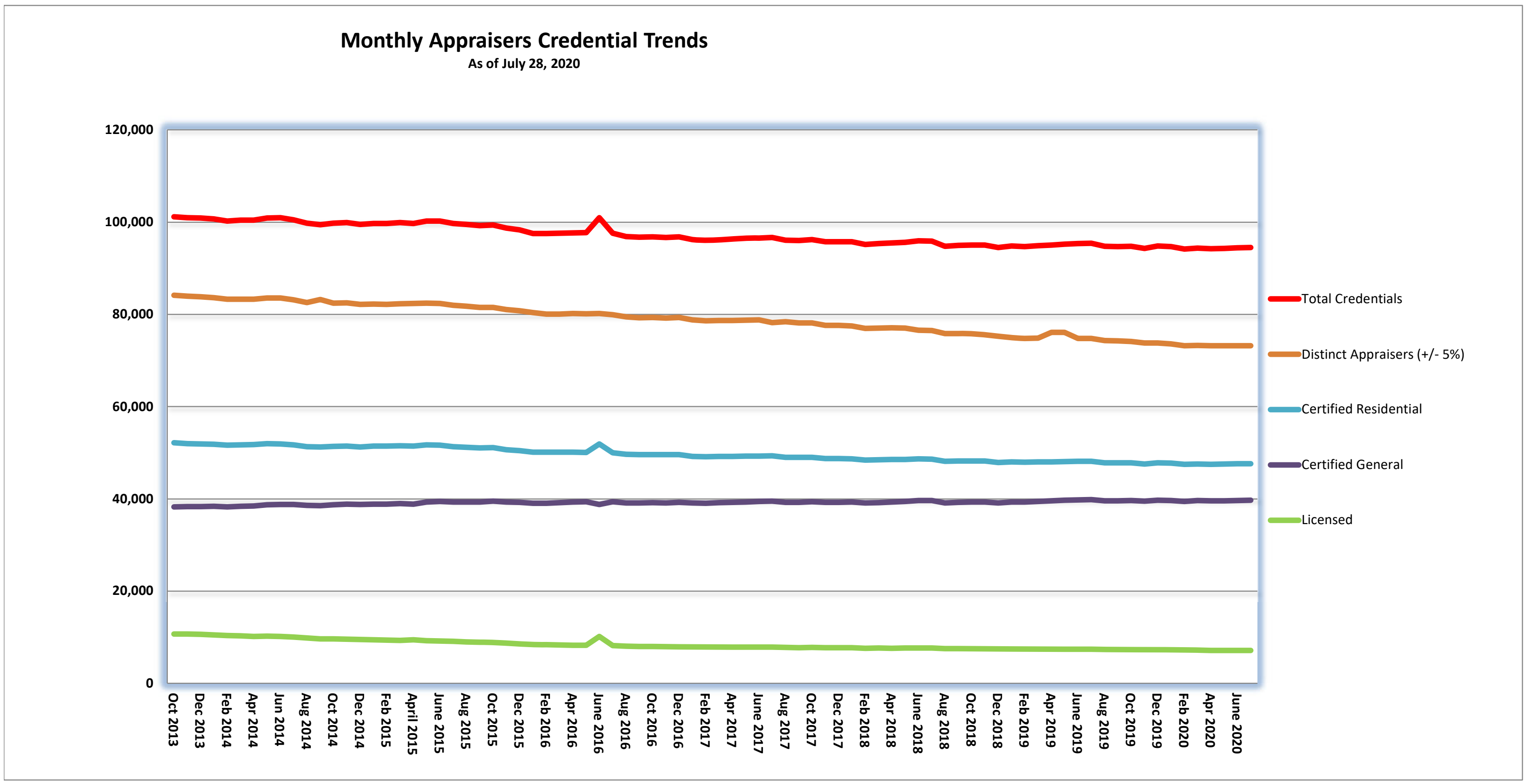
[FR Doc. 2020–17660 Filed 8–12–20; 8:45 am]

BILLING CODE 6700–01–P

[9] In its submission, the Appraiser Board advised that appraisers in attendance at this meeting were not affiliated with the Appraiser Board.

[10] *Interagency Statement on Appraisals and Evaluations for Real Estate Related Financial Transactions Affected by the Coronavirus* was issued April 14, 2020, by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Consumer Financial Protection Bureau, National Credit Union Administration.


Yearly Appraiser Credential Trends
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
Total Credentials
Certified Residential
Certified General
Licensed


Monthly Appraisers Credential Trends
As of July 28, 2020
120,000
100,000
80,000
60,000
40,000
20,000
0
Oct 2013
Dec 2013
Feb 2014
Apr 2014
Jun 2014
Aug 2014
Oct 2014
Dec 2014
Feb 2015
April 2015
June 2015
Aug 2015
Oct 2015
Dec 2015
Feb 2016
Apr 2016
June 2016
Aug 2016
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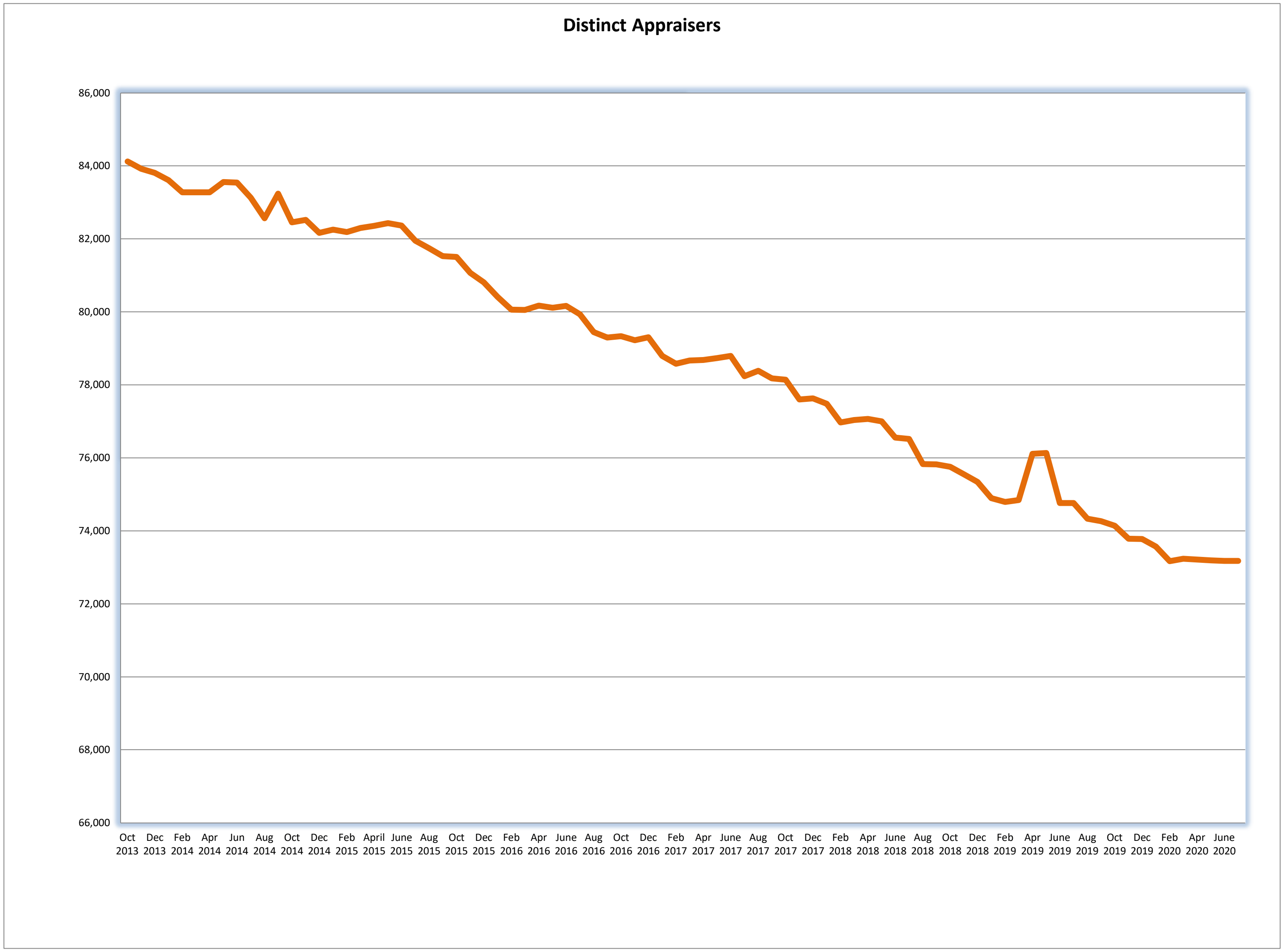
June 2017
Aug 2017
Oct 2017
Dec 2017
Feb 2018
Apr 2018
June 2018
Aug 2018
Oct 2018
Dec 2018
Feb 2019
Apr 2019
June 2019
Aug 2019
Oct 2019
Dec 2019
Feb 2020
Apr 2020
June 2020
Total Credentials
Distinct Appraisers (+/- 5%)
Certified Residential
Certified General
Licensed

State or Territory	Number of Distinct Active Appraisers July 28, 2020 (+/- 5%)
Alabama	1297
Alaska	222
Arizona	2119
Arkansas	873
California	9135
Colorado	2612
Connecticut	1193
Delaware	518
District Of Columbia	726
Florida	6227
Georgia	3163
Guam	21
Hawaii	460
Idaho	726
Illinois	3355
Indiana	2265
Iowa	1146
Kansas	1056
Kentucky	1424
Louisiana	1284
Maine	561
Maryland	2099
Massachusetts	1880
Michigan	2681
Minnesota	1924
Mississippi	964
Missouri	2018
Montana	437
Nebraska	668
Nevada	983
New Hampshire	692
New Jersey	2502
New Mexico	584
New York	3623
North Carolina	3074
North Dakota	301
Northern Mariana Islands	1
Ohio	2828
Oklahoma	1034
Oregon	1420
Pennsylvania	3094
Puerto Rico	327
Rhode Island	433
South Carolina	2228
South Dakota	383
Tennessee	1932
Texas	5294
Utah	1224
Vermont	259
Virgin Islands	24
Virginia	3234
Washington	2576
West Virginia	587
Wisconsin	1790
Wyoming	306
All States and Territories	**73177**



State Program Summary Report

State or Territory	AL	AK	AZ	AR	CA	CO	CT	DE	DC	FL	GA	GU	HI
Review Year	2020	2019	2018	2020	2018	2018	2018	2019	2019	2019	2018	2019	2019
Review Month	Jan	Aug	Jun	Mar	Oct	Aug	Jun	Mar	Apr	Feb	Mar	Dec	Dec
ASC Finding	Good	Good	Excel	Needs Imp	Excel	Good	Excel	Good	Good	Good	Good	Needs Imp	Good
Review Cycle Assigned (in years)	2	2	2	2	2	2	2	2	2	2	2	2	2
Required State Actions or Off Site Monitoring				Yes								Yes	
Follow-Up (in months)													

Out of Compliance (OC) Area of Concern (AC)	AL OC	AL AC	AK OC	AK AC	AZ OC	AZ AC	AR OC	AR AC	CA OC	CA AC	CO OC	CO AC	CT OC	CT AC	DE OC	DE AC	DC OC	DC AC	FL OC	FL AC	GA OC	GA AC	GU OC	GU AC	HI OC	HI AC
Statutes, Regulations, Policies and Procedures:		1						1															1			
Temporary Practice:	1																3									
National Registry:		1		1														1		1		1				
Application Process:				1			1									1							1			
Reciprocity:																								1		
Education:																										
Enforcement												1														
TOTAL OUT OF COMPLIANCE	1		-		-		1		-		-		-		-		3		-		-		2		-	
TOTAL AREA OF CONCERN	2		2		-		1		-		1		-		1		1		1		1		1		-	

State or Territory	AL	AK	AZ	AR	CA	CO	CT	DE	DC	FL	GA	GU	HI
Last Review Finding	Good (2018)	Good (2017)	Excel (2016)	Good (2018)	Excel (2016)	Excel (2016)	Good (2016)	Good (2017)	Good (2017)	Excel (2017)	Excel (2016)	Good (2015)	Excel (2015)
Previous Review Finding	Good (2016)	Good (2015)	Excel (2014)	Good (2016)	Good (2014)	Excel (2014)	Good (2014)	Good (2015)	Good (2015)	Good (2015)	Needs Imp(2014)	Needs Imp (2013)	Good (2015)
FTE	6.5	1.5	4.28	0.9	23	9.6	1.75	0.85	1.2	15.5	5.8	0.12	0.85
Independent or Under Umbrella (I/UU)	I	UU	UU	UU	UU	UU	UU	UU	UU	UU	I	UU	UU
Board	Yes	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
# Credentials on National Registry	1,265	233	1,349	865	10,340	2,553	1,314	548	764	5,921	3,354	41	519
# Trainees	104	13	173	101	738	n/a	58	34	19	543	103	9	39
Complaints Received in Review Cycle	61	23	225	48	583	274	60	19	10	258	247	1	8
Complaints Outstanding	31	5	45	6	134	95	8	6	3	55	50	0	2
Complaints Outstanding Over 1 Year (No SDC)	0	0	0	0	0	11	0	0	0	0	0	0	0
Special Documented Circumstances (SDC)	4	1	0	0	11	0	0	1	0	0	2	1	0
AMC Laws and Regulations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	Yes

Legend: NISC = Not in Substanial Compliance; ISC = In Substantial Compliance; NIC = Not in Compliance; Excel = Excellent; Needs Imp = Needs Improvement; Not Sat = Not Satisfactory

State Program Summary Report

State or Territory	ID		IL		IN		IA		KS		KY	
Review Year	2019		2019		2019		2019		2019		2019	
Review Month	Apr		Sept		Apr		Jul		Nov		May	
ASC Finding	Good		Not Sat		Needs Imp		Excel		Good		Excel	
Review Cycle Assigned (in years)	2		1		2		2		2		2	
Required State Actions or Off Site Monitoring			Yes		Yes							
Follow-Up (in months)												
Out of Compliance (OC) Area of Concern (AC)	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC
Statutes, Regulations, Policies and Procedures:		1		1						2		
Temporary Practice:					1							
National Registry:		1				1						
Application Process:	2				2							
Reciprocity:												
Education:												
Enforcement			1									
TOTAL OUT OF COMPLIANCE		2		1		3		-		-		-
TOTAL AREA OF CONCERN		2		1		1		-		2		-

State or Territory	LA		ME		CNMI		MD		MA		MI		MN	
Review Year	2018		2019		2019		2018		2018		2018		2018	
Review Month	Apr		June		Dec		Apr		May		Sep		Sep	
ASC Finding	Excel		Excel		Excel		Excel		Needs Imp		Needs Imp		Good	
Review Cycle Assigned (in years)	2		2		2		2		2		2		2	
Required State Actions or Off Site Monitoring									Yes					
Follow-Up (in months)									6					
Out of Compliance (OC) Area of Concern (AC)	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC
Statutes, Regulations, Policies and Procedures:													1	
Temporary Practice:									1			1		
National Registry:										3		1		
Application Process:									2	1	2			1
Reciprocity:														
Education:											1			
Enforcement									2			1		
TOTAL OUT OF COMPLIANCE		-		-		-		-		5		3		1
TOTAL AREA OF CONCERN		-		-		-		-		4		3		1

	ID	IL	IN	IA	KS	KY	LA	ME	CNMI	MD	MA	MI	MN
Last Review Finding	Excel (2017)	Need Imp (2017)	Good (2017)	Excel (2017)	Excel (2017)	Excel (2017)	Good (2016)	Good (2017)	Needs Imp (2015)	Good (2016)	Needs Imp (2016)	Good (2016)	Good (2016)
Previous Review Finding	Good (2015)	Needs Imp (2015)	Needs Imp (2015)	Excel (2015)	Excel (2015)	Excel (2015)	Good (2014)	Good (2015)	Needs Imp (2013)	Good (2014)	Needs Imp (2014)	Good (2014)	Good (2014)
FTE	1	3.5	3.5	1	2	3	3	0.61	0.3	3.5	2.75	1.56	2.18
Independent or Under Umbrella (I/UU)	UU	UU	UU	UU	I	UU	UU	UU	UU	UU	UU	UU	UU
Board	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
# Credentials on National Registry	723	3,708	2,162	1,093	990	1,412	1,313	564	12	2,200	2,045	2,526	1,946
# Trainees	62	410	149	81	13	214	216	46	0	195	74	439	542
Complaints Received in Review Cycle	38	311	118	52	28	57	49	57	0	100	74	130	170
Complaints Outstanding	6	62	40	6	4	17	9	7	0	12	29	51	25
Complaints Outstanding Over 1 Year (No SDC)	0	4	0	0	0	0	0	0	0	0	4	10	0
Special Documented Circumstances (SDC)	0	10	3	0	0	0	0	0	0	1	6	7	4
AMC Laws and Regulations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Pending	Yes	Yes

Legend: NISC = Not in Substanial Compliance; ISC = In Substantial Compliance; NIC = Not in Compliance; Excel = Excellent; Needs Imp = Needs Improvement; Not Sat = Not Satisfactory

State Program Summary Report

State or Territory	MS	MO	MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH
Review Year	2019	2018	2019	2019	2018	2019	2018	2019	2019	2018	2018	2019
Review Month	May	Jun	Sep	Mar	Jun	Jul	Nov	Jun	Oct	Nov	Jun	Aug
ASC Finding	Excel	Good	Excel	Excel	Good	Good	Good	Needs Imp	Good	Excel	Excel	Excel
Review Cycle Assigned (in years)	2	2	2	2	2	2	2	2	2	2	2	2
Required State Actions or Off Site Monitoring								Yes				
Follow-Up (in months)								6				

Out of Compliance (OC) Area of Concern (AC)	MS OC	MS AC	MO OC	MO AC	MT OC	MT AC	NE OC	NE AC	NV OC	NV AC	NH OC	NH AC	NJ OC	NJ AC	NM OC	NM AC	NY OC	NY AC	NC OC	NC AC	ND OC	ND AC	OH OC	OH AC
Statutes, Regulations, Policies and Procedures:				1										1				1						
Temporary Practice:															1									
National Registry:										2							2							
Application Process:															1									
Reciprocity:																								
Education:												1												
Enforcement										1														

	MS	MO	MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH
TOTAL OUT OF COMPLIANCE	-	-	-	-	-	-	-	2	2	-	-	-
TOTAL AREA OF CONCERN	-	1	-	-	3	1	1	-	1	-	-	-

	MS	MO	MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH
Last Review Finding	Excel (2017)	Excel (2016)	Good (2017)	Good (2017)	Excel (2016)	Excel (2017)	Needs Imp (2016)	Needs Imp (2017)	Good (2017)	Excel (2016)	Excel (2016)	Excel (2017)
Previous Review Finding	Needs Imp (2015)	Good (2014)	Good (2015)	Good (2015)	Good (2014)	Excel (2015)	Needs Imp (2014)	Good (2015)	Needs Imp (2015)	Excel (2014)	Good (2014)	Excel (2015)
FTE	1.7	2	1.35	1.45	2.4	2.31	2.5	3.6	3.8	5.5	1.4	5.25
Independent or Under Umbrella (I/UU)	I	UU	UU	I	UU	UU	UU	UU	UU	I	I	UU
Board	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
# Credentials on National Registry	978	2,045	423	641	967	695	2,611	618	3,804	2,976	297	3,098
# Trainees	45	74	35	73	87	21	48	83	446	429	34	326
Complaints Received in Review Cycle	60	77	46	19	61	21	88	33	153	151	23	71
Complaints Outstanding	3	15	2	4	37	1	17	3	31	33	11	25
Complaints Outstanding Over 1 Year (No SDC)	0	0	0	0	5	0	0	0	0	0	0	0
Special Documented Circumstances (SDC)	0	0	0	1	1	0	4	0	5	1	6	1
AMC Laws and Regulations	Yes	Yes	Yes	Yes	Yes	Yes	Pending	Yes	No	Yes	Yes	Yes

Legend: NISC = Not in Substanial Compliance; ISC = In Substantial Compliance; NIC = Not in Compliance; Excel = Excellent; Needs Imp = Needs Improvement; Not Sat = Not Satisfactory

State Program Summary Report

State or Territory	OK		OR		PA		PR		RI		SC		SD		TN		TX		UT		VT		VI	
Review Year	2019		2018		2018		2019		2019		2017		2018		2019		2020		2019		2018		2016	
Review Month	Sep		Jul		May		Dec		Oct		Feb		Aug		Jan		Feb		Feb		Aug		Nov	
ASC Finding	Excel		Needs Imp		Needs Imp		Needs Imp		Good		Good		Good		Good		Excel		Good		Needs Imp		Needs Imp	
Review Cycle Assigned (in years)	2		2		2		2		2		2		2		2		2		2		2		2	
Required State Actions or Off Site Monitoring			Yes		Yes		Yes														Yes		Yes	
Follow-Up (in months)																					12		6 to 9	
Out of Compliance (OC) Area of Concern (AC)	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC
Statutes, Regulations, Policies and Procedures:			1	2		1		2							1								2	1
Temporary Practice:										1											1			
National Registry:						1						1		1		1				1			1	
Application Process:										1														
Reciprocity:																								1
Education:																1								
Enforcement			1		1		1														2			
TOTAL OUT OF COMPLIANCE	-		2		1		1		-		-		-		1		-		-		3		3	
TOTAL AREA OF CONCERN	-		2		2		2		2		1		1		2		-		1		-		2	
Last Review Finding	Excel (2017)		Excel (2016)		Needs Imp (2016)		Good (2015)		Excel (2017)		Excel (2017)		Excel (2016)		Good (2017)		Good (2018)		Good (2017)		Needs Imp (2016)		Needs Imp (2014)	
Previous Review Finding	Good (2015)		Good (2014)		Needs Imp (2014)		Good (2013)		Needs Imp (20		Needs Imp (2015)		Good (2014)		Excel (2015)		Excel (2016)		Good (2015)		Good (2014)		NISC (2012)	
FTE	2.5		5.2		2.85		0.4		0.83		1.97		2		3		10.5		3.6		0.71		1	
Independent or Under Umbrella (I/UU)	UU		I		UU		UU		UU		UU		UU		UU		UU		UU		UU		UU	
Board	Yes		Yes		Yes		Yes		Yes		Yes		Yes		Yes		Yes		Yes		Yes		Yes	
# Credentials on National Registry	1,032		1,487		3,158		352		356		2,039		377		1,936		5,235		1,242		264		27	
# Trainees	75		126		359		0		34		205		61		215		1,137		135		16		n/a	
Complaints Received in Review Cycle	77		76		208		14		3		132		16		119		323		63		10		1	
Complaints Outstanding	36		66		70		2		1		33		4		15		72		15		13		0	
Complaints Outstanding Over 1 Year (No SDC)	0		31		16		1		0		0		0		0		0		0		10		0	
Special Documented Circumstances (SDC)	2		5		11		0		0		0		0		1		1		1		0		0	
AMC Laws and Regulations	Yes		Yes		Yes		No		Yes		Yes		Yes		Yes		Yes		Yes		Yes		No	

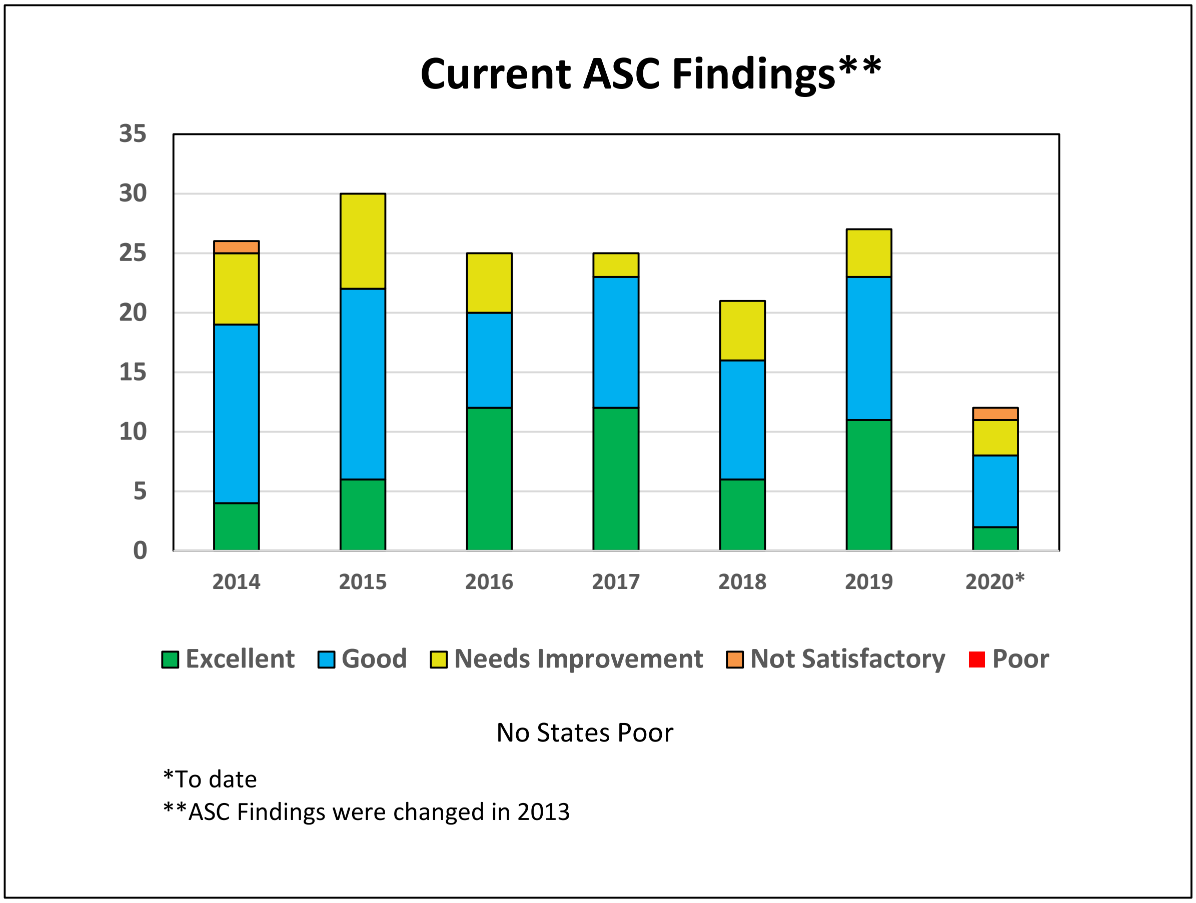
Legend: NISC = Not in Substanial Compliance; ISC = In Substantial Compliance; NIC = Not in Compliance; Excel = Excellent; Needs Imp = Needs Improvement; Not Sat = Not Satisfactory

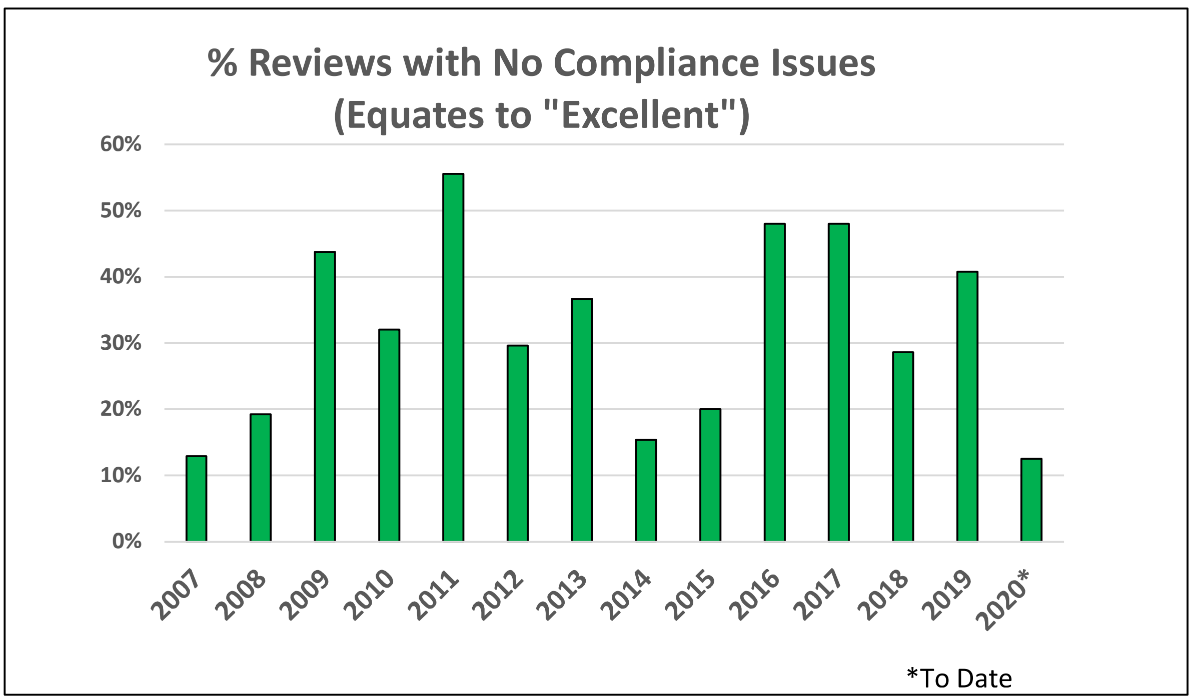
State Program Summary Report

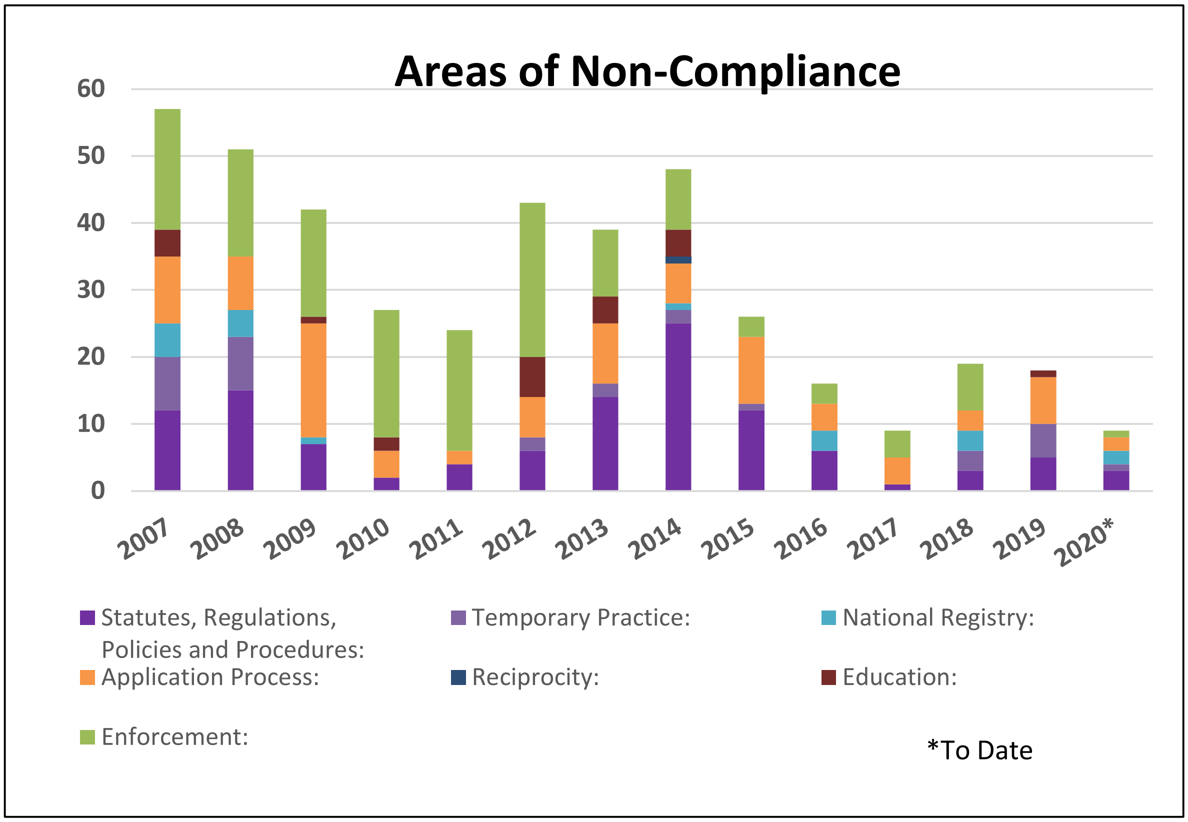
State or Territory	VA		WA		WV		WI		WY			
Review Year	2019		2018		2018		2019		2019		# Excel	19
Review Month	Jun		Aug		Dec		Nov		Jun		# Good	24
ASC Finding	Excel		Excel		Good		Good		Good		# Needs Imp	11
Review Cycle Assigned (in years)	2		2		2		2		2		# Not Sat	1
Required State Actions or Off Site Monitoring											# Poor	0
Follow-Up (in months)												
Out of Compliance (OC) Area of Concern (AC)	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC TOTAL	AC TOTAL
Statutes, Regulations, Policies and Procedures:									1		7	15
Temporary Practice:											8	2
National Registry:						1		2			3	21
Application Process:											11	5
Reciprocity:											0	2
Education:						1					1	3
Enforcement		1									8	4
TOTAL OUT OF COMPLIANCE	-		-		-		-		1		38	
TOTAL AREA OF CONCERN	1		-		2		2		-			52

	VA	WA	WV	WI	WY	
Last Review Finding	Good (2017)	Excel (2016)	Good (2016)	Needs Imp (2017)	Good (2017)	
Previous Review Finding	Needs Imp (2015)	Excel (2014)	Needs Imp (2015)	Good (2015)	Good (2015)	
FTE	3.13	4.5	2	3.47	1	
Independent or Under Umbrella (I/UU)	UU	UU	I	UU	UU	
Board	Yes	Yes	Yes	Yes	Yes	
# Credentials on National Registry	3,293	2,616	559	1,951	312	
# Trainees	107	363	35	0	32	
Complaints Received in Review Cycle	92	204	35	89	4	
Complaints Outstanding	17	25	2	16	1	
Complaints Outstanding Over 1 Year (No SDC)	0	0	0	0	0	
Special Documented Circumstances (SDC)	0	4	1	1	0	
AMC Laws and Regulations	Yes	Yes	Yes	Yes	Yes	

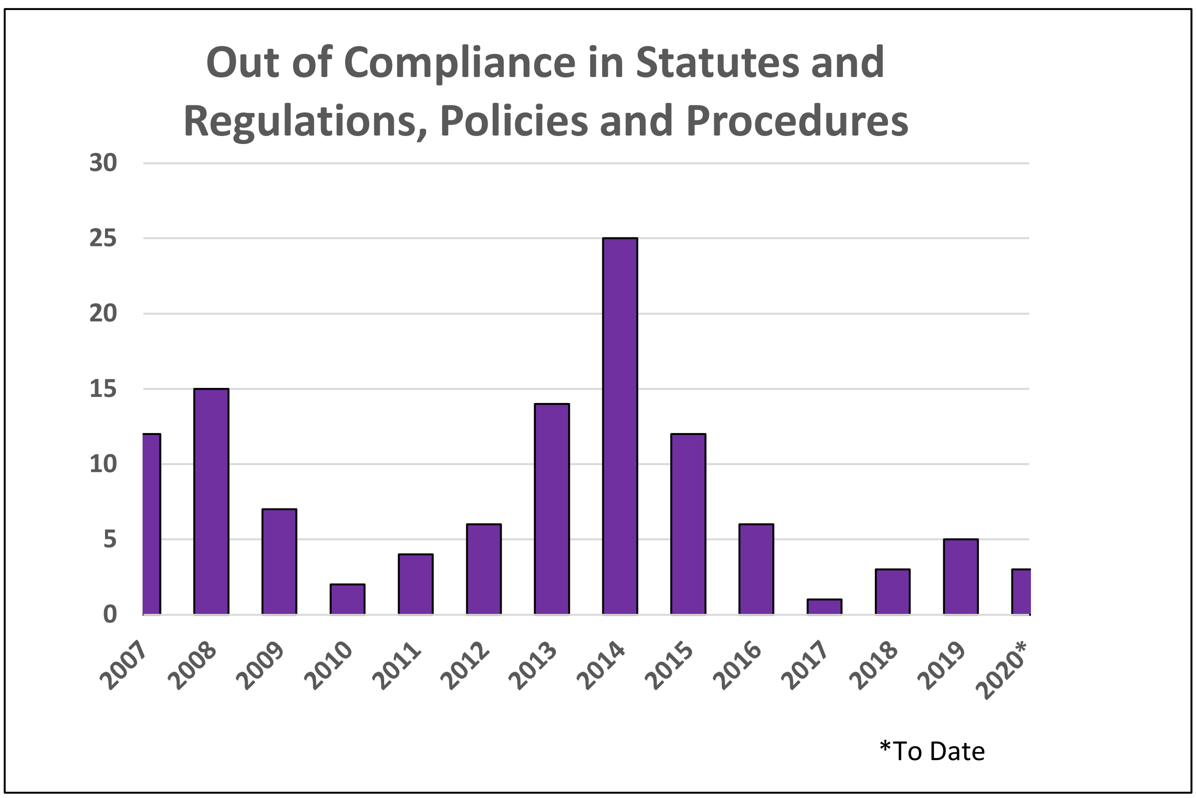
Legend: NISC = Not in Substanial Compliance; ISC = In Substantial Compliance; NIC = Not in Compliance; Excel = Excellent; Needs Imp = Needs Improvement; Not Sat = Not Satisfactory


Current ASC Findings**
35
30
25
20
15
10
5
0
2014
2015
2016
2017
2018
2019
2020*
Excellent
Good
Needs Improvement
Not Satisfactory
Poor
No States Poor
*To date
**ASC Findings were changed in 2013

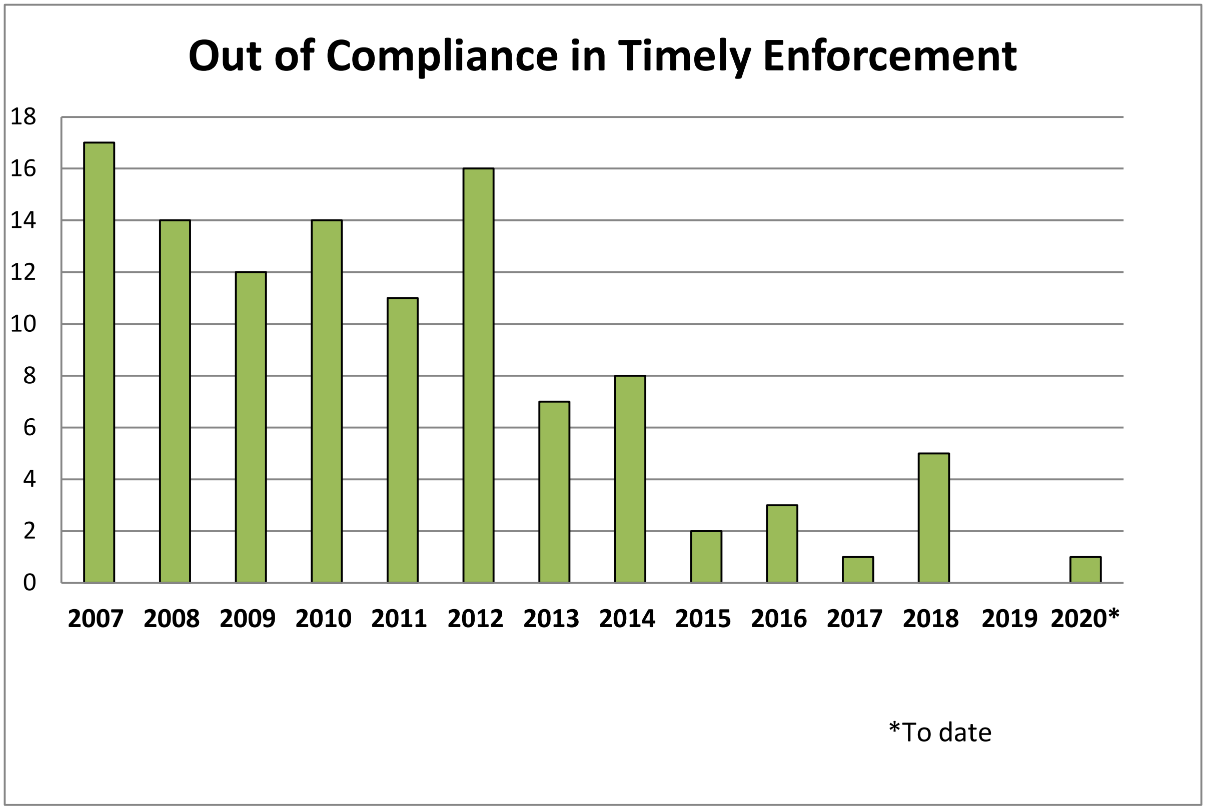

% Reviews with No Compliance Issues
(Equates to "Excellent")
60%
50%
40%
30%
20%
10%
0%
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020*
*To Date



Areas of Non-Compliance
60
50
40
30
20
10
0
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020*
Statutes, Regulations, Policies and Procedures:
Temporary Practice:
National Registry:
Application Process:
Reciprocity:
Education:
Enforcement:
*To Date



Out of Compliance in Statutes and Regulations, Policies and Procedures
30
25
20
15
10
5
0
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020*
*To Date


Out of Compliance in Timely Enforcement
18
16
14
12
10
8
6
4
2
0
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020*
*To date

Appraisal Subcommittee
Federal Financial Institutions Examination Council

May 26, 2020

VIA EMAIL

Ms. Lisa Brooks, Executive Director
Alabama Real Estate Appraisers Board
P O Box 304355
Montgomery, AL 36130-4355
Lisa.Brooks@reab.alabama.gov

RE: ASC Compliance Review of Alabama's Appraiser Regulatory Program

Dear Ms. Brooks:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Alabama appraiser regulatory program (Appraiser Program) on January 13-16, 2020, to determine the Program's compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

The ASC considered the preliminary results of the Review and the State's response to those results. The Appraiser Program has been awarded an ASC Finding of "Good." The final ASC Compliance Review Report (Report) of the Alabama Appraiser Program is attached.

The ASC identified the following area of non-compliance:

- The State failed to process requests for temporary practice permits within 5 business days of receipt of a completed application.[1]

ASC staff will confirm that appropriate corrective actions have been taken during the next Review. Alabama will remain on a two-year Review Cycle.

This letter and the attached Report are public records and available on the ASC website. Please contact us if you have any questions about this Report.

Sincerely,

James R. Park
Executive Director

Attachment

[1] States must issue temporary practice permits within five business days of receipt of a completed application or notify the applicant and document the file as to the circumstances justifying delay or other action. (12 U.S.C. § 3351; Policy Statement 2.)

1325 G Street, NW ♦ Suite 500 ♦ Washington, DC 20005 ♦ (202) 289-2735 ♦ Fax (202) 289-4101

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	• State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure	2-year
Good	• State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure	2-year
Needs Improvement	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure	2-year with additional monitoring
Not Satisfactory	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure	1-year
Poor[2]	• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure	Continuous monitoring

*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

[2] An ASC Finding of "Poor" may result in significant consequences to the State. *See* Policy Statement 5, *Reciprocity*; *see also* Policy Statement 12, *Interim Sanctions*.

ASC State Appraiser Program Compliance Review Report

ASC Finding: Good
Final Report Issue Date: May 26, 2020

Alabama Appraiser Regulatory Program (State)

Alabama Real Estate Appraisers Board (Board)	**PM: N. Fenochietti**	**ASC Compliance Review Date: January 13-16, 2020**	**Review Period: January 2018 to January 2020**
Umbrella Agency: Independent		**Number of State Credentialed Appraisers on Appraiser Registry: 1,265**	**Review Cycle: Two Year**

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Statutes, Regulations, Policies and Procedures:			X				
States must, at a minimum, adopt and/or implement all relevant AQB Criteria. (12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 1 C, D.)				AQB Criteria requires that Supervisory appraisers shall not have been subject to any disciplinary action within any jurisdiction within the last 3 years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal practice. The State's regulation is inconsistent with this requirement.	On April 15, 2020, the State reported the Board has an amendment for submission as soon as they can safely meet after the termination of the COVID-19 Emergency.	The State should continue the process to amend its regulations to bring them into compliance with AQB Criteria, and provide the ASC staff with a copy of the rules once finalized.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 1 C, D.
Temporary Practice:		X					
States must issue temporary practice permits within five business days of receipt of a completed application, or notify the applicant and document the file as to the circumstances justifying delay or other action. (12 U.S.C. § 3351; Policy Statement 2.)				The State failed to process requests for temporary practice permits within 5 business days of receipt of a completed application. This was identified as an area of concern during the 2018 Compliance Review.	On April 15, 2020, the State reported Board staff is making all efforts to process temporary permit applications within 5 days of receipt of the completed application.	The State must revise its process to ensure compliance with ASC Policy Statement 2. Once complete, provide ASC staff with a copy of the revision.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 2.
National Registry:			X				
States must ensure that the authorization information provided to the ASC is updated and accurate. (12 U.S.C. § 3347; Policy Statement 3 C.)				The State failed to revoke the ASC Appraiser National Registry (NR) permissions for 1 individual who left the Program.	On April 15, 2020, the State reported to ASC staff that the NR permissions for the former employee have been revoked.	The State should develop a procedure to ensure that the ASC is notified when staff should no longer have National Registry user credentials. Once complete, provide ASC staff with a copy of the procedure.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 3 C.
Application Process:	X						
				No compliance issues noted.	N/A	None	None
Reciprocity:	X						
				No compliance issues noted.	N/A	None	None

ASC State Appraiser Program Compliance Review Report							ASC Finding: Good Final Report Issue Date: May 26, 2020
Alabama Appraiser Regulatory Program (State)							
Alabama Real Estate Appraisers Board (Board)			**PM: N. Fenochietti**	**ASC Compliance Review Date: January 13-16, 2020**			**Review Period: January 2018 to January 2020**
Umbrella Agency: Independent				**Number of State Credentialed Appraisers on Appraiser Registry: 1,265**			**Review Cycle: Two Year**
Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			**ASC Staff Observations**	**State Response**	**Required/Recommended State Actions**	**General Comments**
	YES	**NO**	**AC**				
Education:	**X**						
				No compliance issues noted.	N/A	None	None
Enforcement:	**X**						
				No compliance issues noted.	N/A	None	None

Appraisal Subcommittee
Federal Financial Institutions Examination Council

July 7, 2020

VIA EMAIL

Mr. Cary Matthews, Board Chair
Arkansas Appraiser Licensing and Certification Board
101 East Capitol Avenue, Suite 430
Little Rock, AR 72201

RE: ASC Compliance Review of Arkansas' Appraiser Regulatory Program

Dear Mr. Matthews:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Arkansas appraiser regulatory program (Appraiser Program) on March 3-5, 2020, to determine the Appraiser Program's compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

The ASC considered the preliminary results of the Review and the State's response to those results. The Appraiser Program is given an ASC Finding of "Needs Improvement." The final ASC Compliance Review Report (Report) of the Arkansas Appraiser Program is attached.

The ASC identified the following area of non-compliance:

- States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought.[1]

ASC staff will confirm appropriate corrective actions have been taken through off-site monitoring and during the next Review. Arkansas will remain on a two-year Review Cycle.

This letter and the attached Report are public records and available on the ASC website. Please contact us if you have any questions about this Report.

Sincerely,

Timothy Segerson
Chairman

Attachment
cc: Ms. Diana Piechocki, Executive Director, diana.piechocki@arkansas.gov

[1] 12 U.S.C. § 3347; Policy Statement 4 B, C.

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	• State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure	2-year
Good	• State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure	2-year
Needs Improvement	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure	2-year with additional monitoring
Not Satisfactory	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure	1-year
Poor[2]	• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure	Continuous monitoring

*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

[2] An ASC Finding of "Poor" may result in significant consequences to the State. *See* Policy Statement 5, *Reciprocity*; *see also* Policy Statement 12, *Interim Sanctions*.

ASC State Appraiser Program Compliance Review Report							ASC Finding: Needs Improvement Final Report Issue Date: July 7, 2020
Arkansas Appraiser Regulatory Program (State)							
Arkansas Appraiser Licensing and Certification Board (Board)				**PM: K. Klamet**	**ASC Compliance Review Date: March 3-5, 2020**		**Review Period: March 2018 to March 2020**
Umbrella Agency: Department of Labor and Licensing					**Number of State Credentialed Appraisers on Appraiser Registry: 865**		**Review Cycle: Two Year**
Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			**ASC Staff Observations**	**State Response**	**Required/Recommended State Actions**	**General Comments**
	YES	**NO**	**AC**				
Statutes, Regulations, Policies and Procedures:			**X**				
States must require that appraisals be performed in accordance with the latest version of the Uniform Standards of Professional Appraisal Practice (USPAP). (12 U.S.C. § 3331; 12 U.S.C. § 3347; Policy Statement 1 F.)				The State's Administrative Rules have not been amended to adopt the 2020-2021 edition of the USPAP.	On May 15, 2020, the State reported that the Administrative Rules are in the promulgation process and are expected to be effective July 31, 2020.	The State should continue the process of amending its Administrative Rules, develop a process that ensures timely adoption of each new version of USPAP, and provide ASC staff with a copy of the Rules once finalized.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.
Temporary Practice:	**X**						
				No compliance issues noted.	N/A	None	None
National Registry:	**X**						
				No compliance issues noted.	N/A	None	None
Application Process:		**X**					
States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought. (12 U.S.C. § 3347; Policy Statement 4 B, C.)				The State issued an appraiser credential without verifying the applicant passed the examination for two of the required courses.	On May 15, 2020, the State reported that the trainee appraiser applicant did not pass the examination for two qualifying courses. The State advised that the appraiser is retaking both courses.	Within 60 days, the State must provide ASC staff sufficient documentation to show that the appraiser met all the requisite qualifying education; or that the State took appropriate action.	Through off-site monitoring and during the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 4.
Reciprocity:	**X**						
				No compliance issues noted.	N/A	None	None
Education:	**X**						
				No compliance issues noted.	N/A	None	None
Enforcement:	**X**						
				No compliance issues noted.	N/A	None	None

Appraisal Subcommittee
Federal Financial Institutions Examination Council

July 7, 2020

VIA EMAIL

Ms. Alice Cruz, Regulatory Examiner Supervisor
Insurance, Securities, Banking & Real Estate Branch
Department of Revenue and Taxation
P O Box 23607 GMF
Barrigada, GU 96921
Alice.cruz@revtax.guam.gov

RE: ASC Compliance Review of Guam's Appraiser Regulatory Program

Dear Ms. Cruz:

The Appraisal Subcommittee (ASC) staff conducted an off-site ASC Compliance Review (Review) in December 2019 of the Guam appraiser regulatory program (Appraiser Program) for the period of November 2015 to December 2019, to determine the Appraiser Program's compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

The ASC considered the preliminary results of the Review and the State's response to those results. The Appraiser Program is given an ASC Finding of "Needs Improvement." The final ASC Compliance Review Report (Report) of the Guam Appraiser Program is attached.

The ASC identified the following areas of non-compliance:

- States must have a policy for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI;.[1] and

- States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought.[2]

ASC staff will confirm appropriate corrective actions have been taken through off-site monitoring and during the next Review. Guam will remain on a two-year Review Cycle.

This letter and the attached Report are public records and available on the ASC website. Please contact us if you have any questions about this Report.

Sincerely,

Timothy Segerson
Chairman

Attachment
cc: Mr. Nemencio Briones, Regulatory Examiner II

[1] 12 U.S.C. § 3351; Policy Statement 5
[2] 12 U.S.C. § 3347; Policy Statement 4 B, C.

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	• State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure	2-year
Good	• State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure	2-year
Needs Improvement	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure	2-year with additional monitoring
Not Satisfactory	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure	1-year
Poor[3]	• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure	Continuous monitoring

*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

[3] An ASC Finding of "Poor" may result in significant consequences to the State. *See* Policy Statement 5, *Reciprocity*; *see also* Policy Statement 8, *Interim Sanctions*.

ASC State Appraiser Program Compliance Review Report

ASC State Appraiser Program Compliance Review Report							**ASC Finding: Needs Improvement** **Final Report Issue Date: July 7, 2020**
Guam Appraiser Regulatory Program (State)							
State Board Title: None				**PM: K. Klamet**	**ASC Compliance Review Date: December 2019**		**Review Period: November 2015 to December 2019**
Umbrella Agency: Department of Revenue and Taxation (Department)					**Number of State Credentialed Appraisers on Appraiser Registry: 20**		**Review Cycle: Two Year**
Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			**ASC Staff Observations**	**State Response**	**Required/Recommended State Actions**	**General Comments**
	YES	**NO**	**AC**				
Statutes, Regulations, Policies and Procedures:		**X**					
States must have a policy for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI. (12 U.S.C. § 3351; Policy Statement 5.)				The State's statutes and regulations do not comply with the requirements of Title XI and ASC Policy Statement 5. Guam's statutes and regulations have been an ongoing concern since 2014.	On June 9, 2020, the State reported that due to an overwhelming abundance of bills being presented to the Legislature, the Department's Bill to amend its statutes was not presented. COVID-19 added to the delay. The Department further advised that the Bill remains ready to present to the Legislature.	The State must continue the process to amend its statutes and regulations to bring them into compliance with Title XI, and provide ASC staff with a copy once finalized.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 5.
Temporary Practice:	**X**						
				No compliance issues noted.	N/A	None	None
National Registry:	**X**						
				No compliance issues noted.	N/A	None	None
Application Process:		**X**					
States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought. (12 U.S.C. § 3347; Policy Statement 4 B, C.)				The State issued an appraiser credential without verifying the applicant's required upgrade courses were completed prior to taking the examination. The State also issued an upgrade appraiser credential without verifying that the applicant passed the examination for one of the required courses.	On June 9, 2020, the State reported that one of the appraisers was contacted and a meeting is scheduled. The State did not respond on the second appraiser credential issue.	The State must immediately cease issuing appraiser credentials to applicants who do not meet AQB Criteria. In addition, within 60 days of this Report, the State must provide ASC staff sufficient documentation to show that both appraisers met all the requisite qualifying education; or that the State took appropriate action.	Through off-site monitoring and during the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 4.
Reciprocity:			**X**				
States must have a policy for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI. (12 U.S.C. § 3351; Policy Statement 5.)				The State's statutory/regulatory authority is not consistent with the State's practice or federal requirements. In practice, it appears the State complies with Title XI and ASC Policy Statement 5 concerning reciprocity.	On June 9, 2020, the State reported that due to an overwhelming abundance of bills being presented to the Legislature, the Department's Bill to amend the statutes was not presented. COVID-19 added to the delay. The Department advised that the Bill remains ready to present to the Legislature.	The State should continue the process to amend its statutes and regulations to bring them into compliance with Title XI, and provide ASC staff with a copy once finalized.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 5.

ASC State Appraiser Program Compliance Review Report

ASC State Appraiser Program Compliance Review Report								**ASC Finding: Needs Improvement**
								Final Report Issue Date: July 7, 2020
Guam Appraiser Regulatory Program (State)								
State Board Title: None				**PM: K. Klamet**	**ASC Compliance Review Date: December 2019**			**Review Period: November 2015 to December 2019**
Umbrella Agency: Department of Revenue and Taxation (Department)					**Number of State Credentialed Appraisers on Appraiser Registry: 20**			**Review Cycle: Two Year**
Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			**ASC Staff Observations**	**State Response**	**Required/Recommended State Actions**		**General Comments**
	YES	**NO**	**AC**					
Education:	**X**							
				No compliance issues noted.	N/A	None		None
Enforcement:	**X**							
				No compliance issues noted.	N/A	None		None

Appraisal Subcommittee
Federal Financial Institutions Examination Council

July 16, 2020

VIA EMAIL

Mr. Gregorio Q. Castro, Chair
Board of Professional Licensing
P O Box 502078
Saipan, MP 96950

RE: ASC Compliance Review of CNMI's Appraiser Regulatory Program

Dear Mr. Castro:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the CNMI appraiser regulatory program (Appraiser Program) in January 2020, for the period of November 2015 to December 2019, to determine the Program's compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

The Appraiser Program has been awarded an ASC Finding of "Excellent." CNMI will remain on a two-year Review Cycle. The final ASC Compliance Review Report (Report) of the CNMI Appraiser Program is attached.

This letter and the attached Report are public records and available on the ASC website. Please contact us if you have any questions about this Report.

Sincerely,

James R. Park
Executive Director

Attachment
cc: Ms. Esther S. Fleming, Executive Director, esther.fleming@gov.mp

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	• State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure	2-year
Good	• State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure	2-year
Needs Improvement	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure	2-year with additional monitoring
Not Satisfactory	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure	1-year
Poor[1]	• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure	Continuous monitoring

*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

[1] An ASC Finding of "Poor" may result in significant consequences to the State. *See* Policy Statement 5, *Reciprocity*; *see also* Policy Statement 12, *Interim Sanctions*.

ASC State Appraiser Program Compliance Review Report

ASC Finding: Excellent
Final Report Issue Date: July 16, 2020

CNMI Appraiser Regulatory Program (State)

Board of Professional Licensing (Board)	PM: K. Klamet	ASC Compliance Review Date: January 2020	Review Period: November 2015 to December 2019
Umbrella Agency: Independent		Number of State Credentialed Appraisers on Appraiser Registry: 3	Review Cycle: Two Year

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Statutes, Regulations, Policies and Procedures:	X						
				No compliance issues noted.	N/A	None	None
Temporary Practice:	X						
				No compliance issues noted.	N/A	None	None
National Registry:	X						
				No compliance issues noted.	N/A	None	None
Application Process:	X						
				No compliance issues noted.	N/A	None	None
Reciprocity:	X						
				No compliance issues noted.	N/A	None	None
Education:	X						
				No compliance issues noted.	N/A	None	None
Enforcement:	X						
				No compliance issues noted.	N/A	None	None

Appraisal Subcommittee
Federal Financial Institutions Examination Council

April 3, 2020

Ms. Sara Oates, Chair
Texas Appraiser Licensing & Certification Board
P O Box 12188
Austin, TX 78711-2188

RE: ASC Compliance Review of Texas' Appraiser Regulatory Program

Dear Ms. Oates:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Texas appraiser regulatory program (Appraiser Program) on February 25-28, 2020, to determine the Program's compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

The ASC considered the preliminary results of the Review and the State's response to those results. The Appraiser Program has been awarded an ASC Finding of "Excellent." Texas will remain on a two-year Review Cycle. The final ASC Compliance Review Report (Report) of the Texas Appraiser Program is attached.

This letter and the attached Report are public records and available on the ASC website. Please contact us if you have any questions about this Report.

Sincerely,

James R. Park
Executive Director

Attachment
cc: Ms. Chelsea Buchholtz, Commissioner
Mr. Tony Slagle, Deputy Commissioner

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	• State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure	2-year
Good	• State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure	2-year
Needs Improvement	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure	2-year with additional monitoring
Not Satisfactory	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure	1-year
Poor[1]	• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure	Continuous monitoring

*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

[1] An ASC Finding of “Poor” may result in significant consequences to the State. *See* Policy Statement 5, *Reciprocity*; *see also* Policy Statement 12, *Interim Sanctions*.

ASC State Appraiser Program Compliance Review Report

ASC Finding: Excellent
Final Report Issue Date: April 3, 2020

Texas Appraiser Regulatory Program (State)

Texas Appraiser Licensing & Certification Board (Board)	PM: V. Metcalf	ASC Compliance Review Date: February 25-28, 2020	Review Period: February 2018 to February 2020
Umbrella Agency: Texas Real Estate Commission		Number of State Credentialed Appraisers on Appraiser Registry: 5,235	Review Cycle: Two Year

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Statutes, Regulations, Policies and Procedures:	X						
				No compliance issues noted.	N/A	None	None
Temporary Practice:	X						
				No compliance issues noted.	N/A	None	None
National Registry:	X						
				No compliance issues noted.	N/A	None	None
Application Process:	X						
				No compliance issues noted.	N/A	None	None
Reciprocity:	X						
				No compliance issues noted.	N/A	None	None
Education:	X						
				No compliance issues noted.	N/A	None	None
Enforcement:	X						
				No compliance issues noted.	N/A	None	None

May 26, 2020

VIA EMAIL

Ms. Lisa Brooks, Executive Director
Alabama Real Estate Appraisers Board
P O Box 304355
Montgomery, AL 36130-4355
Lisa.Brooks@reab.alabama.gov

RE: ASC Compliance Review of Alabama's Appraisal Management Company (AMC) Regulatory Program

Dear Ms. Brooks:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Alabama AMC regulatory program (AMC Program) on January 13-16, 2020, to determine the Program's compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

The ASC considered the preliminary results of the Review and the State's response to those results. The AMC Program has been awarded an ASC Finding of "Excellent." Alabama will remain on a two-year Review Cycle. The final ASC Compliance Review Report (Report) of the Alabama AMC Program is attached.

This letter and the attached Report are public records and available on the ASC website. Please contact us if you have any questions about this Report.

Sincerely,

James R. Park
Executive Director

Attachment

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	• State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure	2-year
Good	• State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure	2-year
Needs Improvement	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure	2-year with additional monitoring
Not Satisfactory	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure	1-year
Poor	• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure	Continuous monitoring

*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

ASC State AMC Program Compliance Review Report

ASC State AMC Program Compliance Review Report								
								ASC Finding: Excellent Final Report Issue Date: May 26, 2020
Alabama AMC Regulatory Program (State)								
Alabama Real Estate Appraisers Board (Board)				PM: N. Fenochietti	ASC Compliance Review Date: January 13-16, 2020			Review Period: January 2018 to January 2020
Umbrella Agency: Independent					Number of AMCs on AMC Registry: 0			Review Cycle: Two Year
Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			**ASC Staff Observations**	**State Response**	**Required/Recommended State Actions**	**General Comments**	
	YES	**NO**	**AC**					
Statutes, Regulations, Policies and Procedures:	**X**							
				No compliance issues noted.	N/A	None	None	
National Registry:	**X**							
				No compliance issues noted.	N/A	None	None	
Enforcement:	**X**							
				No compliance issues noted.	N/A	None	None	

July 7, 2020

VIA EMAIL

Mr. Cary Matthews, Board Chair
Arkansas Appraiser Licensing and Certification Board
101 East Capitol Avenue, Suite 430
Little Rock, AR 72201

RE: ASC Compliance Review of Arkansas' Appraisal Management Company (AMC) Regulatory Program

Dear Mr. Matthews:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Arkansas AMC regulatory program (AMC Program) on March 3-5, 2020, to determine the Program's compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

The ASC considered the preliminary results of the Review and has awarded the AMC Program an ASC Finding of "Excellent." Arkansas will remain on a two-year Review Cycle. The final ASC Compliance Review Report (Report) of the Arkansas AMC Program is attached.

This letter and the attached Report are public records and available on the ASC website. Please contact us if you have any questions about this Report.

Sincerely,

James R. Park
Executive Director

Attachment
cc: Ms. Diana Piechocki, Executive Director, diana.piechocki@arkansas.gov

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	• State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure	2-year
Good	• State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure	2-year
Needs Improvement	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure	2-year with additional monitoring
Not Satisfactory	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure	1-year
Poor	• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure	Continuous monitoring

*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

<table>
<tr><th colspan="6">ASC State AMC Program Compliance Review Report</th><th>ASC Finding: Excellent
Final Report Issue Date: July 7, 2020</th></tr>
<tr><td colspan="7">Arkansas AMC Regulatory Program (State)</td></tr>
<tr><td colspan="4">Arkansas Appraiser Licensing and Certification Board (Board)</td><td>PM: K. Klamet</td><td>ASC Compliance Review Date: March 3-5, 2020</td><td>Review Period: March 2018 to March 2020</td></tr>
<tr><td colspan="5">Umbrella Agency: Department of Labor and Licensing</td><td>Number of AMCs on AMC Registry: 0</td><td>Review Cycle: Two Year</td></tr>
</table>

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Statutes, Regulations, Policies and Procedures:	X						
				No compliance issues noted.	N/A	None	None
National Registry:	X						
				No compliance issues noted.	N/A	None	None
Enforcement:	X						
				No compliance issues noted.	N/A	None	None

Appraisal Subcommittee
Federal Financial Institutions Examination Council

April 3, 2020

Ms. Sara Oates, Chair
Texas Appraiser Licensing & Certification Board
P O Box 12188
Austin, TX 78711-2188

RE: ASC Compliance Review of Texas' Appraisal Management Company (AMC) Regulatory Program

Dear Ms. Oates:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Texas AMC regulatory program (AMC Program) on February 25-28, 2020, to determine the Program's compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

The ASC considered the preliminary results of the Review and the State's response to those results. The AMC Program has been awarded an ASC Finding of "Excellent." Texas will remain on a two-year Review Cycle. The final ASC Compliance Review Report (Report) of the Texas AMC Program is attached.

This letter and the attached Report are public records and available on the ASC website. Please contact us if you have any questions about this Report.

Sincerely,

James R. Park
Executive Director

Attachment
cc: Ms. Chelsea Buchholtz, Commissioner
Mr. Tony Slagle, Deputy Commissioner

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	• State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure	2-year
Good	• State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure	2-year
Needs Improvement	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure	2-year with additional monitoring
Not Satisfactory	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure	1-year
Poor	• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure	Continuous monitoring

*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

ASC State AMC Program Compliance Review Report

ASC State AMC Program Compliance Review Report							
							ASC Finding: Excellent
							Final Report Issue Date: April 3, 2020
Texas AMC Regulatory Program (State)							
Texas Appraiser Licensing & Certification Board (Board)				PM: V. Metcalf	ASC Compliance Review Date: February 25-28, 2020		Review Period: February 2018 to February 2020
Umbrella Agency: Texas Real Estate Commission					Number of AMCs on AMC Registry: 172		Review Cycle: Two Year
Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			**ASC Staff Observations**	**State Response**	**Required/Recommended State Actions**	**General Comments**
	YES	**NO**	**AC**				
Statutes, Regulations, Policies and Procedures:	**X**						
				No compliance issues noted.	N/A	None	None
National Registry:	**X**						
				No compliance issues noted.	N/A	None	None
Enforcement:	**X**						
				No compliance issues noted.	N/A	None	None

Asa Hutchinson
Governor

Daryl Bassett
Secretary

Arkansas Appraiser Licensing and Certification Board

August 6, 2020

Mr. Timothy Segerson, Chairman
Appraisal Subcommittee
1325 G Street, NW, Suite 500
Washington, DC 20005

Dear Mr. Segerson,

Thank you for your letter of July 7, 2020. In response to the two issues noted, the public hearing for the rule change to correct the edition of USPAP to 2020-2021 is on Monday, August 10, 2020, at 9:00 a.m. After the public hearing, the remaining requirement is for approval by the Arkansas Joint Legislative Council. I am hopeful to be on its August or September agenda. We have revised our process to start our rule change nine months in advance of a new edition of USPAP to allow enough time to complete the necessary steps.

The second item is concerning a trainee credential issued in 2015, in which the applicant submitted completion certificates that did not indicate passing the exams for Basic Appraisal Principles and Basic Appraisal Procedures. As evidenced on his application, the Board staff erred in approval of his credential. Our process is sound; we made a mistake. Because of our oversight, we allowed the appraiser the opportunity to correct the issue. We considered the fact the appraiser is a trainee, and he cannot complete any appraisal work without his supervisor's oversight and responsibility for the appraisal report. The protection of the public was not at risk. Due to the time that had elapsed, the education provider required the appraiser to retake both courses, which took longer than anticipated. And due to the current extraordinary circumstances of the COVID-19 pandemic, the appraiser has had difficulty locating a proctor for the exams. Therefore, the appraiser chose to surrender his appraiser credential on August 3, 2020, voluntarily.

The Arkansas Appraiser Licensing and Certification Board (AALCB) understands the seriousness of our error. And, with a reduced staff due to the pandemic, we are working hard to avoid similar problems in the future. The AALCB wants to request a reconsideration of an ASC Finding of "Needs Improvement." With our recent rule changes, we have corrected issues that were in place for many years. We have updated our computer systems and database to be more efficient and responsive to requests from the public and appraisers. We have streamlined our complaint process, and are processing complaints within the one-year time frame. We are monetarily sound. And, most importantly, we have a dedicated Board and Staff that will not allow the failure of our Appraiser Program.

900 West Capitol Avenue, Suite 400
Little Rock, AR 72201
Office: 501-296-1843
www.arkansas.gov/alcb

We appreciate the Appraisal Subcommittee Board and Staff. Consideration of our request is appreciated. If you have any questions, please contact me at 501-683-3775.

Sincerely,

Diana Piechocki

Diana Piechocki
Director

cc: Cary Matthews, Board Chair
Jim Park
Denise Graves
Kristi Klamet, Policy Manager

FORM SR-101

Application Received Date/ by: 3/12/15
Check # 8205 Amount paid $ 200
Date Reviewed/ by: KB 3-12-15 DP 3-12-15
Date Approved/ by: LG - 3-17-15
License number: SR 4006
Process Date/ by: 3/17/15
Documents Mailed: 3/18/15

FOR BOARD USE ONLY

MAR 12 2015

Arkansas Appraiser Licensing and Certification Board
101 East Capitol, Suite 430
Little Rock, AR 72201
www.arkansas.gov/alcb
501-296-1843

APPLICATION FOR STATE REGISTERED APPRAISER

This information constitutes a part of the application process for those candidates who desire to become a State Registered Appraiser. The speed with which your application is processed and registration issued depends directly upon the accuracy and completeness of the information provided on this and succeeding forms. A check for **$200** made payable to the Arkansas Appraiser Licensing and Certification Board and completion certificates for the 79 hours of Qualifying Education **must** accompany this request for State Registered Appraiser status.

Name: Lackie Craig Daniel
Last, First, Middle Initial

Diana Piechocki

From: Diana Piechocki
Sent: Monday, August 3, 2020 1:34 PM
To: daniel lackie; clackie@cablelynx.com
Cc: Cary Matthews
Subject: Lackie Voluntary Surrender

Good afternoon,

Thank you for your letter voluntarily surrendering your Registered Apprentice appraiser credential effective today. I have updated our records to reflect the voluntary surrender. Please note that effective immediately, you may not complete any appraisal work, or provide assistance in the preparation of an appraisal report. And, your surrender will be noted in the next newsletter.

Your letter indicates this to be a temporary surrender. However, to become a Registered Apprentice appraiser, you must apply anew to the Appraiser Licensing & Certification Board.

Please let me know if you have any questions.

Sincerely,

Diana

Diana Piechocki, Director
Department of Labor and Licensing
Arkansas Appraiser Licensing & Certification Board
900 West Capitol Avenue, Suite 400
Little Rock, AR 72201

Office: 501-683-3775

Craig Daniel Lackie
Overstreet Appraisal Service LLC
P.O. Box 1373
2980 East Moore Avenue
Searcy, Arkansas 72145
501-268-1680
overstreet@cablelynx.com

August 3, 2020

Arkansas Appraiser Licensing
and Certification Board
900 W. Capital, Suite 400
Little Rock, Arkansas 72201

Dear Arkansas Appraiser Licensing and Certification Board:

As you requested, I am temporarily surrendering my Registered Apprentice appraisal license due to the incompletion of qualifying education. I sincerely regret and apologize for not having the requested courses completed and certificates presented in a timely manner.

Sincerely,

Daniel Lackie

APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
FEBRUARY 12, 2020

LOCATION: Partnership for Public Service
1100 New York Avenue NW, Suite 200 East, Washington, DC 20006

ATTENDEES

ASC MEMBERS:
CFPB – John Schroeder
FDIC – John Jilovec
FHFA – Robert Witt
FRB – Art Lindo
HUD – Bobbi Borland
NCUA – Tim Segerson
OCC – Richard Taft

ASC STAFF:
Executive Director – Jim Park
Deputy Executive Director – Denise Graves
General Counsel – Alice Ritter
Grants Director – Mark Abbott
Financial Manager – Girard Hull
Attorney-Advisor – Ada Bohorfoush
Management and Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly
Regulatory Affairs Specialist – Maria Brown
Policy Manager – Claire Brooks
Policy Manager – Kristi Klamet
Policy Manager – Jenny Tidwell

OBSERVERS:
Appraisal Foundation – Dave Bunton
Appraisal Foundation – Edna Nkemngu
Appraisal Institute – Brian Rodgers
CFPB – Deana Krumhansl
CFPB – Orlando Orellano
Fannie Mae – Lyle Radke
FDIC – Michael Briggs
FDIC – Richard Foley
FDIC – Suzy Gardner
FDIC – Ben Gibbs
FRB – Carmen Holly
FRB – Derald Seid
NCUA – Rachel Ackmann
OCC – Kevin Lawton
OCC – Joanne Phillips
OCC – James Rives

The Meeting was called to order at 10:45 a.m. by Chair A. Lindo.

REPORTS

- **Chair**

  A. Lindo welcomed the observers. The ASC Roundtable (Roundtable) held on February 10th was successful. Some attendees suggested that the ASC prepare a retrospective on what has come out of the Roundtables and possible next steps. A. Lindo directed ASC staff to put together the requested information. He also reported that work continues on the ASC Grant Program.

- **Executive Director**

  J. Park updated the ASC on recent staff activity.

  - The North Dakota Appraiser Association and North Dakota Bankers Association indicated that a meeting with lenders and stakeholders is in the planning stages. A dialogue with various national stakeholders has been started to explore the possibility of assembling a task force to address appraiser availability issues when and where they arise, similar to an early warning system. J. Park and A. Lindo briefly discussed this with the FFIEC at its December meeting and they appeared to be receptive to the idea. J. Park has also talked with several industry trade groups, and they all expressed a desire to participate in this endeavor.

  - The Appraiser Qualifications Board (AQB) issued the *First Exposure Draft of a Proposed Change to the Real Property Appraiser Qualification Criteria – Licensed Residential Scope of Practice*. The AQB is proposing any increase to the scope of practice for licensed appraisers to be commensurate with increases to the appraisal exemption thresholds. A second Exposure Draft is anticipated.

  - The 2020-21 edition of the *Uniform Standards of Professional Appraisal Practice* took effect on January 1, 2020. The Appraisal Standards Board (ASB) is working on an exposure draft of proposed changes for the 2022-23 edition.

  - As noted by A. Lindo, the Roundtable was held on February 10th at the Office of the Comptroller of the Currency (OCC). A total of 58 persons representing 46 organizations/agencies attended. He received positive feedback and participants were looking forward to future Roundtables. He thanked R. Taft for OCC staff assistance and the use of the OCC Conference Center.

  - Fifteen States are adding Appraisal Management Companies (AMC) to the AMC Registry. Since participating States should be adding their AMCs to the Registry by June 2020, ASC staff anticipates a significant increase of entries to the AMC Registry in the coming months. R. Taft asked how many States will be entering data into the AMC Registry by June 2020. B. Kelly responded that he does not have an estimate, but he has received numerous questions from States on the submission process. J. Park added that Texas and California are expected to start submitting data to the AMC Registry before June. J. Schroeder asked for clarification. A. Ritter responded that it depends on States renewal cycles. Establishing a hard deadline was not feasible, so the ASC established June 4, 2020 as the date that all State AMC regulatory programs would start to be reviewed by the ASC to ensure compliance with the AMC Registry Fee Rule. J. Schroeder asked what would happen if a State is not submitting data by that time. A. Ritter answered that if a State did not have process in place by June 4th to implement the AMC Registry Fee Rule, it would be noted by the ASC staff on the Compliance Review Report.

- J. Park reported that the Unique Identification Number program is being used by all States except two and the U.S. Territories.

- A. Bohorfoush reported that ASC staff is finalizing the first draft of the 2019 ASC Annual Report and will distribute a draft to the ASC next week with comments due two weeks afterwards.

- **Delegated State Compliance Reviews**

  A. Bohorfoush reported on State Program Compliance Reviews completed pursuant to delegated authority since the ASC's November 13th Meeting. Three State Appraiser Program Compliance Reviews were finalized and approved by the Executive Director under delegated authority. Ohio was awarded a Finding of "Excellent" and will remain on a two-year Review Cycle. New Hampshire and New York were awarded a Finding of "Good" and will remain on a two-year Review Cycle.

  There were two State AMC Program Compliance Reviews finalized and approved by the Executive Director under delegated authority. New York was awarded a Finding of "Excellent" and will remain on a two-year Review Cycle. Ohio was awarded a Finding of "Good" and will remain on a two-year Review Cycle.

  The ASC completed one Follow-up Review during the last quarter. Vermont made progress in two of the three areas that were out of compliance in 2018. Vermont remains non-compliant in the area of timely complaint resolution. The ASC staff is continuing off-site monitoring and Vermont must continue submitting complaint logs to the ASC staff.

- **Grants Report**

  M. Abbott updated members on the Grants Program. ASC staff will be sending an announcement to States notifying them that grants are available through the ASC and how to submit a request. ASC staff is also exploring solutions for States that do not have a mechanism in place to accept federal funding. A presentation is scheduled for the Association of Appraiser Regulatory Officials Spring Conference in San Antonio, TX and ASC staff will schedule various webinars with State officials. A. Lindo asked if there will be a process for ASC staff to corroborate States who receive funds and what the Compliance Ratings have been for those States. M. Abbott responded that ASC staff can research this and set up a risk management plan. R. Taft asked if States will need to enact legislation that will allow them to receive grants from the ASC. M. Abbott answered that States who have independent Appraiser Boards may have to learn how to request and oversee federal grant funds. A process may need to be set up to prevent State program budgets from being supplanted if grant funds are awarded.

  The FY20 grant for the Investigator Training Program has been executed. The grant for the ASB and AQB is pending.

- **Financial Manager**

  G. Hull reported that the FY19 financial audit has been completed and the financial statements are being finalized. Based on the draft statements, the total FY19 revenue was $4.3M with $3.4M derived from Appraiser Registry fees and $833,000 from AMC Registry fees. FY19 expenses totaled $3.7M thereby resulting in a net profit of $551,000.

  The ASC processed the September 2019 grant reimbursement request in the amount of $79,060 for the Appraisal Foundation (Foundation) grant. The request covered expenses for the level three Investigator Training course held in Portland, Oregon. There were 29 students from 17 States in attendance. ASC staff reviewed the request and approved the payment for $79,060. The total FY19 grant budget was $628,000 and $86,077 remains available.

  Regarding the ASC's financial status for the first quarter of FY20, the ASC has recognized total revenue of $1.4M: $489,000 is from Appraiser Registry fees and $939,000 is from AMC Registry fees. This represents a 31% increase over the FY19 1st quarter revenue and represents 22% of the total FY20 budgeted total revenue of $6.3M. Overall expenditure activity for FY20 has been in line with the budget without any unusual budget variances. J. Schroeder asked if ASC staff has options or a strategic plan for spending the revenue. J. Park responded that most of the revenue will go towards grants. J. Schroeder requested that ASC staff prepare a plan to target use and to work with potential partners proactively. M. Abbott responded that is what ASC staff intends to do in addition to preparing Notices of Funds Availability (NOFA) to the public and States. The NOFA's would detail the allowable costs for grant funds. He plans to prepare and publish a timeline on how funds will be used initially and may have this ready for the May ASC Meeting.

- **Notation Vote**

L. Schuster reported that the approval to post in the *Federal Register* the Notice of Termination of Residential Temporary Waiver Relief passed by a 7-0 vote on November 20, 2019.

ACTION ITEMS

- **November 13, 2019 Open Session Minutes**

  R. Taft made a motion to approve the November 13th open session meeting minutes as presented. J. Schroeder seconded and all members present voted to approve.

- **December 12, 2019 Special Meeting Minutes**

  J. Jilovec made a motion to approve the December 12th special session meeting minutes as presented. B. Borland seconded and all members present voted to approve.

- **Illinois Appraiser Compliance Program Review**

  D. Graves reported on the Illinois Appraiser Compliance Review conducted by ASC staff in September 2019. While the number of complaints outstanding has decreased, the number of incoming complaints submitted also declined. The State has revised its complaint resolution process, including mentoring and education when the violations are not considered negligent or unethical. Illinois plans to train additional investigators in appraisal-related matters. Because of Illinois' repeated history of outstanding complaints, ASC staff recommends a rating of "Not Satisfactory." Staff further recommends moving Illinois to a one-year Review Cycle and including in the cover letter and Report specific requirements going forward and the availability of additional administrative remedies if necessary. R. Taft asked if Illinois has been sincere in their efforts and if the requirements laid out in the letter and report will help them take corrective actions. D. Graves responded "yes." J. Schroeder asked if a grant could be used to supplement regulatory resources if they are short of staff. M. Abbott said "yes" but the ASC will need to ensure that the State does not supplant funds. The funds could be a one-time grant to decrease the complaint backlog. After further discussion, A. Lindo requested a motion to approve the staff recommendation of a rating of "Not Satisfactory" for the Illinois Appraiser Program with revisions as discussed. R. Taft moved to approve and J. Schroeder seconded; all members present voted to approve.

- **Reprogramming Request for FY19 ASC Grants**

  J. Park noted that it is customary that if grant funds are not expended, the Foundation has the option to request a reprogramming of the funds. The Foundation submitted a request for $26,613. There is currently $49,719 remaining in the Foundation grant and $36,358 remaining in the Investigator Training Program (ITP) grant. The Foundation wishes to reprogram $600 to AQB contractor expenses, $23,684 to ASB salaries and fringe benefits, $225 to ASB legal expenses and $48 to the ITP for postage and delivery expenses. J. Jilovec moved to approve the reprogramming request in the amount of $26,613 and J. Schroeder seconded; all members present voted to approve. A. Ritter noted that with the new grant process as described in the Grants Handbook, the Foundation will no longer submit monthly grant reimbursement requests. M. Abbott added that grantees will have discretion to shift up to ten percent of funds around line items. For multi-year grants, any remaining funds from one year will be moved to the next year with those funds being reduced equally.

A. Lindo announced that his term as Chair will expire on March 31, 2020, and that the Federal Reserve will be naming a new member. He thanked the ASC staff and members for their assistance over the years. J. Park thanked A. Lindo for his contributions to the ASC.

The Open Session adjourned at 11:35 a.m. The next regularly scheduled ASC Meeting will be held on May 13, 2020.

APPRAISAL SUBCOMMITTEE
CLOSED SESSION MEETING MINUTES
FEBRUARY 12, 2020

LOCATION: Partnership for Public Service
1100 New York Avenue NW, Suite 200 East, Washington, DC 20006

ATTENDEES

ASC MEMBERS: CFPB – John Schroeder
FDIC – John Jilovec
FHFA – Robert Witt
FRB – Art Lindo
HUD – Bobbi Borland
NCUA – Tim Segerson
OCC – Richard Taft

ASC STAFF: Executive Director – Jim Park
Deputy Executive Director – Denise Graves
General Counsel – Alice Ritter
Grants Director – Mark Abbott
Financial Manager – Girard Hull
Attorney-Advisor – Ada Bohorfoush
Management and Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly
Regulatory Affairs Specialist – Maria Brown
Policy Manager – Claire Brooks
Policy Manager – Kristi Klamet
Policy Manager – Jenny Tidwell

OBSERVERS: CFPB – Deana Krumhansl
CFPB – Orlando Orellano
FDIC – Michael Briggs
FDIC – Richard Foley
FDIC – Suzy Gardner
FDIC – Ben Gibbs
FRB – Carmen Holly
FRB – Joe Maldonado
FRB – Matt McQueeney
FRB – Derald Seid
NCUA – Rachel Ackmann
OCC – Kevin Lawton
OCC – Joanne Phillips
OCC – James Rives

The Meeting was called to order at 10:00 a.m. by Chair A. Lindo.

ACTION ITEMS

- **Preliminary discussion of State Compliance Review**

  D. Graves reported on the Illinois Appraiser Program Compliance Review conducted by ASC staff in September 2019. Illinois did not resolve all complaints against appraisers timely and has been cited for this issue on every Review since 2006. ASC staff is recommending a finding of "Not Satisfactory." Illinois would be placed on a one-year Review Cycle and would be required to continue providing monthly complaint logs to ASC staff, including a detailed description of progress on the 13 aged cases. In addition, Illinois would be required to provide a detailed plan outlining the method and timeline for training additional investigators in appraisal-related matters. R. Taft asked if Illinois has taken any steps to resolve this issue. D. Graves responded that Illinois revised its Consent to Administrative Supervision Policy to include education and/or mentoring when the violations are not considered negligent or unethical. She added that Illinois law allows complaints to be closed without a hearing. J. Schroeder asked if the 13 aged complaints were more problematic to investigate than others. D. Graves responded that may be part of the problem. She added that a new governor is elected every four years and new staff is hired that needs to be trained. B. Borland asked if Illinois has internal procedures for resolving complaints. D. Graves responded "yes" but they are not always followed. A. Lindo asked if Illinois has a timeline for resolving the aged complaints and D. Graves responded "no." R. Taft asked if the ASC has other options available. D. Graves suggested that ASC staff meet with the Governor's staff and noted that appraiser trade groups could contact the State as well. J. Park noted that ASC staff met with the new Department Secretary and staff in June 2019 and they would like to resolve this issue. A. Lindo said Illinois could be notified that non-recognition proceedings may be initiated by the ASC if progress is not made. D. Graves responded that the ASC has notified Illinois previously that the ASC could commence non-recognition proceedings if Illinois did not make enough progress to satisfy the ASC. J. Schroeder agreed that Illinois should be made aware that its appraiser program could face non-recognition. D. Graves noted that the older cases stem from when Illinois did not have a process in place for investigating complaints. B. Borland asked why the ASC did not give Illinois a deadline to close the unresolved complaints. D. Graves responded that the timelines provided to Illinois by the ASC were deadlines for Illinois to report its progress to the ASC. Illinois did abide by those timelines. A. Ritter noted that the Dodd-Frank Act allows interim sanctions such as removing appraisers from the National Registry for up to 90 days, which was put in place as an alternative to non-recognition. D. Graves said that appraisers who have complaints filed against them could be removed from the National Registry for up to 90 days. A. Lindo said this option should be included in the letter to Illinois. J. Jilovec asked if Illinois is sending in reports consistently to the ASC noting its progress. D. Graves responded "yes" but she has not yet seen the most recent report. Illinois does not send in detailed information; they submit raw data. On the 13 cases which are over a year old, the ASC could request more detail as part of the response. J. Jilovec asked if the number has changed since September; D. Graves responded that unresolved cases over one year now total 19. R. Taft suggested giving Illinois a deadline to resolve the cases to hold them accountable. D. Graves said that Illinois should provide the ASC with dates for resolution of the cases. J. Park said if Illinois is notified that the ASC is considering rating the program "Poor," it may encourage them to resolve the problem. J. Jilovec said the letter should be carefully worded. R. Witt agreed and said that there also must be paper trail. T. Segerson felt that if further administrative remedies by the ASC are being considered, it may encourage Illinois to resolve the issue. ASC staff could visit the State and apply pressure on Illinois to update its complaint resolution process. D. Graves will amend the letter and request authority to delegate the ASC Chair to sign the letter. A. Ritter said that the matter is on the agenda for ASC action in the Open Session.

A. Lindo announced that his position as ASC Chair expires on March 31st. He will not have a third term and the Federal Reserve Board will be naming a new member to the ASC. He expressed appreciation to the ASC members and staff during his tenure.

The Closed Session adjourned at 10:40 a.m.

APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
APRIL 9, 2020

LOCATION: Conference Call

ATTENDEES

ASC MEMBERS:	CFPB – John Schroeder FDIC – John Jilovec FHFA – Robert Witt FRB – Art Lindo HUD – Bobbi Borland NCUA – Tim Segerson OCC – James Rives
ASC STAFF:	Executive Director – Jim Park Deputy Executive Director – Denise Graves General Counsel – Alice Ritter Grants Director – Mark Abbott Attorney-Advisor – Ada Bohorfoush Financial Manager – Girard Hull Management and Program Analyst – Lori Schuster Administrative Officer – Brian Kelly Regulatory Affairs Specialist – Maria Brown Policy Manager – Claire Brooks Policy Manager – Neal Fenochietti Policy Manager – Kristi Klamet Policy Manager – Vicki Metcalf Policy Manager – Jenny Tidwell
OBSERVERS:	Appraisal Foundation – Dave Bunton Appraisal Foundation – Kelly Davids Appraisal Foundation – Edna Nkemngu CFPB – Deana Krumhansl CFPB – Orlando Orellano FDIC – Michael Briggs FDIC – Suzy Gardner FDIC – Ben Gibbs FHFA – Ming-Yuen Meyer-Fong FRB – Joe Maldonado FRB – Matt McQueeney HUD – Brian Barnes NCUA – Rachel Ackmann OCC – Stacey Fluellen

The Meeting was called to order at 1:30 p.m. by Chairman T. Segerson.

ACTION ITEMS

- **Appraisal Foundation 2020 Grant**

  T. Segerson called this Special Meeting to discuss the Appraisal Foundation's (TAF) revised grant proposal that was sent to the ASC members on March 26th. J. Park reported that the ASC has granted over $21M to TAF for the grant eligible activities of the Appraisal Standards Board (ASB) and Appraiser Qualifications Board (AQB) over the past 29 years, and that the ASC and TAF have enjoyed a good working relationship with a history of working together, as partners, through difficult situations. The typical process for all grant-related activities is to submit proposals through the ASC staff for analysis and the ASC staff provides a recommendation to the Board. M. Abbott provided a recap of activities related to TAF's 2020 grant proposal submitted on October 1, 2019, to support the ASB and AQB. The ASC staff provided a funding recommendation of $471,348 to the ASC which was approved at its November 13, 2019 Meeting. The ASC subsequently approved the ASC Grants Handbook on December 12, 2019, which describes the policies and practices for administering grants. On January 17, 2020, the Notice of Grant Award (NGA) was signed by ASC Executive Director Jim Park and sent to TAF for countersignature. The NGA spelled out the terms and conditions of the award and required a signature by TAF to be valid to access the funds. TAF requested two subsequent extensions, which were granted. The second extension expired on March 27, 2020. On March 24th, TAF and ASC staff met virtually to discuss the unexecuted award. The meeting concluded without reaching a consensus on TAF's proposed changes to the terms of the 2020 award. TAF then submitted the unsolicited proposal to support only the AQB directly to the ASC Board. ASC staff recommends that the ASC decline to entertain the unsolicited proposal and direct the ASC staff to provide written notice to TAF of this fact. M. Abbott also noted the ASC may direct staff to re-issue the NGA associated with the previously issued award, though ASC staff can do this on its own accord. ASC staff remains committed to supporting both the AQB and ASB and will continue to engage with TAF to ensure that both boards are adequately supported. T. Segerson asked for ASC member input. R. Witt asked for clarification of the options before the ASC. T. Segerson and M. Abbott reiterated staff's recommendation. R. Witt felt that both options could be combined into one. M. Abbott responded "yes" if the ASC chooses to do so. A. Lindo added that the issues were clear. T. Segerson asked for a motion for the ASC to decline to entertain the alternate grant proposal submitted to the ASC Board on March 26th and directed the ASC staff to provide written notice to TAF of this fact. The ASC staff will also re-issue the NGA associated with the previously issued award. R. Witt approved the motion and A. Lindo seconded; all members present agreed.

The Open Session adjourned at 1:45 p.m. The next ASC Meeting will be held on May 13, 2020.

[DISCUSSION DRAFT]

116TH CONGRESS
2D SESSION

H. R. ____

To establish an interagency Task Force to analyze Federal collateral underwriting standards, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M__. ___________ introduced the following bill; which was referred to the Committee on ___________________________

A BILL

To establish an interagency Task Force to analyze Federal collateral underwriting standards, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Appraisal Fairness and Improvement Act of 2020''.

SEC. 2. FINDINGS.

The Congress finds the following:

(1) Two Federal agencies, the Federal Home Owners' Loan Corporation and the Federal Housing

Administration played a major role in the development of the modern home mortgage origination industry.

(2) Both Federal agencies explicitly considered the racial and ethnic make up of neighborhoods when underwriting loans and valuing the real estate to be used as home loan collateral.

(3) Both agencies devalued property or refused to make loans secured by property in communities of color.

(4) Even though such practices have been illegal for decades, some data indicates that collateral in communities of color still have lower values compared to equivalent collateral in majority white neighborhoods without any obvious, lawful basis.

SEC. 3. APPRAISAL TASK FORCE.

(a) ESTABLISHMENT.—The Appraisal Subcommittee of the Financial Institutions Examination Council shall facilitate the establishment and convening of an Interagency Task Force on Real Estate Appraisals (in this section referred to as the "Task Force").

(b) MEMBERS.—The Task Force shall consist of the following members or their designees:

(1) The Director of the Federal Housing Finance Agency.

(2) The chairman of the board of directors of the Federal National Mortgage Association.

(3) The Chairman of the Board of Directors of the Federal Home Loan Mortgage Corporation.

(4) The Chairperson of the board of directors of one of the Federal home loan banks, selected by [——?].

(5) The Assistant Secretary of the Department of Housing and Urban Development who is the Federal Housing Commissioner.

(6) The Undersecretary for Rural Development of the Department of Agriculture.

(7) The Secretary of Veterans Affairs.

(8) The Director of the Bureau of Consumer Financial Protection, who shall serve as the Chairperson of the Task Force.

(c) MISSION.—The mission of the Task Force shall be to—

(1) harmonize to the greatest extent possible the various collateral underwriting standards of the agencies and entities represented on the Task Force governing residential and commercial real estate appraisals, including standards governing non-traditional and alternative methods of providing real estate property evaluations such as automated valu-

ation models, and standards governing the valuation of energy efficient housing;

(2) provide justifications for areas where collateral underwriting standards cannot or should not be harmonized according to the determination of a Task Force member;

(3) establish specific definitions for limited or inactive housing markets in which comparable sales are limited or unavailable over a certain period of time, and establish greater flexibilities for appraisals conducted in such markets, such as the ability to consider market evidence for similar properties in other geographic areas;

(4) evaluate whether collateral underwriting standards may be contributing to an unjustified disparate impact on the value of homes owned by people of color or located in communities having populations that are predominately made up of people of color; and

(5) identify specific causes of such disparate impact and adopt changes to address such causes.

(d) MEETINGS.—The Task Force shall convene regularly, including with the advisory committee described under subsection (g), to complete its mission under subsection (c) and submit the reports required under subsection (f).

(e) SHARING OF INFORMATION.—Each agency and entity represented on the Task Force may share data of the agency or entity with the Task Force to further the mission of the Task Force.

(f) REPORTS.—

(1) INITIAL.—The Chairperson of the Task Force shall submit a report to the Congress not later than the expiration of the 18-month period beginning on the date of the enactment of this Act detailing the findings and any actions taken to further the mission of the Task Force as of such time and describing any planned efforts and activities.

(2) ONGOING.—Periodically after the submission of the report pursuant to paragraph (1), the Chairperson shall submit reports to the Congress setting forth updates of the findings and actions taken to further the mission of the Task Force.

(g) ADVISORY COMMITTEE.—The Task Force shall establish an advisory committee to provide advice with respect to the mission of the Task Force. The advisory committee shall consist of—

(1) at least 2 civil rights advocates;

(2) at least 2 consumer advocates;

(3) at least 2 appraisers (or representatives of appraiser trade groups); and

(4) at least 1 small lender (or representative of a trade group for small lenders).

(h) SUNSET.—The Task Force shall terminate upon the expiration of the 5-year period beginning on the date of the enactment of this Act.

SEC. 4. PROMOTING DIVERSITY AND INCLUSION IN THE APPRAISAL PROFESSION.

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 is amended—

(1) in section 1103(a) (12 U.S.C. 3332(a))—

(A) in paragraph (3), by striking "and" at the end;

(B) in paragraph (4), by striking the period at the end and inserting a semicolon;

(C) in paragraph (5), by striking the period at the end and inserting a semicolon;

(D) in paragraph (6), by striking the period at the end and inserting "a semicolon; and"; and

(E) by adding at the end the following new paragraph:

"(7) administer the grant program under section 1122(j)."; and

(2) in section 1122 (12 U.S.C. 3351), by adding at the end the following new subsection:

"(j) GRANT PROGRAM TO PROMOTE DIVERSITY AND INCLUSION IN THE APPRAISAL PROFESSION.—

"(1) IN GENERAL.—The Appraisal Subcommittee shall carry out a program under this subsection to makes grants to State agencies and non-profit organizations to promote diversity and inclusion in the appraisal profession.

"(2) ELIGIBLE ACTIVITIES.—Activities carried out with amounts from a grant under this Act shall be designed to promote diversity and inclusion in the appraisal profession, and may include—

"(A) funding scholarships;

"(B) providing training and education;

"(C) providing implicit bias training for appraisers; and

"(D) other activities as determined appropriate to further the purposes of this grant program by the Appraisal Subcommittee.

"(3) ALLOCATION OF FUNDS.—In making grants under this subsection, the Appraisal Subcommittee shall—

"(A) allocate 50 percent of the funds made available to Historically Black Colleges and

Universities or universities with degree programs approved by the Appraiser Qualifications Board for—

"(i) scholarships for students of color who want to pursue a career in real estate appraisal; and

"(ii) subsidizing living expenses for those students while in training; and

"(B) allocate 20 percent of the funds to cover the cost of fulfilling the experience requirements the students described under subparagraph (A) will need to complete in order to become appraisers.

"(4) REPORTS.—For each fiscal year during which grants are made under the program under this subsection, the Appraisal Subcommittee shall submit a report to the Congress regarding implementation of the program and describing the grants made and activities conducted using grant amounts.

"(5) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Appraisal Subcommittee for grants under this subsection $50,000,000 for each of fiscal years 2021 through 2025.".

Policy on Monitoring and Reviewing the Appraisal Foundation

[June 24, 2020]

Purpose

Title XI requires the Appraisal Subcommittee (ASC) to monitor and review specific aspects of the Appraisal Foundation (Foundation). This policy clarifies how the ASC will meet this statutory requirement and is in addition to the monitoring and review of grant-related activities as set forth in the ASC's Grants Handbook.

Statutory Authority

Title XI, section 1103(b)[1], *Monitoring and reviewing Foundation,* states that the ASC shall monitor and review the following aspects of the Foundation, including its "practices, procedures, activities and organizational structure."

Monitoring and Reviewing the Foundation

The Foundation is a vital partner that plays a critical role in supporting and advancing the real estate appraisal regulatory system. ASC staff will monitor and review Foundation activities using a continuous improvement model that encourages constructive, ongoing communication between the ASC and the Foundation while providing written and verbal feedback to increase the effectiveness of Foundation operations and programming.

The below list of ASC activities is not exhaustive and is subject to periodic review and modification at the sole discretion of ASC. A summary of written comments will be provided to the ASC Board as part of the Executive Director's quarterly report.

Foundation Board of Trustees Meetings

At least one, preferably two, member(s) of the senior ASC staff will attend Foundation Board of Trustees and Executive Committee meetings (public and private) including conference calls.

ASB/AQB Meetings

ASC staff will continue monitoring and reviewing activities under Title XI authority through attendance at ASB/AQB meetings, conference calls and both written and verbal feedback on Board activities. ASC staff will not routinely attend committee, subcommittee or subject matter expert panel meetings, but will be available for those meetings on an as needed basis.

Audits and Investigations

Formal reviews of the Foundation may be periodically commissioned by the ASC through engagement of a professional audit firm. Audits will be to generally accepted government auditing standards (GAGAS) and may include agreed-upon-procedures audits, inspections, or examinations of the Foundation's practices, procedures, activities, and organizational structure.

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[1] Title XI § 1103 (b), 12 U.S.C. 3332 (b).

Practical Guide for ASC Monitoring & Reviewing of TAF

Our written comments, observations and recommendations are intended to be candid, constructive and provided under a continuous improvement model focused on ensuring transparency, accountability and sustainability of TAF operations. Monitoring and review feedback outside of formal audits will generally be treated as confidential correspondence but may be subject to Freedom of Information Act Requests.

There will also be times when verbal communication and dialog will likely be sufficient to address any concerns or questions ASC staff may have on a given topic or issue. The ASC staff will exercise discretion in determining the best way to provide feedback to TAF. Anticipated vehicles to provide feedback include, but are not limited to, twice yearly reports to the BOT, specific memoranda to appropriate staff or Board chairs, and verbal communication and input at meetings/work sessions.

Statutory Authority:

Title XI, section 1103(b)1, *Monitoring and reviewing Foundation*, states that the ASC shall monitor and review the following aspects of the Foundation, including its "*practices, procedures, activities* and *organizational structure*."

We view the statutory requirement as follows:

- 'Practices' include day-to-day normative operations of TAF
- 'Procedures' include any written policy or practice that has been codified in such places as TAF's bylaws or internal controls manual
- 'Activities' include the practical implementation of any project, initiative or policy/procedure undertaken by TAF
- 'Organizational structure' includes the structure and function of the AQB, ASB and TAF's BOD, as well as the structure and functions of staff at TAF

Example Areas of Monitoring and Reviewing

ASC staff will be monitoring and reviewing the four general and overlapping areas of policies, procedures, activities and organizational structures, including:

- Board management
  (*e.g.,* selection, participation, time management)

- Staffing
  (*e.g.*, sufficiency of human resources, effectiveness of support)

- Board communications with stakeholders
  (*e.g.*, exposure drafts, concept papers, surveys, other communications)

- Criteria and USPAP adoption
  (*e.g.,* public input process, State input)

- Meetings and conference calls
  (*e.g.*, management, effectiveness)

- BOT oversight
  (*e.g.*, effectiveness)

- Bylaws
  (*e.g.*, content, adherence)

- Outreach to stakeholders
  (*e.g.*, appraisers, States, education providers, etc.)

- Criteria and USPAP changes
  (*e.g.*, need/reason for change, potential impacts of proposed changes, post revision of USPAP/Criteria review of effectiveness)

- Activities outside of Title XI
  (*e.g.*, potential impact on Title XI responsibilities, transparency)

- Board structure and makeup
  (*e.g.*, Title XI interests)

- Staffing
  (*e.g.*, organizational structure, personnel performance)

- Strategic planning
  (*e.g.,* transparency, adherence)

- Sustainability of current business model
  (*e.g.*, effectiveness of overall structure)

- Selection of board members
  (*e.g.*, process, policies, training)

AQB Recommendation during COVID-19 Emergency

May 15, 2020

On March 18, 2020, the Appraiser Qualifications Board (AQB) released recommendations to the Appraisal Subcommittee (ASC) regarding appraiser continuing education. Now, as the COVID-19 National Emergency has continued, the AQB is recommending further regulatory discretion be exercised by the ASC. These recommendations are as follows.

> Criteria IV. "Generic Examination Criteria" states: "*A new applicant not currently licensed or certified and in good standing with another jurisdiction shall have up to 24 months, after approval by the state, to take and pass an AQB-approved qualifying examination for the credential. Successful completion of the examination is valid for a period of 24 months.*"

The AQB recommends the ASC exercise regulatory discretion by extending the 24-month time frames noted in the above text for 90 days after individual state jurisdictions officially end their COVID-19 related emergency declaration, or until such time as the AQB rescinds its recommendation, whichever date comes first.

August 21, 2020

Wayne,

Pursuant to ASC Policy, I am providing ASC staff observations on the July 30 ASB work session and July 31 public meeting.

Your management of both the work session and public meeting was well done. It was nice to see the ASB take public comments during the public meeting. Allowing the public the opportunity to speak freely in an open session is certainly not without risk. You handled a difficult situation kindly and professionally.

Comments on Second Exposure Draft on Proposed Changes to USPAP:

Section 1: Reporting Standards for "Standards Rules 2, 8, and 10"

(Side note: Proper USPAP style is "STANDARDS 2, 8, and 10.")

Allowing an infinite range of labels for real property appraisal reports could be confusing and/or misleading. The examples provided, such as "Evaluation Report, Comprehensive Written Business Valuation Report, Comprehensive Valuation Report, or Abbreviated Valuation Report" are unfamiliar and could lead to difficulties in enforcement.

- It is up to the States to determine who performs Evaluations and whether USPAP compliance is required. Therefore, incorporation of Evaluations into USPAP could be problematic.
- The proposed changes appear to have an impact on STANDARDS 4 and 6. If this is correct, the ASB may want to consider addressing the impact.

Section 2: Signing the Certification

The proposed changes to Standards Rules (SRs) 2-3(b), 4-3(b), and 6-3(b) are unclear, potentially difficult to enforce and could lead to problems with trainees seeking experience credit. For example:

- The proposed changes to SR 2-3(b) include the parenthetical phrase (hand-written, electronic, digital, et al.). The term et al means "and others" which makes the SR open ended and potentially difficult to interpret.

Section 3: Proposed Revisions to the SCOPE OF WORK RULE

- The proposed new language, "This disclosure could also include information about the level of inspection" raises some concerns. Arguably, if this language is adopted, failure to include the level of inspection would not be a violation of USPAP.
- It is important to carefully consider use of discretionary terms such as "may" or "could" in a regulatory document.

Section 4: DEFINITIONS

- MISLEADING. The ASB recognizes that the definition is flawed and is proposing to delete the definition. Given the current USPAP production cycle, appraisers and regulators will be practicing under a flawed definition and could be subject to questionable disciplinary proceedings until a new USPAP is published. We encourage you to consider removing this definition as soon as possible. Putting appraisers, users of appraisal services and regulators in the position of applying a flawed definition, seems contrary to the Board's commitment to public trust.
- PERSONAL INSPECTION. The term "in-person" could be interpreted differently and appears to be unduly restrictive particularly given advances in technology. You may want to consider simply requiring the appraiser to report the scope of the inspection.
- SIGNIFICANT APPRAISAL ASSISTANCE. This language could be interpreted in different ways and may be an unnecessary barrier to entry into the occupation for trainees.
- STATE and SUMMARIZE. These definitions both hinge on the word "minimal" which is circular and confusing.

General Observations:

For the first time I am aware of, the majority of ASB members are not real property appraisers and only one is a residential appraiser. Historically, having a majority of ASB members who are active real property appraisers has allowed the ASB to appreciate the nuances of promulgating standards in a regulatory environment which is the most vital role of the ASB.

I am happy to have further discussion on these observations.

Regards,

Jim

James R. Park
Executive Director

Lori L. Schuster

From: James R. Park
Sent: Tuesday, August 11, 2020 1:00 PM
To: Crystal Cone
Cc: arthur.lindo@frb.gov; Mark Abbott; David Bunton - The Appraisal Foundation (david@appraisalfoundation.org)
Subject: RE: The Appraisal Foundation ...CARES ACT??

Ms. Cone,

Thank you for bringing this to our attention. I'd like to clear up any confusion regarding the Appraisal Subcommittee (ASC) and the Appraisal Foundation (TAF).

Pursuant to Title XI, the ASC has authority to provide federal grants to TAF. The ASC is also required by Title XI to Monitor and Review the practices, procedures, activities, and organizational structure of TAF. ASC revenue, including the revenue used to provide grants to TAF and the States, comes from the National Registry fees.

We were recently made aware that TAF had received funding under the CARES Act. It is important to note that the ASC does not control or direct TAF's finances. You may want to direct your concerns directly to the President of TAF, David Bunton. His email address is david@appraisalfoundation.org.

Please feel free to contact me with any additional concerns.

Regards,

Jim

James R. Park
Executive Director
Appraisal Subcommittee
1325 G St. NW #500
Washington, DC 20005
O (202) 595-7575
M (571) 278-8883

From: Crystal Cone <crystal.cone.appraisals@gmail.com>
Sent: Thursday, August 6, 2020 2:33 PM
To: Mark Abbott <mark@asc.gov>; James R. Park <jim@asc.gov>
Cc: arthur.lindo@frb.gov
Subject: The Appraisal Foundation ...CARES ACT??

Good Afternoon,

I'm a self employed appraiser based in Houston, Texas. The Appraisal Foundation received CARES Act funding, and they are a huge "non-profit" with millions in reserves funded by tax payers and "mom and pop shop" appraisers like myself. Self employed appraisers like myself would like the fees they charge ($40 National Registry Fee paid by appraisers each year ($80 at biennial license renewal) to be rolled back by a commensurate amount to provide relief to actual working appraisers.

Thank you for considering.

Sincerely,

Crystal Cone
346-336-1132 Ph

Lori L. Schuster

From: James R. Park
Sent: Tuesday, August 11, 2020 12:44 PM
To: Claire Feuling
Cc: Mark Abbott; David Bunton - The Appraisal Foundation (david@appraisalfoundation.org)
Subject: RE: CARES Act Funds

Ms. Feuling,

Thank you for bringing this to our attention. I'd like to clear up any confusion regarding the Appraisal Subcommittee (ASC) and the Appraisal Foundation (TAF).

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Regards,

Jim

James R. Park
Executive Director
Appraisal Subcommittee
1325 G St. NW #500
Washington, DC 20005
O (202) 595-7575
M (571) 278-8883

From: Claire Feuling <cfeuling@clarityvaluation.com>
Sent: Monday, August 3, 2020 12:21 PM
To: Mark Abbott <mark@asc.gov>
Cc: James R. Park <jim@asc.gov>
Subject: CARES Act Funds

I am concerned about the CARES Act funding received by the foundation. Given the cash reserves, please return it.

Best Regards,

Clarity Valuation

Claire Feuling, MAI

President
100 East Whitestone Blvd
Suite 148-139
Cedar Park, TX 78613
(o) 512-456-0797
(c) 936-203-7571
cfeuling@clarityvaluation.com

Lori L. Schuster

From: James R. Park
Sent: Monday, August 24, 2020 8:34 AM
To: Lori L. Schuster
Subject: FW: The Appraisal Foundation ...CARES ACT??

Please include this email exchange in the FYI section of the meeting package.

From: David Bunton <david@appraisalfoundation.org>
Sent: Tuesday, August 11, 2020 3:10 PM
To: James R. Park <jim@asc.gov>
Cc: arthur.lindo@frb.gov; Mark Abbott <mark@asc.gov>
Subject: RE: The Appraisal Foundation ...CARES ACT??

Gentlemen:

We applied for the Payroll Protection Plan (PPP) loan early in the pandemic as we did not know what the future would hold. Returning the loan proceeds will be an agenda item at our October 2nd Virtual BOT Meeting.

David S. Bunton
President
The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005
david@appraisalfoundation.org
office phone 202.624.3040
www.appraisalfoundation.org

The Appraisal FOUNDATION
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

Connect with Us!

From: James R. Park <jim@asc.gov>
Sent: Tuesday, August 11, 2020 1:00 PM
To: Crystal Cone <crystal.cone.appraisals@gmail.com>
Cc: arthur.lindo@frb.gov; Mark Abbott <mark@asc.gov>; David Bunton <david@appraisalfoundation.org>
Subject: RE: The Appraisal Foundation ...CARES ACT??

Ms. Cone,

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Jim

James R. Park
Executive Director
Appraisal Subcommittee
1325 G St. NW #500
Washington, DC 20005
O (202) 595-7575
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From: Crystal Cone <crystal.cone.appraisals@gmail.com>
Sent: Thursday, August 6, 2020 2:33 PM
To: Mark Abbott <mark@asc.gov>; James R. Park <jim@asc.gov>
Cc: arthur.lindo@frb.gov
Subject: The Appraisal Foundation ...CARES ACT??

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Thank you for considering.

Sincerely,

Crystal Cone

346-336-1132 Ph

Appraisal Institute®
Professionals Providing Real Estate Solutions

August 20, 2020

Ms. Leila Dunbar
Chair
Board of Trustees
The Appraisal Foundation
1155 15th Street NW, Suite 1111
Washington, DC 20005

Dear Chair Dunbar:

As you know, our nation is reflecting on important matters of racial justice and discrimination, and this dialogue includes matters involving real estate financing and economic development. Real estate appraisers play an undisputedly important role in real estate development and financing central to taxpayer protection, safety and soundness of financial institutions and the protection of consumers. In fact, these important roles are largely the reason why our organization helped form The Appraisal Foundation and have supported its role in appraisal standards development and minimum qualifications setting for appraisals prepared in real estate financing.

Recently, claims have been made by academic institutions and think tanks alleging racial bias in real estate appraisals. Each of these studies have taken different research approaches to evaluate appraisal (or valuation in general) – some have not included any level of appraisal review, but looked at "self-appraisals" (owner opinions of value) or sales information to draw inferences to real estate appraisal processes or procedures.

We take these claims seriously as they form part of our larger national debate, but, also because they raise questions about the objectivity and independence of appraisers. We see an ongoing need to educate the public and stakeholder organizations about the role of appraisals and appraisal processes and procedures. Differences between appraisal information and listing and sales information, or mass appraisal or assessment information, are two examples we frequently encounter. We also frequently receive questions about neighborhood and market analysis and location adjustments, which are covered concepts in the Basic Appraisal Principles and Basic Appraisal Procedures courses. Accurate valuations are fundamental to economic security for lenders, buyers, sellers and property owners, together with other stakeholders in property tax, income tax, and eminent domain.

Appraisers are already bound by strict ethics and anti-bias requirements in the Uniform Standards of Professional Appraisal Practice (USPAP), and lenders are also bound to collateral valuation guidelines (executed as contracts) that translate to appraisers in scope of service requests and through appraisal review processes. These include prohibitions against:

- *Use of unsupported, descriptive comments or drawing unsupported conclusions from subjective observations. (These actions may have a discriminatory effect).*
- *Use of unsupported assumptions, interjections of opinion, or perceptions about factors in the valuation process. (These actions may have a discriminatory effect and may or may not affect the use and value of a property).*
- *Use of subjective terminology, including, but not limited to:*
    - *"pride of ownership," "no pride of ownership," and "lack of pride of ownership";*
    - *"poor neighborhood";*
    - *"good neighborhood";*
    - *"crime-ridden area";*
    - *"desirable neighborhood or location"; or*

  - *"undesirable neighborhood or location";*
- *Use of subjective terminology that can result in erroneous conclusions;*
- *Actions that may have a discriminatory effect or may affect the use and value of the property; or*
- *Basing the analysis or opinion of market value (either partially or completely) on the race, color, religion, sex, handicap, familial status, or national origin, of either the prospective owners or occupants of the property being appraised or the present owners or occupants of the properties in the vicinity of that property.*[1]

There is no doubt that racial discrimination in appraisal is strictly prohibited, broadly overseen and monitored, and subject to penalties, including the loss of license to practice.

That said, we believe we all have a role to play in reinforcing existing requirements and obligations to promote education and awareness by appraisers on these important topics. With this, we encourage the Board of Trustees and the Appraiser Qualifications Board to consider additional steps that could be taken to reinforce these points within the *Real Property Appraiser Qualification Criteria*. This request is timely considering the *Criteria* are currently under review and update.

Specifically, we believe the *Criteria* could be expanded to encourage development of education on bias and discrimination for appraisers, users of appraisal services and the real estate community for that matter. While the current *Criteria* clearly allows educational programming on bias and discrimination under allowances for "Ethics," we believe the creditable topics list could be expanded with additional examples more direct to bias and discrimination. This would help stimulate additional education ideas amongst appraisal education developers and providers on this important topic. Additionally, at least two states – Ohio and New York - currently require real estate appraisers to take courses on fair housing and discrimination. The AQB could carry forward these requirements as part of the *Criteria* itself. Further, the required USPAP courses developed by The Appraisal Foundation and used to establish equivalency for other USPAP courses could be enhanced with additional illustrative material on bias and discrimination as it relates to standards. We would only ask that the AQB try to avoid duplication between USPAP education requirements and additional ethics course requirements. Lastly, we believe the Appraisal Standards Board could consider guidance (perhaps through an FAQ, for example) relative to the Ethics Rule of USPAP regarding matters of bias to include discrimination against protected classes.

Within the Appraisal Institute, we have several existing programs concentrating on this issue, including the Appraiser Diversity Pipeline Initiative (ADPI) with Fannie Mae and the National Urban League, and the Minorities and Women Course Scholarship Program from the Appraisal Institute Education and Relief Foundation. These initiatives are dedicated to promoting greater diversity within the real estate appraisal profession through direct outreach to interested individuals and financial assistance covering entry-level education and other support mechanisms. We are working to expand the ADPI program with our partner organizations through additional sponsorship arrangements starting this year.

Further, the Appraisal Institute will expand upon these initiatives by enhancing our required *Business Practices and Ethics* course for Designated members, candidates and affiliates to devote a module of the course to bias and discrimination issues. Additionally, some of our chapters already offer stand-alone seminars on this subject, and we will encourage Appraisal Institute chapters to offer or develop similar programs across the country.

---

[1] Fannie Mae Selling Guide - B4-1.1-02, *Lender Responsibilities* (09/04/2018). Available at https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/Subpart-B4-Underwriting-Property/Chapter-B4-1-Appraisal-Requirements/Section-B4-1-1-General-Appraisal-Requirements/1032987331/B4-1-1-02-Lender-Responsibilities-09-04-2018.htm

In closing, we are pleased that our organizations have formed a stronger relationship in recent years, working collaboratively to address issues of great importance to appraisers and the public. We both know that the issues under discussion here involve parties and issues greater than appraisal itself. To that end, we look forward to expanding this collaboration by working on additional public policy solutions where other stakeholders are involved and appraisal is one of many larger components.

Thank you for your leadership and consideration of our suggestions above in upcoming deliberations.

Sincerely,

Jefferson L. Sherman

Jefferson L. Sherman, MAI, AI-GRS
President

CC: Mr. David Bunton, President
Mr. Mark A. Lewis, Chair, Appraiser Qualification Board
Mr. Wayne R. Miller, Chair, Appraisal Standards Board
Ms. Kelly Davids, Senior Vice President
Mr. Jim Park, Executive Director, Appraisal Subcommittee

Black Homeowners Face Discrimination in Appraisals

Companies that value homes for sale or refinancing are bound by law not to discriminate. Black homeowners say it happens anyway.

By Debra Kamin

Aug. 25, 2020, 5:00 a.m. ET

Abena and Alex Horton wanted to take advantage of low home-refinance rates brought on by the coronavirus crisis. So in June, they took the first step in that process, welcoming a home appraiser into their four-bedroom, four-bath ranch-style house in Jacksonville, Fla.

The Hortons live just minutes from the Ortega River, in a predominantly white neighborhood of 1950s homes that tend to sell for $350,000 to $550,000. They had expected their home to appraise for around $450,000, but the appraiser felt differently, assigning a value of $330,000. Ms. Horton, who is Black, immediately suspected discrimination.

The couple's bank agreed that the value was off and ordered a second appraisal. But before the new appraiser could arrive, Ms. Horton, a lawyer, began an experiment: She took all family photos off the mantle. Instead, she hung up a series of oil paintings of Mr. Horton, who is white, and his grandparents that had been in storage. Books by Zora Neale Hurston and Toni Morrison were taken off the shelves, and holiday photo cards sent by friends were edited so that only those showing white families were left on display. On the day of the appraisal, Ms. Horton took the couple's 6-year-old son on a shopping trip to Target, and left Mr. Horton alone at home to answer the door.

The new appraiser gave their home a value of $465,000 — a more than 40 percent increase from the first appraisal.

Race and housing policy have long been intertwined in the United States. Black Americans consistently struggle more than their white counterparts to be approved for home loans, and the specter of redlining — a practice that denied mortgages to people of color in certain neighborhoods — continues to drive down home values in Black neighborhoods.

Even in mixed-race and predominantly white neighborhoods, Black homeowners say, their homes are consistently appraised for less than those of their neighbors, stymying their path toward building equity and further perpetuating income equality in the United States.

Home appraisers are bound by the Fair Housing Act of 1968 to not discriminate based on race, religion, national origin or gender. Appraisers can lose their license or even face prison time if they're found to produce discriminatory appraisals. Title XI of the Financial Institutions Reform, Recovery and Enforcement Act, enacted in 1989, also binds appraisers to a standard of unbiased ethics and performance.

"My heart kind of broke," Ms. Horton said. "I know what the issue was. And I knew what we needed to do to fix it, because in the Black community, it's just common knowledge that you take your pictures down when you're selling the house. But I didn't think I had to worry about that with an appraisal."

Appraisals, by nature, are subjective. And discrimination, particularly the subconscious biases and microaggressions that have risen to the fore in white America this summer following the death of George Floyd, is notoriously difficult to pinpoint.

Ms. Horton shared her experiment in a widely circulated Facebook post, earning 25,000 shares and more than 2,000 comments, many of which came from Black homeowners and carried the same message: This also happened to me.

In each comment, a repeated theme: Home appraisers, who work under codes of ethics but with little regulation and oversight, are often all that stands between the accumulation of home equity and the destruction of it for Black Americans.

The value of Stephen Richmond's home in a Hartford, Conn., suburb jumped after he removed family photos and movies posters, and had a white neighbor stand in for him during a second appraisal. Monica Jorge for The New York Times

After the first appraisal came up short on his house in an affluent, racially mixed suburb of Hartford, Conn., Stephen Richmond, an aerospace engineer, took down family photos and posters for Black movies and had a white neighbor stand in for him on a second appraisal. He was hoping to refinance; with the second report, he saw his home's value go up $40,000 from the initial appraisal just a few weeks earlier.

In 2000, the American actor and comedian D.L. Hughley had an appraisal on his home in the Montevista Estates neighborhood of West Hills, a primarily white area in the San Fernando Valley in Los Angeles. Despite a steady uptick in the housing market and the addition of a pool and new hardwood floors, the house was appraised for nearly what he had bought it for three years earlier — $500,000.

In Mr. Hughley's case, his bank flagged the report.

"They were like, this has to be some kind of mistake because in order for your house to have come in this low; it would have to be in some level of disrepair," Mr. Hughley said.

The bank ordered a new appraisal, which came back $160,000 higher, and Mr. Hughley went on to sell the home for $770,000.

Mr. Hughley talks about the experience in his book, "Surrender, White People!", a satirical look at white supremacy, which was published in June by Harper Collins and examines racial inequality in the United States across education, health care and the housing market.

"People always tell us to pull ourselves up by our bootstraps. But what if you remove the straps?" he said. "You're invested in the American dream, you have capital, you have a chip in the game. And the fact that somebody could summarily minimize my wealth just because of a bias, it seemed crazy to me."

In response to the coronavirus pandemic, a federal ruling issued in March allowed appraisals for homes that were being sold to be done remotely in certain circumstances, temporarily pausing the need for interior home inspections. Those looking to refinance, however, still must complete an in-person appraisal.

In Mr. Hughley's case, the appraiser was fired. Ms. Horton has filed a complaint with the Department of Housing and Urban Development; when contacted about her case, HUD said it had been assigned to the Jacksonville Human Rights Commission. The agency added that it receives a handful of similar complaints each year.

In 2018, researchers from Gallup and the Brookings Institution published a report on the widespread devaluation of Black-owned property in the United States, which they discussed in a 2019 hearing before the House Financial Services Subcommittee. The report found that a home in a majority Black neighborhood is likely to be valued for 23 percent less than a near-identical home in a majority-white neighborhood; it also determined this devaluation costs Black homeowners $156 billion in cumulative losses.

Many appraisers, both during the hearing and in the weeks after, defended their practice, noting that it's their job to report on local market conditions, not set them.

“Is there a problem with poor and underserved communities in the United States? Yes. Is it the appraisal profession’s fault? No,” wrote Maureen Sweeney, a Chicago-based appraiser in a letter to the house subcommittee following the hearing. “It’s like blaming the canary for the bad air in the coal mine, or blaming the mirror for your bad hair day. Appraisers reflect the market; we do not create it.”

But what about a Black homeowner in a white neighborhood whose property is appraised for less than his neighbor’s? Whether appraisers are devaluing Black homes or entire Black neighborhoods, the core issue is the same, said Andre Perry, one of the writers of the Brookings Institution report and the author of “Know Your Price: Valuing Black Lives and Property in America’s Black Cities.”

“We still see Black people as risky,” Mr. Perry said. “White appraisers carry the same attitudes and beliefs of white America — the same attitudes that compelled Derek Chauvin to kneel casually on the neck of George Floyd are shared by other professionals in other fields. How does that choking out of America look in the appraisal industry? Through very low appraisals,” he said.

THE DEVALUATION OF ASSETS IN BLACK NEIGHBORHOODS

The case of residential property

Andre Perry
Jonathan Rothwell
David Harshbarger

November 2018

B | Metropolitan Policy Program
at BROOKINGS

GALLUP®

Using census and real estate market data, a study of property values in U.S. metropolitan areas of owner-occupied homes located in neighborhoods at least 50 percent black finds that:

In U.S. metropolitan areas, 10 percent of neighborhoods are majority black, and they are home to 41 percent of the black population living in metropolitan areas and 37 percent of the U.S. black population. These neighborhoods hold $609 billion in owner-occupied housing assets and are home to approximately 10,000 public schools and over 3 million businesses. Though most residents are black (14.4 million non-Hispanic black) by definition, approximately 5 million non-black Americans from every other racial and ethnic background live in majority black neighborhoods.

In the average U.S. metropolitan area, 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. There is a strong and powerful statistical relationship between the share of the population that is black and the market value of owner-occupied homes. Location in a black neighborhood predicts a large financial penalty for 117 out of the 119 metropolitan areas with majority black neighborhoods, though the valuation gap varies widely between them.

Differences in home and neighborhood quality do not fully explain the devaluation of homes in black neighborhoods. 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. Majority black neighborhoods do exhibit features associated with lower property values, including higher crime rates, longer commute times, and less access to high-scoring schools and well-rated restaurants. Yet, these factors only explain roughly half of the undervaluation of homes in black neighborhoods. Across all majority black neighborhoods, owner-occupied homes are undervalued by $48,000 per home on average, amounting to $156 billion in cumulative losses.

Metropolitan areas with greater devaluation of black neighborhoods are more segregated and produce less upward mobility for the black children who grow up in those communities. Using combined tax and census data from the Equality of Opportunity Project, this analysis finds a positive and statistically significant correlation between the devaluation of homes in black neighborhoods and upward mobility of black children in metropolitan areas with majority black neighborhoods. Segregation is negatively correlated with black home valuations.

The undervaluation of housing in black neighborhoods has important social implications. Black homeowners realize lower wealth accumulation, which makes it more difficult to start and invest in businesses and afford college tuition. We believe anti-black bias is the reason this undervaluation happens, and we hope to better understand the precise beliefs and behaviors that drive this process in future research.

INTRODUCTION

On September 19, 2018 University of Mississippi alumnus, former faculty member and administrator, Ed Meek, posted on Facebook two separate pictures of African American women along with the caption, "Enough, Oxford and Ole Miss leaders, get on top of this before it is too late." For Meek, namesake of the Meek School of Journalism and New Media, the women's presence apparently signaled the decline of the town of Oxford, home of the University of Mississippi. "A 3 percent decline in enrollment is nothing compared to what we will see if this continues...and real estate values will plummet as will tax revenue," Meek wrote.

To be clear, the sheer presence of black women doesn't devalue homes. However, signaling they do can negatively impact housing markets. Meek served as the university's assistant vice chancellor for public relations and marketing for 37 years.[1] Meeks' Facebook post suggests in word and deed that the values we place on people are strongly associated with proximate assets. Black people according to Meek lowers real estate values.

After community-wide condemnation, Meek halfheartedly backed in to an apology. "I have done as you requested, Chancellor," Meek wrote. "I am sorry I posted those pictures but there was no intent to imply a racial issue. My intent was to highlight we do have a problem in The Grove and on the Oxford Square."

Notwithstanding the underlying assumption of Meek's perceived problem at Oxford, the presence of a negative bias toward blacks prevents even the most noble of efforts to improve neighborhoods from building upon the strengths of black residents. That sentiment can be heard in a common refrain in black communities that "reform is done to us, not with us."[2]

The value of assets is influenced by implicit societal cues. Researchers at the Kirwan Institute for the Study of Race and Ethnicity at Ohio State University define implicit bias as the "attitudes or stereotypes that affect our understanding, actions, and decisions in an unconscious manner."[3] They find that "implicit associations we harbor in our subconscious cause us to have feelings and attitudes about other people based on characteristics such as race, ethnicity, age, and appearance." Through direct and indirect cues, people develop these associations over the course of a lifetime, beginning at a very early age.

Researchers have demonstrated the presence of unconscious bias in education, the criminal justice system and health care.[4] And since the murder of Trayvon Martin by George Zimmerman in 2012, activists have raised public consciousness around the biases involved in the killing of black men at the hands of police, captured so many times on cell phone video.

Much of the research on implicit bias focuses on individuals' perception of individual members of an oppressed class. However, we should expect some of these biases to carry over into *places* where there are high concentrations of black people. The value of assets—buildings, schools, leadership, and land itself—are inextricably linked to the perceptions of black people.

There is strong evidence that bias has tangible effects on real estate markets, both historically and today. During the 20th century, both explicit government institutions and decentralized political actions created and sustained racially segregated housing conditions in the United States.[5] This has created what has been dubbed a "segregation tax," resulting in lower property valuations for blacks compared to whites per dollar of income.[6]

Contemporary work from social scientists has aimed to sort out whether these lower valuations are caused by differences in socio-economic status, neighborhood qualities, or discrimination.[7] The results tend to show compelling evidence for discrimination.[8] In one study, Valerie Lewis, Michael Emerson, and Stephen Klineberg collected detailed survey data on neighborhood racial preferences in Houston, Texas. They asked people to imagine that they were looking for a new house, found one within their price range and close to their job; they then say to respondents, "checking the neighborhood . . ." and then present difference scenarios based on racial composition, school quality, crime, and property value changes for the hypothetical neighborhood." Consistent with previous research, they find that these neighborhood features strongly predict whether someone says they would buy the house. Racial composition strongly predicted the preferences of whites in neighborhoods that were otherwise identical.

Researchers Jacob Fabera and Ingrid Gould Ellen examined the variation of rising housing prices among people of different racial categories who purchased their homes before the boom from 2000 to 2007 and kept them through the bust of 2008.[9] They found that blacks and Hispanics gained less equity than whites during that period and were more likely to owe more than their home was worth. The researchers found that "[b]lack–white gaps were driven in part by racial disparities in income and education and differences in types of homes purchased." They hypothesized that racial segregation and the corollary economic and education stratification between neighborhoods exacerbated existing equity disparities within neighborhoods with high concentrations of poverty. Consequently, the recession hit those neighborhoods disproportionately harder, creating intense volatility in those particular markets. Declining incomes reduced people's ability to purchase homes, thus deflating prices in those neighborhoods. The findings around education and income may result from the disparities in wealth as it is "a powerful predictor of individual educational and economic outcomes, and despite their significantly lower homeownership … the long-run consequences of these gaps are substantively important and difficult to overcome."[10]

But how does the concentration of blackness impact demand among all buyers—whether from the community or not? Income and education certainly matter, but how much of the demand that impacts housing price is affected by how people around it are perceived? In other words, what is the cost of racial bias?

Real estate agents have been shown to direct black and white home buyers differently based on racial stereotypes, reinforcing patterns of racial segregation. Researcher Sun Jung Oh and John Yinger reviewed four different national studies on the topic in a 2015 article and found a common thread: There is "evidence of statistically significant discrimination against home seekers who belong to a historically disadvantaged racial or ethnic group."[11]

Some of this research is not about devaluation, per se, but about steering and price discrimination. It indicates that blacks actually pay more than whites for equivalent housing. The focus of this paper is on how lower prices in majority-black neighborhoods convey lower value. Nevertheless, prior research forces us to assume that bias is baked into home prices. This study seeks to understand how much money majority black communities have to lose from the devaluation of housing assets stemming from racial bias throughout the market.

MAIN CONCEPTS

We define the devaluation of housing in black communities as the property value penalty that characterizes an owner-occupied home in a neighborhood that is 50 percent black.

We provide three estimates for this penalty at the national and metropolitan levels. Our national analysis is restricted to only metropolitan areas, since estimates would likely have large margins of errors in rural counties with few census tracts or small black populations.

Actual devaluation: We start with a simple description of the mean difference in home value (shown in percentage point terms) between properties in neighborhoods with zero African-Americans and neighborhoods that are 50 percent African-American.

Devaluation adjusted for structural characteristics of the home: This adjusts the predicted effect of black neighborhood population by the physical characteristics of the home—such as when it was built, the number of bedrooms—and the distance between the home and centers of work and the type of homes in the neighborhood.

Devaluation adjusted for structural characteristics of the home and neighborhood amenities: This adjusts for all the above characteristics, as well as the number of people living in the neighborhood, the family structure of neighbors, their age, and, importantly, the quality of local schools and access to retail establishments.

Structural Characteristics

- Median bedrooms
- Median year built
- Single family detached share of owner-occupied units
- Single family attached share of owner-occupied units
- Mobile homes share of owner-occupied units
- Share of homes with no vehicle availability
- Share of homes with gas or electric heating
- Share of homes with kitchen

Neighborhood Amenities

- Mean commute of working adults
- Percent of working adults who carpool to work
- Percent of working adults who use public transportation
- Percent of units that are owner-occupied
- Population (natural log)
- Share of households with children under 18
- Share of households headed by single moms
- Median age of population
- EPA Walkability Index
- Number of professional service businesses
- Number of libraries
- Number of museums and historical sites
- Number of food and drinking places
- Number of gas stations
- Proficiency rate of 4th-8th grade public school students

WHY STUDY OWNER-OCCUPIED HOUSING

We focus on owner-occupied homes for two reasons. Home appreciation results in higher home values, and this brings wealth to owners. There is a large and well-known wealth gap between blacks and other racial groups in the United States, much of which can be attributed to differences in homeownership rates and the value of housing. Second, the devaluation of rental properties is advantageous to renters, insofar as it results in a lower rental payment for similar quality housing. The devaluation of owner-occupied housing makes it easier to acquire the home, but once purchased, it is unambiguously disadvantageous to the owner and occupier, who would otherwise benefit from being able to refinance, borrow, or sell at a higher valuation.

DATA SOURCES

Home values

Home values, neighborhood demographics, and structural characteristics are from the 2016 American Community Survey 5-Year Estimates (ACS).

Our dependent variable from the ACS—median home values at the census tract level—comes from an item on the questionnaire that asks homeowners: "About how much do you think this house and lot, apartment, or mobile home (and lot, if owned) would sell for if it were for sale?"

These data are limited by the fact that they are self-reported and not all homes are actually for sale. Our primary measure of housing value overcomes these limitations. It consists of ZIP code data from Zillow, a housing market research company. Zillow provides median price listing overall and per square foot at the ZIP-code level.[12] There is some error in moving between ZIP codes and census tracts, which is needed to characterize ZIP-code racial demographics, but the property-level accuracy of the Zillow data is likely to be superior, since it is based on actual listing prices rather than self-reported valuations. Another advantage of Zillow data is that it includes estimates for price per square foot, a quality-adjusted price. We matched ZIP codes to census tracts using a correspondence engine from the Missouri Census Data Center (MABLE).[13] To make Zillow data as comparable as possible to the 5-year American Community Survey, we averaged Zillow's ZIP code-level data from 2012 to 2016.

In practice, the census and Zillow measures are highly correlated. The correlational coefficient between census tract median owner-occupied home values and the Zillow median listing price is 0.84. The census-based correlation with Zillow's median price per square foot is 0.78.[14]

Access to schools

To measure school quality, we consider that public school attendance areas roughly align with neighborhoods, and housing prices are higher in areas near high-scoring public schools, as previous Brookings research has discussed.[15] To account for school quality in our analysis, we obtained proficiency rates on state exams for all public schools covering grades 4-8 for both mathematics and reading. These data are available from the Department of Education.[16]

We matched schools to census tracts based on the latitude and longitude coordinates, which are available via the Department of Education. Our approach was to take a 5-mile radius around each census tract and consider every school in that radius as a potential school for that neighborhood. The nearest schools to the tract—including all those in the tract—were assigned to the tract until the cumulative school population in grades 4 to 8 equaled the population of 10-to-14-year-olds in the tract.

Our final measure of school quality is the mean proficiency rate of all 4th-8th grade students in the census tract. We take the mean of high and low-end estimates, since data for many schools are reported as ranges.

Access to businesses

To measure access to stores, restaurants, and other goods and service providers, we obtained data on the number of business establishments by industry by ZIP code from the 2016 Census Bureau's County Business Patterns database. We matched ZIP codes to census ZIP code tabulation areas (ZCTAs), using a crosswalk developed by GeoMapper, and then ZCTAs to tracts using a correspondence engine from the Missouri Census Data Center (MABLE).[17]

We examined all two-digit sectors and found professional business establishments best explained variation in home prices. It is unlikely that homeowners give much value to proximity to engineering and law firms. Instead, the significance of this variable likely comes from the fact professional establishments tend to cluster near neighborhoods with professional workers for commuting reasons.

We also examined three-digit industries in retail, restaurants, and other services. We found that the number of food and drinking places (e.g. restaurants and bars), museums, and gas stations were all significant predictors of home value (gas stations have a negative relationship) and reasonably independent of one another. Surprisingly, grocery stores and other retail had no consistent relationship with home value. Finally, we also tested libraries as another possible amenity, and that proved to be robust, so it was included in the final model.

Walkability

Another aspect of access to businesses and a desirable urban lifestyle is the concept of "walkability." For this, we rely on the Environmental Protection Agency's (EPA) National Walkability Index.[18] It gives higher scores to neighborhoods with diverse businesses, a large number of housing units, and intersecting streets. These features predict more walk trips. We convert block measures to tracts.

Crime

Exposure to crime is an important neighborhood characteristic that likely affects home values. Unfortunately, comprehensive data on crime is only available at the county-level, and our analysis did not find that neighborhoods located in counties with higher crime rates had lower property values. We do, however, control for the median age of residents in the neighborhood and the percent of families that are single-mothers with children under 18 living in the home. Both are correlated with crime rates (-.28 and .47 respectively), suggesting that we are likely capturing crime effects in our analysis.

To further investigate this, we obtained data from 10 large cities from U.S. City Open Data Census where crimes were coded using geo-coordinates. The analysis is described in more detail in the Appendix. Adding crime to our model did not affect our estimates of the association between black population and home values, providing further reassurance that explicitly measuring crime at the neighborhood level would not change the conclusions of this research.

Income mobility and other metrics

Using data from Chetty, Hendren, Jones, and Porter, we measure income mobility of black children by showing the average income rank by metropolitan area for black adults aged 31 to 37 who grew up in low-income families, defined as those at the 25th percentile of the national income distribution.[19] Chetty and his coauthors made these data available at the level of commuting zones, which are like metropolitan areas but defined to include non-metropolitan counties and use a slightly different algorithm to assign counties to areas. We assign commuting zones to metropolitan areas by assigning the largest county (by 2010 population) in each commuting zone to its metropolitan area.

We follow Chetty, Hendren, Jones, and Porter in supplementing our analysis with data from Stephens-Davidowitz on the prevalence of anti-black Google searches in the metropolitan area.[20] In the absence of representative survey data at the metropolitan scale on racist beliefs, this metric is one of the few potential indicators of racist or anti-black sentiment available.

If racism is a factor in the devaluation of black homes, and Google searches that use anti-black slang indicate racism, then this metric may explain some of the variation in devaluation.

We further supplement the analysis with a standard measure of segregation, the dissimilarity index, which measures the unevenness of racial group residency across census tracts. We construct this measure using the same 2012-2016 American Community Survey data used in the rest of the analysis.

Household income and educational attainment

We did not include household income or education directly in our model to estimate devaluation. Income and education reflect the buying power of individuals, and naturally, both tend to rise along with home values. Including them in the model would essentially test whether homes in black neighborhoods are over or under-valued relative to the purchasing power of residents; in other words, it would be estimating the affordability of housing. That is a different question than the one we ask here, which is whether homes are over or under-valued in black neighborhoods based on the qualities of the home and neighborhood in a given metropolitan housing market. People who live outside of the neighborhood are potential buyers and so should be considered part of the market. Since we control for metropolitan area fixed effects, this is captured in our analysis.

To understand the consequences of omitting income and education in our model, we ran our preferred specification—a regression of the list price per square foot on our full model—while including median household income and the share of residents with a bachelor's degree or higher. Both are significant and positively related to home values, as expected, but their inclusion has no effect on our main variable of interest—the black population share. Our devaluation estimate excluding income and education in this model is -22.7 percent, whereas it is -21.7 percent if we include them. We infer from this that home affordability patterns are similar for homeowners in majority black neighborhoods and those outside them, controlling for everything else we see about the home and neighborhood. This result reinforces our finding that homes are devalued in black neighborhoods in large part because they are in black neighborhoods, and not only because the homes or neighborhoods have less desirable features or the residents have lowering purchasing power.

FINDINGS

1. In U.S. metropolitan areas, 10 percent of neighborhoods are majority black, and they are home to 41 percent of the black population living in metropolitan areas and 37 percent of the U.S. black population.

Black Americans are highly urbanized. 90 percent live in metropolitan areas, compared to 86 percent of all U.S. residents. And decades after the Civil Rights movement, blacks remain highly segregated. Though blacks comprise just 12 percent of the U.S. population, 70 percent live in neighborhoods that are over 20 percent black, and 41 percent live in majority black neighborhoods.

These majority black neighborhoods may be overlooked as sites for economic development, but they contain important assets, in terms of people, public infrastructure, and wealth.

Majority black neighborhoods in metropolitan areas are also home to 14.4 million non-Hispanic black residents and 5 million residents from other racial and ethnic groups. They also house a large portion of the nation's human capital, in that 2.3 million adults 25 and older call majority black neighborhoods their home, representing 5 percent of the nation's metropolitan population with a bachelor's degree, and 10 percent of its public schools and 6 percent of its libraries.

There is also wealth in these neighborhoods. In metropolitan America, there are 3.2 million owner-occupied homes in majority black neighborhoods, 5 percent of the total, and they are collectively worth $609 billion.[21] Likewise, over 3 million business establishments are located in majority black metropolitan neighborhoods, 7 percent of all metropolitan businesses.

TABLE 1

The distribution of neighborhoods and black population by exposure to black neighbors
U.S. metropolitan areas, 2012-2016

	Share of black metropolitan population	Share of metropolitan neighborhoods
Blacks 0% to less than 1%	1%	22%
Blacks 1% to less than 5%	6%	28%
Blacks 5% to less than 10%	9%	14%
Blacks 10% to less than 20%	15%	13%
Blacks 20% to less than 50%	29%	12%
Blacks 50% or higher	41%	10%

Source: Authors' analysis of 2016 American Community Survey 5-year estimates

2. In the average U.S. metropolitan area, 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.

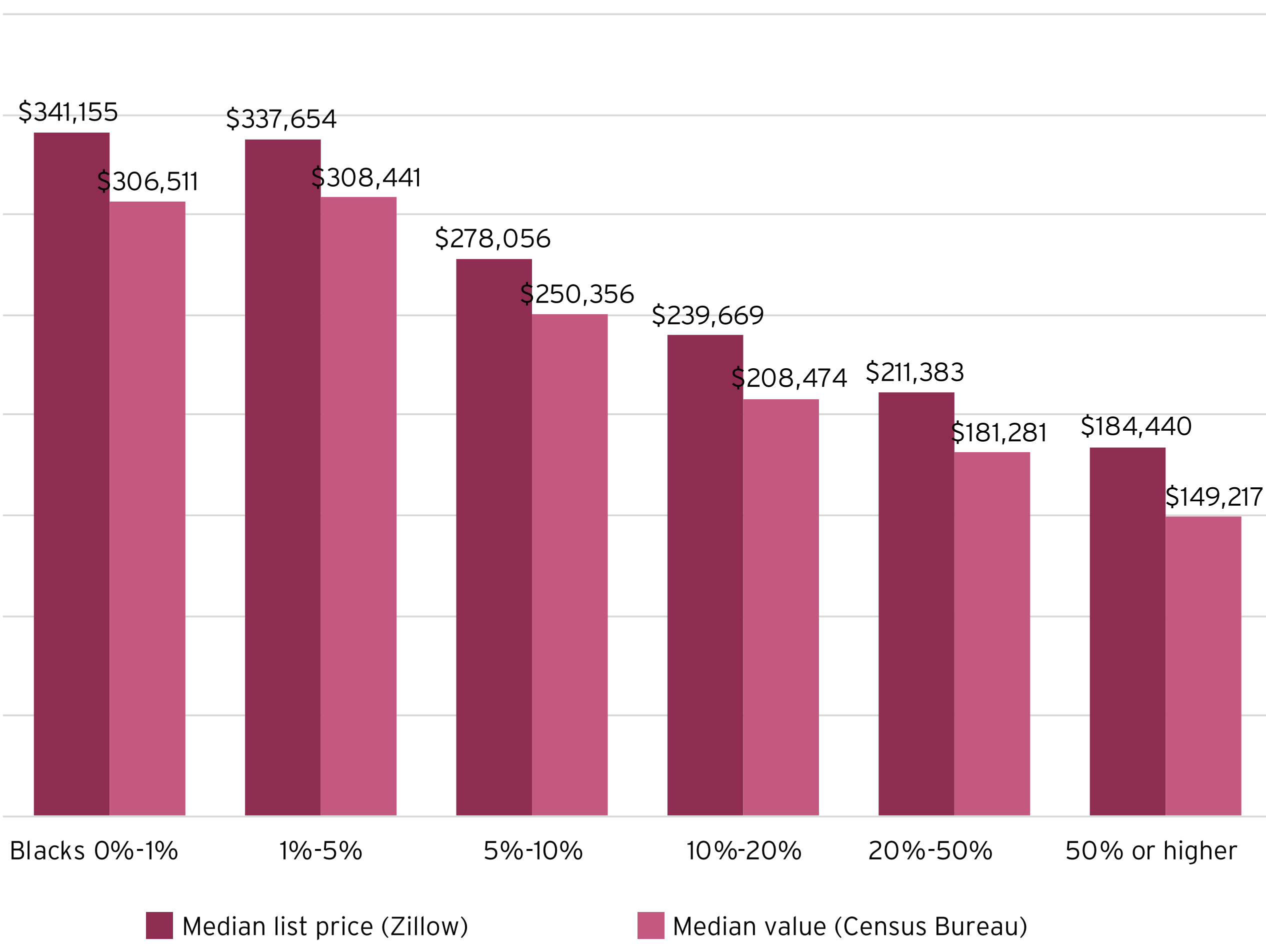
Across metropolitan America, housing prices are systematically lower where neighborhood black population share is higher. In neighborhoods where less than 1 percent of the population is black (which we refer to as "non-black neighborhoods"), median listing prices on Zillow are $341,000 compared to $184,000 in majority black neighborhoods. Using Census Bureau estimates from homeowners yield similar discrepancies. Comparing only homes within the same metropolitan area, both data sources suggest that home values are just over 50 percent lower in neighborhoods where the black population is 50 percent compared to neighborhoods with no black residents.

The devaluation of black neighborhoods is widespread across the country. There are 119 metropolitan areas with at least one majority black census tract and one census tract that is less than 1 percent black. In 117 of these 119 metro areas, homes in majority black neighborhoods are valued lower than homes in neighborhoods where blacks are less than 1 percent of the population. Gainesville, Fla. and Sebring, Fla. are the only exceptions.

FIGURE 1

Neighborhood median home value by black population share

U.S. metropolitan areas, 2012-2016



Source: Authors' analysis of Zillow and 2016 American Community Survey 5-year estimates

The valuation gaps are extreme in a number of areas. The largest gap is in the Bridgeport-Stamford-Norwalk, Conn. metropolitan area. In neighborhoods where blacks are less than 1 percent of the population, the median home value is $784,000, compared to just $131,000 in majority black neighborhoods, a six-fold difference. Home values in majority black neighborhoods are just 17 percent of those in non-black neighborhoods. Likewise, very large differences are found throughout the South and Midwest—in Charleston, S.C., Cape Coral, Fla., Youngtown, Ohio, and Ann Arbor, Mich.

TABLE 2

The 10 metropolitan areas with the largest and smallest differences in the value of homes

Black neighborhoods in U.S. metropolitan areas, 2012-2016

	Median value of homes in majority black neighborhoods	Median value of homes in neighborhoods with less than 1% black population	Relative valuation of black neighborhoods in percentage points
Areas with the largest difference in home value			
Bridgeport-Stamford-Norwalk, CT	$131,011	$783,887	17%
Charleston-North Charleston, SC	$130,854	$717,711	18%
Savannah, GA	$112,539	$562,500	20%
Hilton Head Island-Bluffton-Beaufort, SC	$93,262	$460,712	20%
Youngstown-Warren-Boardman, OH-PA	$33,045	$131,484	25%
Port St. Lucie, FL	$65,880	$259,926	25%
Palm Bay-Melbourne-Titusville, FL	$61,662	$241,853	25%
Lexington-Fayette, KY	$77,270	$301,526	26%
Cape Coral-Fort Myers, FL	$67,192	$259,118	26%
Ann Arbor, MI	$68,320	$259,985	26%
Mean of group	**$84,104**	**$397,870**	**21%**
Areas with the smallest difference in home value			
Greenville-Anderson-Mauldin, SC	$82,680	$114,743	72%
New York-Newark-Jersey City, NY-NJ-PA	$403,314	$559,706	72%
Baton Rouge, LA	$109,951	$152,543	72%
Boston-Cambridge-Newton, MA-NH	$313,353	$430,997	73%
Naples-Immokalee-Marco Island, FL	$390,200	$459,728	85%
Asheville, NC	$178,200	$195,882	91%
Lakeland-Winter Haven, FL	$82,559	$89,334	92%
Anniston-Oxford-Jacksonville, AL	$59,371	$61,200	97%
Gainesville, FL	$95,591	$95,237	100%
Sebring, FL	$134,600	$69,644	193%
Mean of group	**$184,982**	**$222,901**	**83%**

Note: Sample limited to metropolitan areas with at least one census tract that is majority black and at least one census tract that is less than one percent black.
Source: Authors' analysis of 2016 American Community Survey 5-year estimates

There is nonetheless an extremely wide range of estimates across metropolitan areas for the housing market penalty for homes in black neighborhoods. In the New York City metropolitan area, median home values in majority black neighborhoods are over $400,000, reflecting the extraordinarily high overall cost of living and value of real estate. That is much less than the value for neighborhoods with fewer than 1 percent black population shares ($560,000), but the percentage point gap is much lower than other parts of the country. Greenville, S.C., Boston, Mass., and Baton Rouge, La. are other examples of metro areas with relatively narrow gaps in valuations between majority black neighborhoods and those with few black residents.

3. Neighborhood quality is only part of the explanation for the devaluation of homes in black neighborhoods.

During the 20th century, segregation and Jim Crow forcibly lowered the quality of neighborhood conditions for blacks and impeded their financial ability to move to better opportunities. This occurred through deed restrictions, redlining, and zoning, as well as other mechanisms. As a result of that dynamic and the continuation of housing policies that exclude working-class housing from non-black neighborhoods, majority black neighborhoods suffer from lower quality housing and limited access to good schools and neighborhood amenities.

The quality of housing in majority black neighborhoods differs from less black neighborhoods in terms of age, size, and structure. The median home in majority black neighborhoods is 12 years older than homes in neighborhoods where blacks are less than 1 percent of the population. These older homes are also smaller, by nearly half a room, and are much less likely to be detached single-family homes. Majority black neighborhoods are much more likely to have denser housing structures, such as attached single-family units, which also reflects the concentration of blacks in America's cities.

Not only is the housing stock of lower quality, so is the surrounding neighborhood in several important dimensions. School performance is weaker, commute times are longer, and access to business amenities is more limited. There is also evidence that exposure to environmental pollution is greater, through, for example, proximity to a greater number of gas stations.[22]

TABLE 3

Physical characteristics of housing units by black neighborhood population share

U.S. metropolitan areas, 2012-2016

	Median year structure built	Median number of rooms per unit	Single-family detached, % of units	Single-family attached, % of units
Blacks 0%-1%	1975	6.5	83.1	5.0
Blacks 1%-5%	1974	6.4	79.7	6.7
Blacks 5%-10%	1976	6.4	79.1	7.4
Blacks 10%-20%	1975	6.2	77.4	8.5
Blacks 20%-50%	1973	6.2	75.2	9.5
Blacks 50% or higher	1963	6.1	73.2	12.7

Source: Authors' analysis of 2016 American Community Survey 5-year estimates

The school test score gaps between neighborhoods are particularly extreme. The gap in test scores between majority black neighborhoods and those that have black population shares that are 5 percent or lower is approximately 1.1 standard deviations. More concretely, the proficiency rate on state exams in majority black neighborhoods is only 15 percent, compared to 60 percent in neighborhoods with less than 1 percent black population shares.

Likewise, residents of majority black neighborhoods confront longer commute times by several minutes compared to those in other neighborhoods, suggesting constrained access to jobs. Yet this interpretation requires caution because residents of majority black neighborhoods are far more likely to commute via public transportation, which can be slower, especially via bus.

Still, the apparent weaknesses of black neighborhoods can also be strengths. With homes more densely situated, residents of black neighborhoods live in more "walkable" communities, with a greater diversity of business types and more frequent intersections. These qualities are associated with higher home values.[23] There is a striking difference on this score between majority black neighborhoods and neighborhoods that are less than 1 percent black; they differ by over half a standard deviation.

Given the above discussion of housing and neighborhood attributes, the central question of this study remains: Do the differences in housing and neighborhood quality fully account for the differences in housing values?

The analysis here suggests not. We use regression analysis to predict home values as a function of the black population share, the qualities of homes in the neighborhood, and the qualities of the neighborhoods within each metropolitan area.

First, there is clear evidence that adjusting for the size of the home lowers the devaluation estimate for black neighborhoods by a meaningful fraction—from -51 percent to -35 percent when we use the two Zillow-based measures for median list price overall and by square foot. Since black homes are smaller, they have less market value, but that still leaves a very large gap unexplained.

TABLE 4

Neighborhood characteristics by black population share

U.S. metropolitan areas, 2012-2016

Black population share	School test scores (Standardized)	EPA Walkability Index	Number of restaurants	Number of gas stations	Percent who use public transpor-tation	Average commute time (minutes)
0%-1%	0.29	-0.31	53.2	6.9	3.6	26.7
1%-5%	0.28	-0.03	69.3	8.1	5.1	26.5
5%-10%	0.17	-0.01	69.7	9.2	4.7	26.6
10%-20%	-0.01	-0.01	67.5	10.0	5.4	26.5
20%-50%	-0.27	0.01	61.9	10.6	7.7	27.1
50% or higher	-0.85	0.23	50.0	10.8	15.0	29.2

Source: Authors' analysis data from 2016 American Community Survey 5-year estimates, Department of Education, Environmental Protection Agency, and County Business Patterns

The value metrics that do not include square footage are sensitive to the structural features of homes in the neighborhood—such as age, number of rooms, percentage detached, but adjusting these things did not greatly reduce the devaluation estimate. The Zillow median list price estimates for devaluation in neighborhoods that are 50 percent black range from -40 percent to -44 percent, with census-based estimates from owner self-appraisals in the middle at -41 percent.

The next set of regression estimates includes neighborhood control variables, and these variables go further in explaining the devaluation of majority black neighborhoods. The devaluation estimates are -22 percent for median list price and -23 percent for the list price per square foot and self-appraisals of all owner-occupied properties.

In the model that predicts value per square foot, three variables measured at the neighborhood level stand out as strong predictors: school quality—measured by state test scores (strongly positive); the number of gas stations (strongly negative) and access to public transportation (strongly positive). Majority black neighborhoods are at a disadvantage on school quality and exposure to gas stations but have greater access to public transportation. Walkability predicts modestly higher home values, and black neighborhoods have an advantage on that score as well.

While this analysis explains roughly half of the devaluation effect, we are left with the fact that a square foot of residential real-estate is worth 23 percent less in neighborhoods where half the population is black compared to neighborhood with few or no black residents, even after adjusting for housing quality and neighborhood quality.

To put this devaluation value in perspective, we estimate that home values in majority black neighborhoods should be worth an additional $48,000 per home, which amounts to a cumulative sum of $156 billion in aggregate value.[24]

It is certainly possible that our analysis has omitted variables that are correlated with both the black-population share and the value of housing and that could go further in explaining the gaps we observe in value. Yet, we believe it is unlikely that any such factors would explain the gap entirely. We have included important variables in both formal property appraisals and variables that consumers can use as search criteria on popular real estate websites. For example, on Zillow, buyers can filter homes by

TABLE 5

Average devaluation of homes due to location in a neighborhood that is 50% black compared to 0% black

Owner-occupied units in U.S. metropolitan areas, 2012-2016

	Actual price comparison	Adjustments for structural characteristics of home	Adjustments for structural characteristics of home and neighborhood amenities
Census median home value	-55%	-42%	-23%
Zillow median list price of houses per square foot	-35%	-40%	-23%
Zillow median list price of houses	-51%	-44%	-22%

Source: Authors' analysis of 2016 American Community Survey 5-year estimates and median values from Zillow averaged from 2012-2016. See text for list of structural characteristics and neighborhood amenities the number of rooms, square footage, and year built. These are included in our model. As explained in the appendix, the main results are also robust when including crime, at least in a subset of large cities where crime data are readily available at the neighborhood scale.

With more effort or with local knowledge, sophisticated shoppers can also find out information about school quality, using the same data included in our models, test proficiency rates. There are no publicly available metrics on school quality available to consumers beyond what we have included in our model. With further effort or by exploring the neighborhood, potential buyers can also get a sense of access to restaurants, libraries, and other business amenities. Our model uses measures for these amenities that best explain variation in housing, without regard to how inclusion of these variables affected the estimate for devaluation associated with black population shares. We also adjust for the length of commute and the mode of commute and several variables that capture neighborhood household age and family relationships.

4. Metropolitan areas with greater devaluation of black neighborhoods are more segregated and produce less upward mobility for the black children who grow up in those communities.

Black males earn lower incomes as adults than white males, even when born to parents with similar incomes. In this sense, blacks have lower intergenerational mobility than whites—as well as Hispanics and Asians. Intriguingly, this is not true for black females, who have similar incomes as white females born to parents at the same income scale. These finding comes from recent research by Harvard economists Raj Chetty and Nathaniel Hendren—along with Census Bureau economists—which linked records from the Internal Revenue Service to the Census Bureau to understand intergenerational income mobility for people aged 31 to 37 who were born between 1978 and 1983.[25]

We use these data to investigate whether or not black children raised in areas with greater devaluation of black assets experience less mobility. There are several reasons why this might be so. There are large gaps in wealth between races and residential real estate wealth is a major reason for this gap.[26] If properties in black neighborhoods were priced equally as those in white neighborhoods, black children coming of age in the 1990s and 2000s would have had much more wealth to draw upon to pay for things like private schooling, tutoring, travel, and educational experiences, as well as higher education and greater access to higher scoring schools in the suburbs. Greater property wealth may have also facilitated higher rates of entrepreneurship among black parents, which may have positively affected children.

In fact, there is a positive correlation between the valuation of properties in black neighborhoods and upward mobility of black children whose parents had incomes at the 25th percent of the national income distribution. In other words, black children born to low-income families had higher income as adults if they grew up in a metro area that valued black property closer to its observable market characteristics. We restrict this analysis to the 113 metropolitan areas with at least one majority black neighborhood. We also give extra weight in the analysis to metro areas with larger black populations to reduce the influence of measurement error; as such, the estimates should be thought of as characterizing the experience of the average black person living in different types of metropolitan areas.[27]

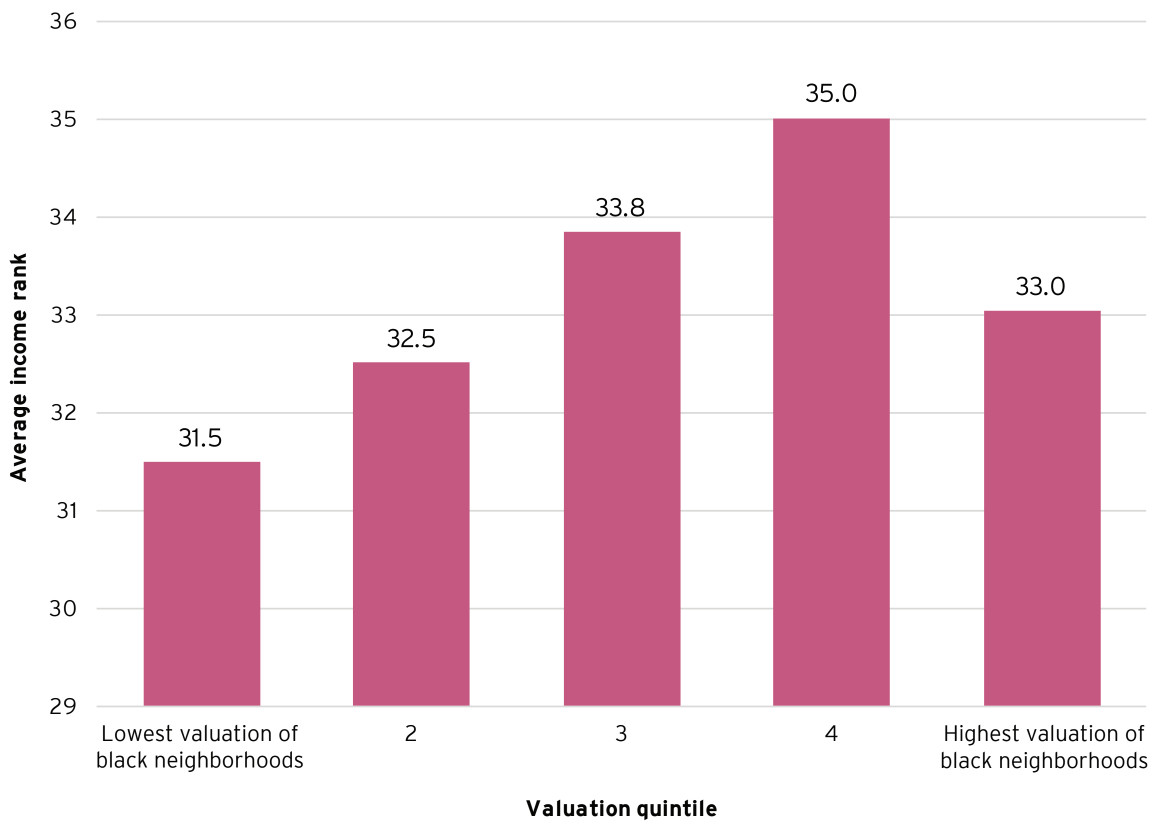
As shown in Figure 2, metropolitan areas in the lowest quintile of valuation for majority black neighborhoods compared to white neighborhoods generate very low upward mobility for black children born near 1980. The average black child born in these areas to families at the 25th percentile of the national income distribution advances only to the 31st percentile. In areas with greater valuation for black neighborhoods, in the fourth quintile in particular, children end up in the 35th percentile. The positive relationship is more muted for the areas with the highest valuations of black neighborhoods.

We also find that segregation is correlated with devaluation. Areas that undervalue homes in black neighborhoods are much more likely to be highly segregated, using a standard black-white segregation index.

FIGURE 2

Effect of housing valuation on upward income mobility of black children

Majority-black neighborhoods in U.S. metro areas, 2012-2016



Note: Income rank calculated for black children born to parents at 25th percentile of national income. Devaluation measure is based on median list price per square foot after adjusting for home and neighborhood quality. Analysis is of 113 metropolitan areas with at least one majority black census tract and one tract with black population shares under 1 percent. Means are weighted by the number of black residents in metro area.
Source: Authors' analysis of data from Zillow, the 5-year 2016 American Community Survey and Equality of Opportunity Project. Devaluation measure is based on median list price per square foot after adjusting for home and neighborhood quality. Analysis is of 113 metropolitan areas with at least one majority black census tract and one tract with black population shares under 1 percent. Means are weighted by the number of black residents in metro area

A regression analysis that predicts the quality-adjusted valuation of black neighborhoods based on black economic mobility, segregation, and racist internet searches finds all three are significant and help explain variation in the valuation of black properties. The anti-black internet search term variable, however, is less robust and only significant when controlling for the other variables.

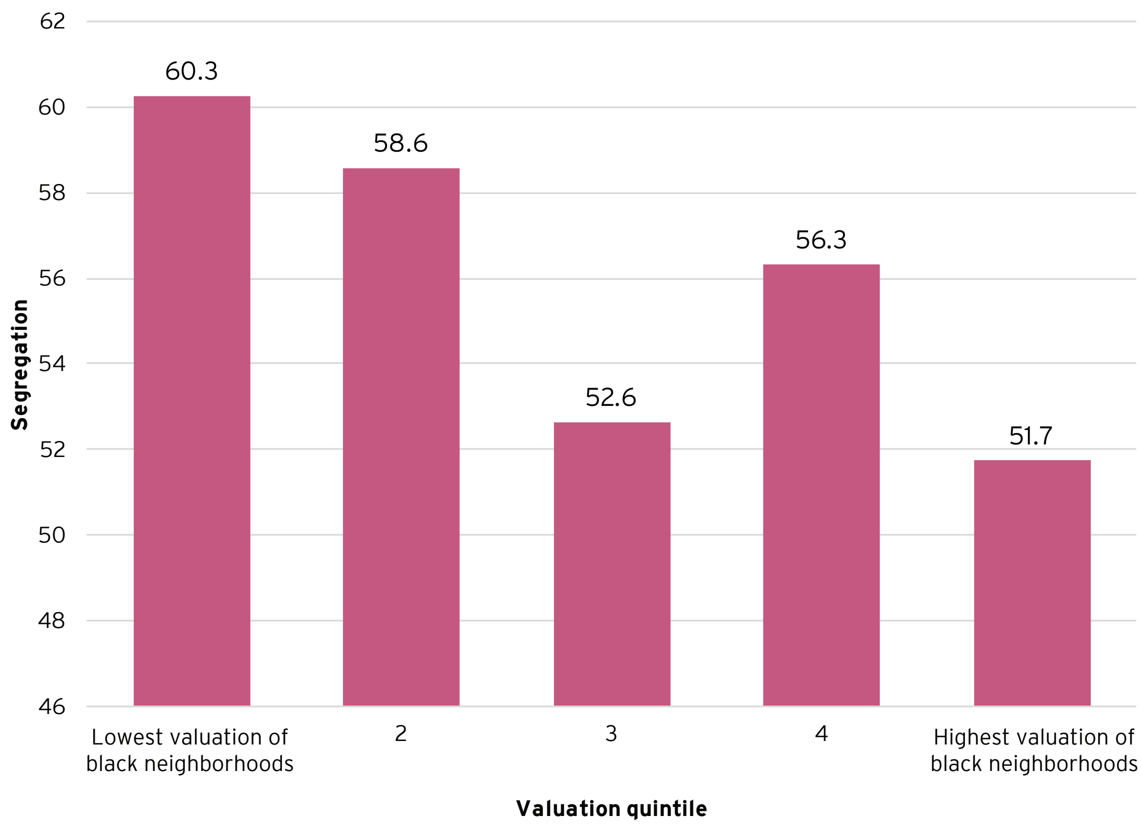
Turning to specific metro areas, Rochester, N.Y. gives the lowest relative value to homes in neighborhoods that are 50 percent black, after adjusting for housing and neighborhood quality. These properties are listed with 65 percent less value per square foot. Rochester also exhibits high levels of black-white segregation and anti-black internet searches are common. Black children growing up in Rochester, New York in low-income families (at the 25th percentile) do relatively poorly as adults (the 31st percentile).

Tulsa, Okla., Omaha, Neb., and Jacksonville, Fla. are also among the 10 areas with the lowest valuations for black neighborhoods, at -40 percent or lower. Economic mobility is low there as well, though better

FIGURE 3

Segregation and the value of housing in black neighborhoods

Majority-black neighborhoods in U.S. metro areas, 2012-2016



Note: Segregation is measured by the dissimilarity index at the census tract level. Devaluation measure is based on median list price per square foot after adjusting for home and neighborhood quality. Analysis is of 113 metropolitan areas with at least one majority black census tract and one tract with black population shares under 1 percent. Means are weighted by the number of black residents in metro area.
Source: Authors' Analysis of 2012-2016 ACS estimates

in Tulsa, where segregation is relatively low and Google searches with anti-black slurs are relatively rare.

Upward mobility tends to be somewhat higher where homes are more highly valued in black neighborhoods. In Boston, Mass., for example, black children reach the 39th percentile, on average, when growing up at the 25th percentile. Boston is also characterized by infrequent anti-black internet searches but high levels of segregation. Black children born in the Hartford metropolitan area and Oklahoma City also did relatively well.

This evidence presented here is not meant to prove that devaluation causes lower mobility or vice versa. That cannot be answered with these data, but the evidence does suggest there may be underlying links between the two phenomena that warrant further exploration. Likewise, we intend to collect more relevant and targeted data on anti-black sentiment in the future. The results linking anti-black internet searches to the devaluation of black neighborhoods are intriguing, but we believe the question requires new data sources.

CONCLUSION

The devaluation of majority-black neighborhoods is penalizing homeowners in black neighborhoods by an average of $48,000 per home, amounting to $156 billion in cumulative losses. Over the years, segregation has negatively affected neighborhood conditions—fewer quality schools, in particular—and reduced the quality of homes by limiting access to finance. However, differences in home and neighborhood quality do not fully explain the lower prices. In addition, there are positive but overlooked assets in black communities like walkability of black neighborhoods and access to public transportation.

The finding that black children born into low-income families achieve higher incomes as adults if they grew up in metro areas where homes were less devalued is noteworthy and could be strengthened with further work that more directly links discrimination to barriers to mobility and explores the potential for neighborhood devaluation to serve as an active agent that worsens outcomes for blacks and their children.

The undervaluation of black assets in housing markets has other important social implications. Black homeowners realize lower wealth accumulation, which, among other effects, makes it more difficult to start and invest in business enterprises and afford college tuition for their children.

We hope to better identify some of the causes for this devaluation—including potential psychological mechanisms—in subsequent research. Some of the most enduring and pernicious effects of the more than 350 years of slavery, Jim Crow racism, as well as de jure and de facto segregation in the U.S., have been the internalization of stereotypes, insults, and dehumanizing innuendos about black people, stemming from the malevolent use of such tropes by the (white) people in power to justify discrimination—what researchers describe as unconscious bias. Our findings are generally consistent with the widespread presence of anti-black bias—whether unconscious or not, ingrained stereotypes and automatic associations of a particular group, and even outright discrimination and racism.

By controlling for commonly held causes of price differences including education, lower home quality, and crime, this paper suggests that bias is likely to be a large part of the unexplained devaluation of black neighborhoods and some perspective on how anti-black beliefs distort the value of assets. In the absence of representative survey data on racist beliefs at the metropolitan scale, we can't see the degree and nature of devaluation in the context of cities. Our future work will aim to collect and analyze subjective survey data to see how people from different races view each other and their neighborhoods.

TABLE 6

The 10 metropolitan areas with the most and least devaluation of homes

Black neighborhoods in U.S. metropolitan areas, 2012-2016

	Valuation of homes by sq foot in black neighbor-hoods (full model)	Income rank for black children born to parents at 25th percentile of national income	Anti-black sentiment index from Google searches	Segregation index
Areas with the most devaluation of homes in black neighborhoods				
Rochester, NY	-65%	31.2	71.1	60.9
Jacksonville, FL	-47%	31.3	59.1	51.1
Omaha-Council Bluffs, NE-IA	-44%	31.9	48.4	58.4
Tulsa, OK	-40%	32.7	40.6	50.7
Birmingham-Hoover, AL	-39%	32.0	65.3	63.1
Cape Coral-Fort Myers, FL	-38%	32.9	59.3	55.8
Detroit-Warren-Dearborn, MI	-37%	31.2	68.4	72.2
Milwaukee-Waukesha-West Allis, WI	-34%	30.8	70.5	76.7
Chattanooga, TN-GA	-33%	30.8	70.6	61.4
Buffalo-Cheektowaga-Niagara Falls, NY	-32%	31.2	76.0	68.3
Mean of group (weighted by black population)	**-40%**	**31.4**	**66.0**	**66.1**
Areas with the least devaluation of homes in black neighborhoods				
Winston-Salem, NC	-4%	30.9	67.9	52.1
Albany-Schenectady-Troy, NY	-4%	33.2	78.6	58.0
Hartford-West Hartford-East Hartford, CT	-3%	35.2	63.8	57.4
Oklahoma City, OK	0%	33.6	58.9	50.1
Tampa-St. Petersburg-Clearwater, FL	1%	30.4	68.7	50.1
Syracuse, NY	1%	30.8	69.6	63.8
Greenville-Anderson-Mauldin, SC	1%	32.0	71.7	40.1
Wichita, KS	4%	31.8	38.3	56.1
Nashville-Davidson-Murfreesboro-Franklin, TN	10%	31.9	63.4	50.8
Boston-Cambridge-Newton, MA-NH	23%	39.1	51.0	59.9
Mean of group (weighted by black population)	**7%**	**33.5**	**62.5**	**53.2**

Notes: Devaluation measure estimates median list price per sq foot after adjusting for home and neighborhood quality. The number shown in the first column is the average price difference in percentage point terms for homes in neighborhoods that are 50% black compared to those that in neighborhoods with no black residents after making these adjustments. Metropolitan area sample is limited to those with at least one majority black neighborhood and one neighborhood with a less than 1% black population share. Segregation is measured by the dissimilarity index at the census tract level. Anti-black sentiment is measured using Google search terms from data created and analyzed Stephens-Davidowitz.

Source: Authors' analysis of data from Zillow, 2016 American Community Survey 5-year estimates, and the Equality of Opportunity Project

APPENDIX

We did not include census tract measures of crime in our analysis because we are not aware of any comprehensive publicly available data source at the ZIP code or census tract level for crime incidence. Using data from U.S. City Open Data Census, we collected crime data reported by city police departments for 10 large cities covering each region of the country: Washington D.C., Baton Rouge, New Orleans, Boston, Chicago, Durham, Philadelphia, San Francisco, Las Vegas, and Los Angeles. We classified assault, rape, murder, and robbery as violent crimes and thefts, burglaries, and carjacking as property crimes. The data from these cities were organized at the incident level and included longitude and latitude coordinates, which we assigned to Census tracts. This gave us 3,917 tracts with crime data.

The first step was to analyze the correlation between property values and crime measures. We find that violent crime predicts significantly lower property values and is highly correlated with the black share of the population. This makes violent crime a potentially confounding variable for our analysis, but it is noteworthy that the correlation with property values is rather low. Property crimes, by contrast, occur in census tracts with relatively high home prices, though the correlation is weak and has almost no correlation with black population shares.

To more formally test how including crime would affect our estimates of devaluation, we include violent crime in our main models and re-estimate the effect of black population shares. Again, the estimates are calculated within metropolitan areas—that is controlling for metropolitan fixed effects. Though the results use a much smaller number of census tracts than the national estimates, we again find evidence for significant devaluation. The magnitude of the results is very similar to what we find in the main models. With the full set of controls, we find that black homes are devalued by 19 percent to 22 percent, depending on whether we use the Zillow square foot adjusted price or the census home value estimate. Moreover, in the census models, violent crime is never significantly predictive of property values, and even in the Zillow models, the relationship is relatively weak. An increase in 100 violent crimes predicts a decrease of only 4.9% in property values per square foot, while controlling for the other factors in our model.

TABLE 1A

Correlation between the number of violent and property crimes in a census tract and home value and black population shares

Selected U.S. cities, 2016-2017

	Median list price per sq foot	Median list price	Median home value	Percent black in neighborhood
Violent	-0.10	-0.19	-0.21	0.38
Property	0.15	0.10	0.08	0.09
Number of tracts	3,201	3,106	3,740	3,883

Source: Authors' analysis of data from Zillow, 2016 American Community Survey 5-year estimates, and 2017 US City Open Data Census records

TABLE 2A

Estimates for the devaluation of owner-occupied homes in black neighborhoods, controlling for violent crime

Selected U.S. cities, 2016-2017

	Absolute price comparison	Adjustments for structural characteristics of home	Adjustments for structural characteristics of home and neighborhood amenities
Estimated penalty of location in a neighborhood that is 50% black compared to 0% black			
Census median home value, 2012-2016	-42%	-40%	-22%
Zillow median list price of houses per square foot, 2012-2016	-43%	-37%	-19%
Estimated penalty for every 100 violent crimes per year (values in red are not statistically signifcant)			
Census median home value, 2012-2016	-10.6%	-4.8%	-0.8%
Zillow median list price of houses per square foot, 2012-2016	-2.9%	-7.3%	-4.9%

Source: Authors' analysis of data from Zillow, 2016 American Community Survey 5-year estimates, and 2017 US City Open Data Census records

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Neighborhoods, Race, and the Twenty-first-century Housing Appraisal Industry

Junia Howell[1] and Elizabeth Korver-Glenn[2]

Abstract

The history of the U.S. housing market is bound up in systemic, explicit racism. However, little research has investigated whether racial inequality also persists in the contemporary appraisal industry and, if present, how it happens. The present article addresses this gap by centering the appraisal industry as a key housing market player in the reproduction of racial inequality. Using a census of all single-family tax-appraised homes in Harris County (Houston), Texas, the authors examine the influence of neighborhood racial composition on home values independent of home characteristics and quality; neighborhood housing stock, socioeconomic status, and amenities; and consumer housing demand. Noting that substantial neighborhood racial inequality in home values persists even when these variables are accounted for, the authors then use ethnographic and interview data to investigate the appraisal processes that enable this inequality to continue. The findings suggest that variation in appraisal methods coupled with appraisers' racialized perceptions of neighborhoods perpetuates neighborhood racial disparities in home value. The authors conclude with suggestions for future research and policy interventions aimed at standardizing the appraisal process.

Keywords

racial inequality, appraisals, housing market, neighborhood inequality, mixed methods

The history of the U.S. housing market is bound up in systemic, explicit racism, particularly with respect to the mortgage lending, real estate brokerage, and residential appraisal industries (Gotham 2014; Jackson 1985; Kahrl 2016; Massey and Denton 1993; Stuart 2003). Despite improvements after the passage of fair housing legislation, recent research has demonstrated persistent racial inequality in the mortgage lending and real estate brokerage industries (Besbris and Faber 2017; Botein 2013; Fisher 2009; Korver-Glenn forthcoming; Oliver and Shapiro 2005; Rugh and Massey 2010; Rugh, Albright, and Massey 2015). However, few scholars have investigated whether racial inequality also persists in the contemporary appraisal industry and, if present, how it happens.

We address this gap in two ways. First, we center the appraisal industry as key to the contemporary housing exchange process. Although the appraisal industry is entwined with both real estate brokerage and mortgage industries, it cannot be reduced to either of them. It is thus important to examine the appraisal industry in its own right, while acknowledging the relations between different housing exchange domains (Stuart 2003). We highlight the appraisal industry's role in the housing market by outlining how it was institutionalized and systematized by the Federal Housing Administration (FHA) in the mid-twentieth century (Jackson 1985) and trace its influence into the

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present (Stuart 2003; U.S. Government Accountability Office 2012).

Second, we examine whether inequality across racially distinct neighborhoods characterizes the contemporary appraisal industry and, if so, how. We pursue this line of inquiry because a small body of research examining (largely homeowner-reported) home values in the post–fair housing era demonstrates systematic differences in home values across neighborhoods with different racial landscapes, independent of other important factors such as neighborhood socioeconomic status (Anacker 2010; Coate and Schwester 2011; Flippen 2001, 2004; Harris 1999; Kim 2000; LaCour-Little and Green 1998). Our study builds on this evidence by using a mixed-methods approach with data collected from tax appraisals and appraisers to determine the influence neighborhood racial composition has on home value, independent of other important factors such as home features and quality, neighborhood housing stock, socioeconomic status and amenities, and housing demand. We also examine the process of assessing value and *how* neighborhood racial composition influences the assessment of home value.

Using data collected in 2015 from Harris County (Houston), Texas, we find systematic differences in home value by neighborhood racial composition, above and beyond measures of individual home features and quality as well as neighborhood housing stock, socioeconomic status, amenities, and housing demand. We also find that despite the institutionalization of the appraisal industry (i.e., home appraisals are required for mortgages), methods for finding data used to assess home value vary across appraisers. This lack of standardization enables appraisers' racialized assumptions to influence the assessment of home values. We conclude by discussing the implications of our findings for the reproduction of racial inequality in municipal service provision and wealth accumulation, and suggest policy interventions that could help interrupt contemporary, appraisal industry-supported links between neighborhoods, race, and home value.

THE APPRAISAL INDUSTRY: A KEY PLAYER IN THE HOUSING MARKET

From its origins, the appraisal industry has played a critical role in shaping the landscape of mortgages and homeownership (Stuart 2003). Starting in 1935, the FHA required all home buyers who were applying for federally insured mortgages to receive a home appraisal. By systematizing and institutionalizing the practice of appraising home value,[1] the FHA hoped to ensure that mortgage amounts accurately reflected the market (or exchange) value of the home.

In the 1980s, the U.S. Department of Housing and Urban Development, Fannie Mae, and appraisal societies, including the American Institute of Real Estate Appraisers and the Society of Real Estate Appraisers, further systematized the appraisal process by creating the 1986 Uniform Residential Appraisal Report and 1989 Uniform Standards of Appraisal Practice. These documents ensured that all appraisers complied with a uniform definition of market value that specified that appraisal values should be "the most probable price" in an open and fair sale (Stuart 2003:219). Congress reinforced this institutionalization by passing the Financial Institutions Reform, Recovery, and Enforcement Act in 1989, which required states to adopt licensing standards for appraisers (Stuart 2003).

U.S. mortgage lenders continue to rely on the appraisal industry to assess home value and, subsequently, the value and terms of mortgage loans (Stuart 2003; U.S. Government Accountability Office 2012). In fact, legislation passed in 2010 as a response to the recent housing crisis sought to lessen collusion between the appraisal and mortgage lending industries, increasing the independence and salience of appraisals in the housing market (U.S. Government Accountability Office 2012). Appraisers' evaluations of home values influence mortgage loan terms (for home buyers) and wealth accumulation (for home sellers) (Stuart 2003). Additionally, appraised home values are used by municipalities to collect property taxes, which fund most municipal services, including public schools and recreational facilities[2] (Lareau and Goyette 2014; Shah 2006; Stuart 2003). The appraisal industry is not a mirror that simply reflects real estate brokerage and consumer demands or a rubber stamp for mortgage lender profit schemes. Rather, we contend that it is a central player in the housing exchange process and should be examined in its own right, particularly with respect to racial segregation and inequality.

NEIGHBORHOODS, RACIAL INEQUALITY, AND HOME VALUES

From its inception, the appraisal industry has played a central role in establishing and maintaining residential racial segregation and inequality (Jackson

1985; Kahrl 2016; Massey and Denton 1993; Pattillo 2013; Reskin 2012; Stuart 2003). Neighborhoods were seen as a key indicator of home value and were evaluated on the basis of the Home Owners Loan Corporation's color-coded maps. Reflecting and enabling White racial biases, these maps and the corresponding criteria set out by the FHA defined White neighborhoods as the most "stable" and assigned them the highest home values and lowest mortgage "risk." Conversely, communities of color were assumed to be unstable and given lower values, often leading to loan rejection (Carr and Kutty 2008; Jackson 1985; Stuart 2003). This practice, called "redlining," became shorthand for denoting systematic devaluation of the housing stock in Black neighborhoods through assumptions about risk and, thus, systematic exclusion of Black neighborhoods from mortgage loans (Jackson 1985; Massey and Denton 1993; Stuart 2003). In this pre–fair housing system, the appraisal industry was a key linchpin reifying the links between communities, race, home value, and access to mortgage loans.

In the late 1960s and 1970s, a series of fair housing laws outlawed the appraisal industry's overt devaluation of communities of color through the use of color-coded maps.[3] Instead, appraisers began using the "sales comparison approach," which directs them to derive market value by comparing the home they are appraising (the subject home) with previously sold homes with comparable features in similar communities (U.S. Government Accountability Office 2012). This approach, which remains the most common, involves appraisers selecting previously sold homes that are comparable with the subject home. Appraisers then use the "comps" they have selected to determine the value of the subject home. Thus, unlike the historical methods of appraising homes, contemporary practices are not overtly based on neighborhood racial composition.

However, homes in White neighborhoods continue to be valued higher than homes in communities of color (Anacker 2010; Coate and Schwester 2011; Flippen 2001, 2004; Harris 1999; Kim 2000; LaCour-Little and Green 1998). Prior research suggests that the ongoing relationship between home values and neighborhood racial composition could be a consequence of several processes. These include historical housing discrimination (resulting in systematic differences in housing stock across neighborhoods), systemic racial inequality (contributing to neighborhood differences in socioeconomic status), unequal allocation of neighborhood amenities, racialized consumer housing demand, and appraisers' racialized evaluations of homes in neighborhoods of color. Below, we discuss how each of these processes contributes to neighborhood racial differences in home value.

Neighborhood Housing Stock

Historic real estate steering and discriminatory ordinances concentrated Black and Hispanic residents in densely populated neighborhoods with low-quality and relatively small homes (Anacker 2010; Du Bois [1899] 1996; Jackson 1985; Massey and Denton 1993; Menchik and Jianakoplos 1997). These historical practices play forward as homes are passed down through families (Menchik and Jianakoplos 1997) and individuals select homes on the basis of their preexisting knowledge of communities (Krysan and Bader 2009). Additionally, contemporary racial biases of real estate agents and home buyers and sellers reinforce historic segregation patterns (Korver-Glenn forthcoming; Yinger 1999). Thus, lower home values in communities of color reflect their less desirable housing stock.

Community Socioeconomic Status

The second dominant explanation for the gap in home values between White communities and communities of color is socioeconomic inequality. Since the 1930s, appraisers have valued homes in wealthier neighborhoods higher than similar homes in less wealthy areas (Jackson 1985; Stuart 2003). Thus, persistent racial disparities in income explain some of the ongoing correlation between neighborhood racial composition and housing values.

Neighborhood Amenities

The third explanation for neighborhood racial disparities in home value is that there are systematic differences in neighborhood amenities across racially distinct neighborhoods. Appraisers assign higher values to houses zoned to higher quality public schools (Lareau and Goyette 2014) and are situated in neighborhoods with lower crime, more accessible public parks, and more convenient locations (Troy and Grove 2008). Thus, to the extent that race and inequality in amenities and crime correspond, racial demographics explain the observed inequality in housing values.

Consumer Housing Demand

The fourth explanation for higher value homes in White communities is consumer demand. Research has demonstrated that White residents are more willing to move into White neighborhoods than communities of color, even when holding crime rates and school quality constant (Emerson et al. 2012; Farley et al. 1978; Krysan and Bader 2009; Lewis et al. 2011). Moreover, Blacks and Hispanics demonstrate a willingness to live in various neighborhood types, including White neighborhoods (Farley et al. 1978; Lewis et al. 2011). In other words, the neighborhood preferences literature suggests that demand for housing in White neighborhoods is higher than the demand in communities of color. Because appraisal standards require appraisal values to reflect market demand, higher home values in White communities reflect higher demand.

Appraisal Evaluations

Contemporary appraisals hinge on appraisers' selection of comparable homes ("comps") in similar neighborhoods to the subject home. Yet the entities that oversee the appraisal industry (e.g., the Appraisal Foundation) do not provide specific guidelines on how to select comps or similar neighborhoods. This gap in standardization can create opportunities for racialized perceptions of neighborhoods to influence appraiser evaluations. As Sampson (2012) demonstrates, historic and contemporary neighborhood racial composition influenced Black, White, and Hispanic respondents' contemporary perceptions of neighborhood disorder, even when controlling for observed disorder. Moreover, the perceived attractiveness of neighborhoods is often racialized (Bader and Krysan 2015). Thus, because the industry does not provide specific guidelines for selecting comps, appraisers, no matter their own racial identification, may evaluate neighborhoods on the basis of their implicit racial assumptions and select comps from racially similar communities, even if the neighborhoods are otherwise distinct. If this is the case, the appraisal industry continues to play a direct role in perpetuating racial inequality in housing values.

To our knowledge, no empirical examination of the appraisal industry has examined how neighborhood housing stock, community socioeconomic status, neighborhood amenities, consumer housing demand, and appraisal evaluations together affect persistent racial disparities in home values. In the present article, we thus examine how individual home and neighborhood characteristics affect neighborhood racial differences in home value. Additionally, we examine the processes appraisers use to assess home value to determine whether the selection of comps allows racial bias to affect appraisers' opinions of value. Using quantitative and qualitative data, we ask the following research questions:

Research Question 1: In 2015, did neighborhood racial composition influence the tax appraisal value of houses above and beyond home features and quality, neighborhood socioeconomic status, neighborhood amenities, and consumer housing demand?

Research Question 2: How are homes appraised and does this process enable neighborhood racial composition to influence the appraised value of homes?

DATA AND METHODS

Research Context and Conceptual Approach

We chose to study appraisals in Harris County (Houston), Texas, for two main reasons. First, relative to other major cities, Houston has a high proportion and number of single-family homes that are appraised yearly, providing ample data to examine the effects of neighborhood racial composition on appraisals.[4] Second, Harris County, embedded in the most racially diverse large metropolitan area in the United States (Emerson et al. 2012), is approximately 40 percent Hispanic, 30 percent non-Hispanic White, 20 percent non-Hispanic Black, and 7 percent non-Hispanic Asian (U.S. Census Bureau 2014). Yet the county is also highly segregated (Emerson et al. 2012). These racial demographics make Harris County an excellent location for assessing how neighborhood racial composition affects home valuations, as it has substantial numbers of majority Black, White, and Hispanic neighborhoods.

We examine Harris County using deductive and inductive methods to highlight both pattern and process (Pearce 2012). We use quantitative models to examine whether neighborhood racial composition influences tax appraisals. Then, noting a strong correlation between tax appraisals and market value, we pull from ethnographic and in-depth interview data collected from residential appraisers (those contracted by mortgage lenders to assess home market value) and other real estate professionals to illuminate how appraisals are conducted and whether this process may contribute to the observed inequalities. Together, our quantitative and qualitative data illuminate the extent of neighborhood racial disparities in home value and how these disparities are reproduced.

Quantitative Data and Methods

The tax appraisal data in this study come from Harris County Appraisal District (HCAD) public records. For our analysis, we use a census, not a sample, of all single-family tax-appraised residences in Harris County in 2015. Using data from a single entity allows us to eliminate possible confounding factors that would be present with data from multiple appraisal entities.

This census consists of 879,372 single-family homes with a mean housing value of $233,221 (see Table 1).[5] In addition to the tax appraisal value, these data also include information on house characteristics and quality. In our models, we operationalize house characteristics as square footage of the home and lot, as well as dichotomous indicators of whether the home has at least one fireplace; garage; patio, porch, or deck; and swimming pool or tennis court.[6] To adjust for the positive skew in home values, square footage, and lot size, we logged these three variables in our models. Additionally, to measure home quality we use date of construction or last major renovation, construction quality, and physical condition. Construction quality is determined by the appraisers using letter grades. We quantified and centered this scale such that the poorest quality construction is assigned a −7 and the highest quality is given a 10. Likewise, physical condition is determined using a categorical scale. We quantified and centered this scale such that it ranges from −3 to 4.

To answer our question regarding the relationship between neighborhood racial composition and tax appraisal value, we linked HCAD's geographic information system (GIS) shape file of properties to census tracts.[7] Using the 2011–2015 American Community Survey (ACS), we calculated the proportion of the neighborhood that identified as non-Hispanic Black (hereafter Black), Hispanic, non-Hispanic other (hereafter other), or non-Hispanic White (hereafter White). In our models, we include the neighborhood's Black proportion, the neighborhood's Hispanic proportion, and the proportion of the neighborhood that is of another race. Consequently, our reference group is the neighborhood's White proportion. To account for additional neighborhood factors that could explain the relationship between neighborhood racial composition and housing values, as explored theoretically above, we include a series of additional neighborhood control variables.

Neighborhood Housing Stock. Even if a specific home is of high quality, appraisers assign lower home values to houses in neighborhoods with small, unkempt, or vacant properties. To operationalize the quality of the neighborhood housing stock, we use ACS estimates of census tract median number of rooms per housing unit, median year of home construction, and vacancy rate.

Community Socioeconomic Attributes. Likewise, we use the ACS estimates of census tract owner occupancy rate, poverty rate, and unemployment rate to control for community socioeconomic characteristics. As discussed previously, the literature asserts that higher owner occupancy rates, lower poverty rates, and lower unemployment rates correlate with higher home appraisals.

Neighborhood Amenities. We operationalize neighborhood amenities as school quality, violent crime rate, park accessibility, and location convenience. Using the GIS files made available by the School Attendance Boundary Information System, each house was linked to its corresponding elementary school. School quality was measured as the proportion of the students who passed the state standardized tests in 2014 according to the Texas Education Agency.[8] Violent crime rate was operationalized as the number of violent crimes per capita in the census tract. Using the latitude and longitude coordinates of all crimes reported to the Houston Police Department and the Harris County Sheriff's Office from January 1, 2014, to December 31, 2014, we compiled the total number of violent crimes[9] in each census tract and divided this by the total population. Park accessibility was operationalized as the distance from each home in the data set to the nearest park (in feet). This variable was calculated using a GIS shape file made available by the City of Houston. Given that the more rural sections of the county are further from parks, this variable has a positive skew and was thus logged in all models. Finally, location convenience was measured as access to employment opportunities, specifically, the census tract's mean commute time in minutes. Theoretically, higher commute time corresponds with inconvenience and thus lower home values.

Consumer Housing Demand. Following real estate and economics conventions, we measure consumer housing demand as the mean number of days houses remain on the market and the percentage of houses for sale that decrease their asking prices (Bukhari 2017; Huffman 2016). Areas where houses sell quickly and prices are not reduced are considered high-demand areas. We obtained consumer housing demand data from the Houston-area Homes and Rentals multiple listing service and

Table 1. Descriptive Statistics of Housing Appraisals.

	Mean (*SD*)	Minimum	Maximum
Dependent variable			
2015 appraised value	233,221 (348,459)	2,575	31,238,013
Neighborhood race			
Proportion White	0.37 (0.26)	0.00	0.92
Proportion Black	0.17 (0.19)	0.00	0.94
Proportion Hispanic	0.38 (0.23)	0.01	0.97
Proportion other	0.08 (0.07)	0.00	0.45
House characteristics			
House square footage	2,111 (997)	120	43,080
Land square footage	9,961 (17,160)	1	992,732
Fireplace	0.58 (0.49)	0	1
Garage	0.65 (0.48)	0	1
Patio, porch, or deck	0.87 (0.34)	0	1
Pool or tennis court	0.05 (0.23)	0	1
House quality			
Year constructed/last renovated	1980 (22)	1930	2014
Construction quality	0.89 (2.21)	−7	10
Physical condition	0.04 (0.58)	−4	3
Neighborhood housing stock			
Median number of rooms	5.91 (1.19)	3.1	9
Median year built	1983 (15.90)	1939	2007
Vacancy rate	0.08 (0.06)	0	0.57
Community socioeconomic attributes			
Owner occupancy rate	0.62 (0.20)	0.00	0.98
Poverty proportion	0.15 (0.11)	0.00	0.79
Unemployment rate	0.07 (0.04)	0.00	0.53
Neighborhood amenities			
Proportion of students passing state test	0.79 (0.12)	0.49	0.99
Violent crimes per capita	0.01 (0.01)	0	0.06
Feet to nearest park	18,056 (20,995)	0	100,644[a]
Mean commute time	28.9 (4.8)	16.4	43.4
Consumer housing demand			
Average days on the market	70.95 (33.31)	0	395
Proportion of homes with price cut	0.12 (0.03)	0.06	0.20
N		879,372	

[a]The range for feet to the nearest park is quite large in part because of the size of Harris County. Some homes border parks, resulting in a distance of zero. Others are as far as 19 miles from the closest park. This seems extreme until one considers that the county is more than 80 miles across, and some parts of the county are 50 miles from downtown. Thus, it is in these far-reaching areas where feet to the nearest park is largest.

Zillow, both of which are accessible to appraisers when they evaluate property values. From Homes and Rentals, we obtained the average number of days houses remained on the market in each ZIP code for each month (January to December 2015) and then averaged across the year. From Zillow, we gathered the percentage of homes on the market in each ZIP code that experienced a price cut for each month (January to December 2014) and then averaged across the year. Despite their different sources, these two variables are highly correlated, building our confidence in measurement validity.[10]

Modeling. To examine the influence of neighborhood racial composition on 2015 tax appraisals, we estimate multilevel models to address the clustering of multiple houses in each census tract. All models were run in Stata using the xtreg command.[11]

Qualitative Data and Methods

HCAD relies heavily on estimated market value to arrive at a final valuation. In Texas, sale prices are not publically accessible, so HCAD estimates market value by sending out surveys to both buyers and sellers whenever a home changes hands, asking both parties for what price the home was bought (buyers) or sold (sellers) (see Appendix A, Figure A1, for an example survey). Final sales prices are dependent largely on home valuations calculated by independent, lender-hired market appraisers. Thus, market appraisals and tax appraisals are related. We confirm this link in our supplementary analysis in Appendix A, which demonstrates that tax appraisals in Harris County are extremely correlated with estimated market values provided by the popular real estate Web site Zillow and with mortgage loan amounts provided by the Home Mortgage Disclosure Act (HMDA; both proxies for market appraised value). In sum, to understand the appraisal process, it is imperative to examine both the tax and market appraisal sectors of the appraisal industry.

To examine how appraisers assess home value and whether the selection of comps allows racial bias to influence these assessments, we draw from in-depth interviews with market appraisers in the Houston metropolitan area. These interviews were collected between February 2015 and February 2016 as part of a larger ethnographic and in-depth interview-based study of Houston's urban real estate market (Korver-Glenn 2017). Appraisers were recruited using a social network sampling approach, in which interviewed mortgage lenders were asked for a list of the appraisal management companies (AMCs) they used most frequently. Then, after contacting the AMCs, individual appraisers were invited to interview. This recruiting strategy resulted in nine in-depth interviews with appraisers working for nine different AMCs across the Houston metropolitan area. Three of the appraisers owned AMCs, demonstrating far-reaching influence in terms of their interactions with and oversight of the hundreds of appraisers and appraising companies that worked through them. Respondents roughly reflected statewide appraiser demographics: all nine were men, seven of the nine were non-Hispanic White, and two were Hispanic. In 2015, 78 percent of Texas appraisers were men; 86 percent were White, 6 percent were Hispanic, and 2 percent were Black (Hobby Center 2015). In fact, one White respondent who owned an AMC reflected that in his 30 years of appraising, he had only encountered one Black appraiser, and that was an appraiser that he had hired.

During in-depth interviews, we asked appraisers how they went about appraising properties, the criteria for the valuation of homes, how they selected comparable ("comp") homes, and how they began their careers and received training. Secondarily, we also noted when real estate agent informants included in the larger study discussed appraisals and comps when conducting fieldwork. We coded and analyzed the professionally transcribed interviews and relevant fieldwork using an abductive approach, in which we used themes and theory present in previous research to inform our understanding of our data while also looking for ways in which our data departed from or was surprising relative to prior work (Timmermans and Tavory 2012). Furthermore, in our coding, we followed Lareau (2012), focusing on the meaning of appraisers' responses rather than the number of interviewees or the frequency of responses. Following Small (2009), we analyzed interviews with an eye to saturation of themes and patterns. Because all nine respondents worked for different AMCs, focused on appraisals in different areas of the city, and had different professional histories (e.g., some respondents had appraised homes only in Texas, while others had experience appraising elsewhere), we are confident that our results are reliable given the saturation of patterns across these distinct axes (Small 2009).

All ethnographic and interview-based data collection received institutional review board approval, and participants all received and signed an institutional review board–approved human subjects consent form guaranteeing confidentiality. Respondents were offered a $25 gift card incentive to participate in the study; about half accepted the incentive. To protect the identities of participants, names and other potentially identifying details have been changed.

RESULTS

Neighborhood Racial Composition and Tax Appraisals in 2015

We first examine our census of tax-appraised Harris County residential properties in 2015 to determine to what extent neighborhood racial composition is associated with appraised home value and what factors explain the observed disparities. Beginning with just neighborhood racial composition, we find that higher proportions of Black and Hispanic residents correspond with lower mean housing values (see Table 2). Because we are using a census of all houses in the county and not a sample, we do not use classical statistical significance

Table 2. Coefficients from Multilevel Regressions Predicting 2015 Logged Housing Appraisal Value.

	Model 1	Model 2	Model 3	Model 4
Neighborhood race				
Black proportion	−2.11 (0.10)	−1.28 (0.09)	−0.86 (0.09)	−0.82 (0.10)
Hispanic proportion	−2.00 (0.10)	−0.93 (0.09)	−0.91 (0.09)	−0.88 (0.08)
Other proportion	1.15 (0.31)	0.33 (0.24)	0.27 (0.18)	0.37 (0.19)
House characteristics				
House area, logged		0.60 (0.01)	0.60 (0.01)	0.60 (0.01)
Land area, logged		0.20 (0.01)	0.20 (0.01)	0.20 (0.01)
Fireplace		0.01 (0.01)	0.01 (0.01)	0.01 (0.01)
Garage		0.08 (0.01)	0.08 (0.01)	0.08 (0.01)
Patio, porch, or deck		0.07 (0.01)	0.07 (0.01)	0.07 (0.01)
Pool or tennis court		0.05 (0.00)	0.05 (0.00)	0.05 (0.00)
House quality				
Year improved[a]		0.04 (0.00)	0.04 (0.00)	0.04 (0.00)
Construction quality		0.08 (0.00)	0.07 (0.00)	0.07 (0.00)
Physical condition		0.10 (0.00)	0.10 (0.00)	0.10 (0.00)
Neighborhood housing stock				
Median number of rooms			0.03 (0.02)	0.03 (0.03)
Median year built			−0.01 (0.01)	−0.01 (0.00)
Vacancy rate			−0.15 (0.22)	−0.13 (0.22)
Community socioeconomic attributes				
Owner occupancy rate			−0.70 (0.13)	−0.68 (0.13)
Poverty proportion			0.14 (0.18)	0.13 (0.18)
Unemployment rate			−2.36 (0.36)	−2.34 (0.36)
Neighborhood amenities				
Proportion of students passing state test			0.46 (0.09)	0.45 (0.09)
Violent crimes per capita			−3.31 (1.80)	−2.95 (1.83)
Feet to nearest park, logged			0.01 (0.01)	0.01 (0.01)
Mean commute time			−0.04 (0.00)	−0.04 (0.00)
Consumer housing demand				
Average days on the market[b]				0.01 (0.04)
Percentage of homes with price cut				0.79 (0.72)
Constant	13.08 (0.08)	−2.27 (0.65)	13.82 (2.40)	13.64 (2.40)
R^2 overall	.5003	.7243	.8095	.8091
Number of houses	879,372	879,372	879,372	879,372
Number of tracts	708	708	708	708

Note: *P* values are not displayed, because our data are a census, not a sample. Hence, we do not need to use probability to estimate the likelihood of our sample mean being the population mean, because presented figures are the mean of the population.
[a]Variable was divided by 10 for ease of coefficient interpretation.
[b]Variable was divided by 100 for ease of coefficient interpretation.

tests. In other words, *p* values, which enable researchers to estimate whether differences in a sample are likely to be present in the population, are meaningless when we have information on the full population. However, the overall R^2 in Model 1 of Table 2 demonstrates that half of the variation in appraised values is explained by the neighborhood racial composition.

To understand the real-world implications of these effects, we use predicted values. Predicted values are constructed by assigning a chosen value to each explanatory variable. Throughout this research, when we use predicted values, we set all the control variables to their mean values but alter the racial compositions of the neighborhoods to illuminate how racial proportions are influencing house appraisals. As is often done when comparing predicted values (e.g., Crowder and South 2008), we use ideal types. For example, for Black neighborhoods, we set the Black proportion to 100 percent and the Hispanic and other proportions to zero.[12] Using this method, Model 1 predicts that the value for houses in White neighborhoods is $479,000, while the value of houses in Black neighborhoods is $58,000 and $65,000 in Hispanic neighborhoods. Put another way, the average tax appraisal of homes in White neighborhoods is more than eight times greater than the average tax appraisal of homes in Black communities and more than seven times greater than the average tax appraisal of homes in Hispanic communities. This finding aligns with previous research; however, this model does not include the additional home and neighborhood factors that likely contribute to this inequality. For this we introduce our control variables.

In Model 2, we control for house characteristics and quality. As expected, larger homes with larger plots of land are assessed as more valuable than their smaller counterparts. Likewise, homes with fireplaces, garages, patios, porches, decks, pools, and tennis courts were assigned higher home values than their counterparts without these features. Additionally, more recently built or majorly renovated homes of better construction quality and in better physical condition were appraised at higher values.[13] Controlling for these factors does reduce the disparity in valuations across racially different neighborhoods, suggesting that inequity in home values is due in part to historic and contemporary housing discrimination that clusters Black and Hispanic residents into neighborhoods with smaller, lower quality homes.

Nevertheless, substantial neighborhood racial inequality remains. Results from Model 2 predict that a home of average size and quality in a White neighborhood would be worth $342,000, while a comparable home would be worth $135,000 in a Hispanic neighborhood and $96,000 in a Black neighborhood. Said another way, even when holding home size and quality constant, houses in White neighborhoods are worth 2.5 times more than houses in Hispanic neighborhoods and 3.7 times more than houses in Black neighborhoods.

That neighborhood racial inequality remains after holding house features and quality constant is striking. Yet these inequalities might be due to other neighborhood factors, such as the housing stock, socioeconomic status, or amenities. To account for this possibility, we control for the ten neighborhood factors discussed in the "Data and Methods" section.

As expected, houses in neighborhoods with larger homes, older, more stable housing stock, lower vacancy rates, lower unemployment, high-quality schools, low levels of violent crime, and shorter commute times have higher appraised values than their counterpart houses in neighborhoods without these characteristics. However, contrary to expectations, homes in neighborhoods with lower homeownership rates, higher poverty rates, and fewer parks are appraised higher holding all other neighborhood and housing characteristics constant. By themselves, these variables correlate with appraisal value in the expected directions. That is, neighborhood homeownership positively correlates with home value, while neighborhood poverty negatively correlates. Yet in combination with other neighborhood controls, these relationships flip. Although we are unsure of the exact reasons for these surprising findings, we surmise they are related to the Houston context. For example, in Houston, neighborhoods with small bungalow homes (a common architectural type in older neighborhoods) often have high homeownership rates but are perceived as less valuable than communities such as Montrose or Midtown with higher renting populations housed in luxury multifamily properties. Likewise, previous research on Houston parks has shown that the diffusion of Black and Hispanic populations into formerly White neighborhoods has resulted in these populations' having increased access to parks (Elliott, Korver-Glenn, and Bolger forthcoming). Despite these few unexpected findings, overall, these neighborhood controls help explain the observed variation in appraisal values.

Yet substantial neighborhood racial inequality persists. Holding all house and neighborhood characteristics constant, Model 3 predicts that an average home in an average White neighborhood is $296,000: more than two times higher than otherwise equal homes in Black and Hispanic neighborhoods (which are valued at $125,000 and $119,000, respectively). Once again, this inequality is striking, but it might be a reflection of contemporary housing demand.

That is, appraisers might be accurately assessing higher consumer housing demand, and thus higher values, in White neighborhoods. Thus, our final model introduces controls for consumer housing demand.[14] Introducing these controls only slightly reduces the observed neighborhood racial inequality. Controlling for consumer housing demand, Model 4 predicts that an average home in an average White neighborhood is valued at $289,000, compared with the value of that same home in a comparable Black or Hispanic neighborhood, at

$127,000 and $120,000, respectively. This model controls for individual home characteristics, neighborhood housing stock, community socioeconomic characteristics, neighborhood amenities, and consumer housing demand, and yet neighborhood racial composition still has an enduring and substantial influence on housing values. This finding suggests that appraisers' evaluations of homes are contributing to the divergent home prices in White compared with Black and Hispanic neighborhoods. To further unpack how this inequality is reproduced, we turn to our qualitative data to examine how market appraisals are derived and how this process might enable neighborhood racial composition to influence assessments of home value.

The Appraisal Process

As noted above, the 1980s legislation and Uniform Standards for Professional Appraisal Practices helped standardize the appraisal industry. Specifically, these efforts require appraisers to be licensed by their state and analyze comparable sales data in their evaluation of the subject property's value (Appraisal Foundation 2016a). However, these standards do not provide specific guidelines for how appraisers should select comparable homes. In our study, interviewees shared a common method for gathering data on subject home characteristics, but each had a distinct method for selecting comps. Here, we describe the general process used to assess subject home characteristics, then provide examples of appraisers' varying comp selection strategies.

Appraisers began with an in-person visual inspection of the subject property, which included taking photos of and notes on the home's internal and external structure, materials (e.g., wood siding), upkeep, size, layout, number of bedrooms, bathrooms, and other rooms, as well as exterior buildings (e.g., a shed). Once the in-person evaluation was complete, they used the local multiple listing service to select previously sold homes they perceive as comparable with the house in question ("comps"). Appraisers then used these "comps" to derive and justify home values. Hence, the houses they selected as comps were critical in determining the final appraised value of the home.

George, a White male appraiser, told us he drew a one-mile radius around the property in question and selected comps from within the resulting circle. Another middle-aged, White male appraiser, Bill, scoffed when we mentioned a one-mile radius for comps:

> Okay, there is no radius, first of all . . . whatever the best comp is, is the best comp. It doesn't matter if it's a mile or five miles or one block. Yeah, I mean, you're talking about an underwriting guideline. The guidelines that underwriting has . . . talked about, how they think appraisals should get written, doesn't have a whole lot to do with how appraisals should really get written. . . . I would like for all my comps to be on the same block, that would be great. They never are.

Still another middle-aged, White male appraiser, Carl, said that his approach was to follow the three D's: dated, dissimilar, and distant, in that order. If he could not find comp homes within the same subdivision in the past six months, he would look for older comps—homes sold within the last 12 months, for example. If he could not find "dated" comps, he would then move to "dissimilar" comps, selecting homes that were different in terms of age, size, and so on. Finally, if he could not find nearby dissimilar comps, he would expand his search for comps geographically.

In addition to variation in appraisers' methods for selecting comps, other real estate professionals such as real estate agents and lenders influence the comp selection process. How and to what extent this happens varies across individual real estate agents and lenders. Despite post-2008 legislation reducing collusion between appraisers and lenders, real estate agents sometimes show up at a property while it is being appraised. Bill explained,

> But if they [real estate agents] don't know the appraiser, or even in my case they'll want to meet me for whatever reason, usually if they want to meet me, I know something's up. Usually, if they're interested, it's because they're under a contract at a price they may not have comps to support. . . . They'll bring comps . . . sometimes they'll bring a folder and it'll have a list of 20 comps in it.

Bill's observation was confirmed through participant observation with top-producing real estate agents as part of the broader ethnographic study. One of these agents, Jay, told us that he attends 99 percent of all the appraisals for his listings to aid the appraisers' valuations. Lenders, too, still influence appraisers' decisions. Although lenders can no longer directly select specific appraisers, they can still contact their AMCs or third-party liaisons and communicate with the appraiser indirectly (Appraisal Foundation 2016b).

Variation in the appraisal process is not inherently problematic. Nevertheless, it does suggest that because appraisers do not have a uniform way of selecting comps, there is no mechanism to ensure that comps are not selected on the basis of neighborhood racial demographics. In fact, in our interviews and ethnographic field work, it became clear that appraisers often perceive comparable houses as those in communities with similar racial demographics, even if these comparable communities were further away or had drastically different socioeconomic characteristics.

An example of neighborhood race-based comp selection—made possible by the unstandardized comp selection process—was Carl's comparison of Lindale Park and the Heights. Lindale Park is a largely middle-class, deed-restricted Hispanic neighborhood near downtown Houston. The Heights, across Interstate 45 from Lindale Park, is equally close to downtown Houston and is a largely deed-restricted middle- and upper-middle-class White community (see Figure 1 for photos of Lindale Park and Heights homes). Overall, Lindale Park has comparable housing stock (in terms of house size and quality) with homes in many areas of the geographically proximate Heights neighborhood; in fact, lot sizes tend to be larger in Lindale Park than in the Heights.

Given its geographic, socioeconomic, and housing stock comparability with the Heights, it would be reasonable for comps to be pulled from the Heights when appraising a house in Lindale Park. Nevertheless, for Carl, the racial composition of Lindale Park signified low housing quality and crime. His racialized perception then influenced his comp selection process. In fact, Carl compared Lindale Park with Quail Valley, a subdivision in a suburb approximately 30 miles away; in his mind, Lindale Park and Quail Valley were similar because of their racial demographics. Likewise, he compared the Heights with West University ("West U"), an individual municipality completely surrounded by the City of Houston that, like the Heights, is majority White:

> As an appraiser, we run into stuff as far as racial stuff. Lindale Park, being on the east side [of Interstate 45]. . . . I'll just use Quail Valley as an example. . . . The west part of Quail Valley, they're very nice homes, the highest homes over there get to be about $400,[000], uh, but you go to Quail Valley east, and they're all the one-story, it's a largely Black and Hispanic population, lot of rental houses, the homes are not maintained, and so they suffer. It's the same thing with Lindale Park. . . . The Heights has always been great, because it's the Heights. It's like, "Oh, I'm living in West U." You know, and Lindale Park, it's like, "I'm over there in the ghetto." It's kinda scary . . . 'cause if I go by to appraise a house over there, um, I'm kinda looking around . . . as for the Heights, I'm driving right up to the house, I have no worries, I go right up there, you know.

During his interview, Carl conflated neighborhoods of color with poorly maintained homes and expressed racialized fears of these spaces *as an appraiser*. Yet more important for the purposes of our study, Carl perceived all communities of color as comparable despite numerous data (e.g., housing size and quality, neighborhood socioeconomic status, location centrality) indicating otherwise.

Another example of appraisers selecting comps on the basis of neighborhood racial composition emerged during an interview with Juan, a Hispanic appraiser. In explaining his process for selecting comps, Juan listed various communities around Houston and classified them as comparable on the basis of their racial composition rather than their geographic proximity to downtown, socioeconomic characteristics, or school quality (for example). Juan and other appraisers justified their racial classification of neighborhoods by asserting that these boundaries aligned with housing demand. In his interview, Juan stated,

> So if a person is going to be interested in buying in Fifth Ward, would that same person go to Denver Harbor to buy? Would that person go to Second Ward to buy? . . . I think that ethnicity has something to do with it. So a person who's buying for that market group is buying in Second Ward, they probably aren't going to go to Fifth Ward and buy a house.

Similarly, Larry, a White appraiser, explained how neighborhood racial dynamics and demand were associated with home values. He stated that an "influx of minorities" to a neighborhood would be perceived by White homeowners as having a "negative impact," which would in turn lead to the departure of Whites from the area. He explained this would lower home values in the area through decreased demand and assumed that minorities moving in would be lower income, thus lowering the socioeconomic status of the neighborhood.

However, appraisers did not supplement these assumptions with data on listing versus sales price, how long properties stayed on the market, or any other quantitative measure of demand. In fact, Larry seemed to ignore that an increasing presence

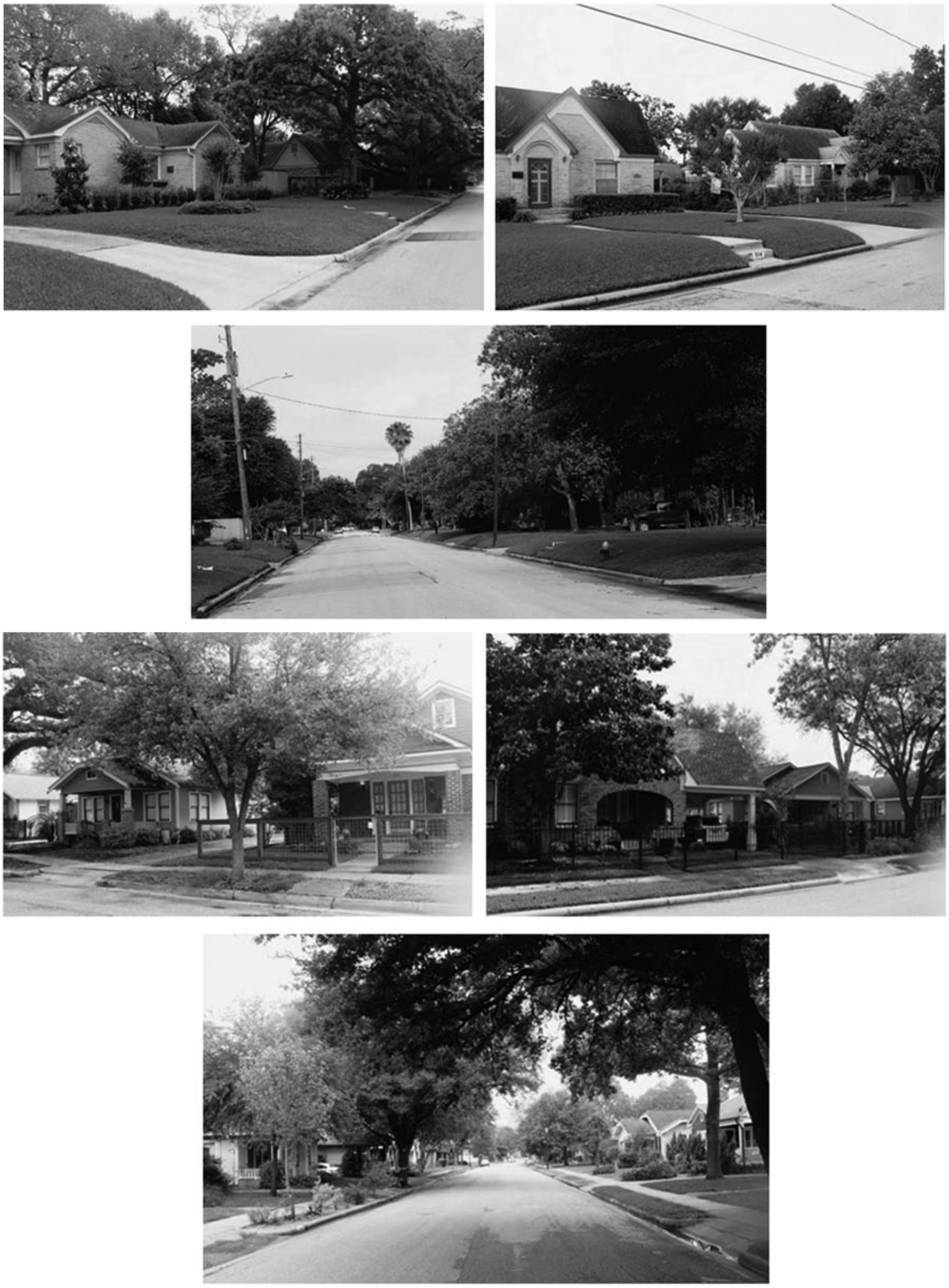

Figure 1. Comparing Lindale Park and Heights Neighborhood Housing Stock.
Note: The top three photos depict various scenes from Lindale Park. The bottom three photos depict various scenes from the Heights. All photos by Elizabeth Korver-Glenn.

of minorities in a neighborhood could signal greater demand for that area. In his view, it also did not seem possible that minority home buyers could have equal or greater socioeconomic status than their White counterparts. From Juan's perspective, it was very unlikely that buyers would want to purchase homes in neighborhoods that did not match their race. Consonant with prior research on residents' racialized perceptions and attraction to or avoidance of neighborhoods (Bader and Krysan 2015; Sampson 2012), it was appraisers' racialized, assumed opinions concerning demand and buyer characteristics, not observed measures of demand or buyer characteristics, that determined community "comparability."

Our data suggest that the variation in comp selection results in appraisers selecting comps from racially comparable communities and not necessarily from areas that are similar in terms of housing stock, geography, socioeconomic status, amenities, or demand. In turn, neighborhood racial composition can influence appraised home values. Our data does not demonstrate—nor are we trying to insinuate—that the individual appraisers we interviewed and observed were "racist" or were, in several cases, making race-conscious decisions in their appraisals. Instead, our data illuminates that variation in comp selection provides ample room for neighborhood racial composition to become entangled in home value, in part through the (unconscious) racialized assumptions of appraisers and numerous other real estate stakeholders who attempt to influence home valuations. Thus, it is the *system* of appraisals that enables the stark racial inequality we observed in our quantitative data to persist.

DISCUSSION AND CONCLUSION

Sociohistorical studies illuminate how neighborhood racial composition became inextricably linked to the housing appraisal industry. What the present study demonstrates is that this is not merely an artifact of the past. Our quantitative data demonstrate that comparable Harris County houses zoned with comparable schools and located within neighborhoods with equitable housing stock, housing demand, distances to parks, commute times, and crime, homeownership, poverty, and unemployment rates were valued systematically lower in Black and Hispanic neighborhoods. They were valued $162,000 (2.3 times) less if they were in Black compared with White neighborhoods and $169,000 (2.4 times) less in Hispanic neighborhoods compared with White neighborhoods. Because municipal services such as education and infrastructure maintenance rely on local property taxes, these large differences translate into inequalities in educational and infrastructural budgets and outcomes.

Our qualitative data provide preliminary insight into how racial disparities in home value can persist despite legislative interventions. Specifically, we highlighted how the inconsistency in comp selection strategies enables appraisers to select comps on the basis of their racialized assumptions about the comparability of communities, which in turn devalues communities of color, irrespective of actual demand.

So that we could conduct an in-depth examination of the appraisal industry in a racially diverse county, our study is limited to the Houston area. However, given the substantive significance of our statistical findings, the potential mechanisms reproducing these findings in the appraisal process, and the substantial implications of our findings for wealth accumulation and socioeconomic mobility, we presume similar patterns exist across the United States. Thus, we strongly recommend further probing of this topic across other cities.

Even without these future studies, what the present research illuminates is a form of systemic racial discrimination that has yet to be addressed. Policies prohibiting racial discrimination against individual home buyers have been enacted (though they are unevenly enforced), yet very few policies, proposed or legally enacted, protect Black and Hispanic *communities* against systematic discrimination. We suggest that adjustments need to be made to the appraisal system to ensure that contemporary appraisers do not evaluate houses *and neighborhoods* by the same "color" system devised by the FHA in the 1930s.

As a first step, we suggest standardizing the comp selection process. For example, the Appraisal Foundation could institutionalize automated software that decouples homes from their neighborhood racial context by showing appraisers comparable homes (in terms of home quality and size, schools, commute times, vacancy, poverty rates, and so on) across the metropolitan area. Simultaneous to this adjustment, property tax values should be allowed to increase or decrease by only 2 percent per year (currently, tax-appraised value can change by up to 10 percent a year in Harris County). Property owners would thus not be financially "shocked" by rises in tax value, and cities would not see disproportionate decreases in revenue.

Recent scholarly and public attention to the value of Black and Brown lives is a reminder that large gaps in racial equity still characterize U.S. society. Our research suggests that a major step toward valuing Black and Brown lives is to value Black and Brown *communities* by removing the racially coded "map" that influences home appraisals and to value them as equally good and desirable places to reside, raise families, and accumulate wealth.

Mailing Address:
Residential Property Division
P.O. BOX 920975
Houston, TX 77292-0975

Harris County Appraisal District
13013 Northwest Fwy., Houston, Texas
Information Center: (713)957-7800

PROPERTY DESCRIPTION: PROPERTY LOCATION:

DATE: **04/04/2016**
ACCOUNT #:
YEAR: **2016**

SALES INFORMATION:
1. I am the: Buyer ____ Seller ____
2. Contract Sale Price: $______________ Date of Sale: (mm/dd/yyyy) ____________
3. Loan Amount: $______________

WHAT WAS PURCHASED/SOLD? (Please Circle)
1. Land Only? .... YES NO
2. Land and Building? .... YES NO
3. Did the sale involve more than one property? .... YES NO
4. Did the sale involve a trade or exchange of property? .... YES NO
5. Are you aware of any changes in the property **since** the sale, such as demolition, new construction, remodeling or additions? .... YES NO
   a. If Yes, cost of changes: $______________
   b. Please Describe______________
6. Was any personal property included in the sale? .... YES NO
   a. Approximate value: $______________
   b. Please Describe______________

CONDITIONS OF SALE:
1. Was the sale the result of a foreclosure or auction? .... YES NO
2. Was the sale made to prevent foreclosure or repossession? .... YES NO
3. Were any **delinquent** taxes assumed by the purchaser? .... YES NO
4. Was the property advertised on the open market? .... YES NO
5. Was the sale between family members? .... YES NO
6. Was the sale the result of an estate settlement? .... YES NO
7. Method of financing (check box)
   ☐ FHA ☐ VA ☐ Conventional ☐ All Cash ☐ Seller Financing
8. Did the seller pay any of the buyer's closing cost? .... YES NO
   a. If Yes, amount of closing cost paid: $______________
9. Did the seller give any repair allowance to the buyer? .... YES NO
   a. If Yes, amount of repair allowance: $______________
   b. Were the repairs completed before closing of sale? .... YES NO
10. Please describe any other special circumstances affecting this sale:

PROPERTY OWNER SIGNATURE: ______________ DATE: ______________

If you request that information about your property and sales price be kept confidential as provided by Texas law, check this box. ☐ **If you have checked the box, the appraisal district hereby promises to keep the information you have provided confidential to the extent permitted by law.**

Para la traducción al español del cuestionario, por favor mire la página dos.

WFID-4041617 LTR-4020002 **201640395-000000183**

Figure A1. An example of a Harris County Appraisal District survey sent to recent home buyers and sellers.

APPENDIX A: MARKET COMPARED WITH TAX APPRAISALS

HCAD uses market appraisals as a baseline for their tax appraisals. Specifically, HCAD mails a survey to both the seller and buyer after each property sale (see Figure A1). On this survey, detailed questions are asked about the property and sale price. Moreover, market values are influenced by tax appraisals. When evaluating housing prices, housing market stakeholders use Web sites like the popular real estate Web site Zillow. Zillow creates estimates of almost every house in the United States by examining recent house sales in the area, prior transactions of that particular property, features of

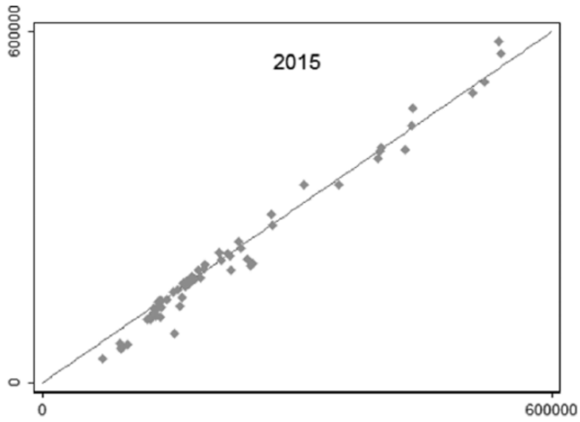

Figure A2. Zillow market appraisal estimation compared with Harris County Appraisal District tax appraisal.

the individual dwelling, and tax appraisals. (To see more about Zillow's methodology and data, see Zillow Research 2014.) Thus, there is an implicit feedback loop between market and tax appraisals.

Given the relationship between market and tax appraisals, we assume the two are highly correlated. Although Zillow does not provide downloadable spreadsheets of its estimates for each house, it does provide the median value of its estimates by different geographic scales. Thus, we compared Zillow's estimates for Harris County ZIP codes (their smallest available geographic unit) with the median tax appraisal value within each ZIP code. Results suggest that the Zillow estimates are extremely comparable with HCAD's median tax appraisals (r = .99). Specifically, in 2015, the average market value was \$220,000, while the average tax appraisal was \$214,000 (see Figure A2).

To adjudicate the possibility that these correlations are the result of Zillow's estimation formula and not home sale price (a proxy for market value), we also compared the tax appraisal values with mortgage data from the HMDA, which provides loan amounts for homes purchased with a mortgage. We use these amounts as rough approximations for market values. For both the HCAD and HMDA data, we calculated the census tract median house value of homes that sold in 2013 (the most recent available HMDA data) and found that the correlation between the HCAD and HMDA data was 0.96. The strong correlations among HCAD, Zillow, and HMDA data provide support for our claim of the comparability of and relationship between tax and market appraisals.

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AUTHORS' NOTE

The authors' names are listed alphabetically by last name to demonstrate equal authorship.

NOTES

1. Throughout this article, we use words such as *value* and *price* interchangeably. There is no "objective" home value or price. Instead, both signal the social construction of economic valuation, which "does not stand outside of society: it incorporates in its very making evaluative frames and judgments" (Fourcade 2011:1769). An appraisal is an "official" industry opinion of home value or price (Stuart 2003).
2. Appraisal districts, such as those in Chicago, Dallas, Houston, and New York, rely on property sales data to assess home value. And real estate economists use property tax–appraised value as a proxy for market value (e.g., Goodman and Thibodeau 2003; Leichenko, Coulson, and Listokin 2001).
3. These laws include the 1968 Fair Housing Act, 1974 Equal Credit Opportunity Act, 1975 Home Mortgage Disclosure Act, and 1977 Community Reinvestment Act.
4. According to the 2011–2015 American Community Survey, 37 percent of Houston's occupied housing units are owner-occupied single-family homes, compared with only 29 percent in Los Angeles, 23 percent in Chicago, and 8 percent in New York City.

5. Because the original data had 13 lots that exceeded 1 million square feet, we triangulated the data to ensure their accuracy and then ran models with and without these cases. Model results were identical with and without these cases. We chose to exclude these extreme cases in the presented results.
6. Supplemental models were run operationalizing the exact number of fireplaces, swimming pools, and tennis courts, as well as the square footage of the garage, patio, porch, and deck. Results were comparable, so we use the dichotomous variables for simplicity. Additionally, other home characteristics were considered, including the number of bedrooms, bathrooms, total rooms, and carports, as well as the type of foundation, exterior wall material, central heating and air conditioning, basement, and attic square footage. As expected, more amenities increased home value; however, none of these additional controls changed any substantive results. Thus, we chose the home characteristics that were theoretically compelling and explained the most variation in home value.
7. Census tracts were used instead of smaller geographic areas such as block groups because we surmised that evaluations of place are influenced by specific blocks and their surrounding areas (Crowder and South 2008). Because census tracts are generally more racially diverse than census blocks, we presume that our results are conservative estimates.
8. We used the third grade school attendance zone boundaries and measure school quality for all public schools in each zone that teach third grade.
9. In both police departments, violent crimes include assault, murder, and rape, while nonviolent crimes include burglary and drug charges, among others. Models were run using the total number of crimes per capita, violent crimes per capita, and nonviolent crimes per capita. Results were comparable, but correlations were strongest for violent crime.
10. In addition to using these two scores as a construct validity test, we also conducted supplemental tests with national data. As expected, ZIP codes with the highest demand (fewest price cuts) were in San Francisco, San Jose, and New York City. Conversely, the three ZIP codes with the lowest demand were on the outskirts of Philadelphia. On a metropolitan level, the metropolitan areas with the highest demand were San Francisco, Honolulu, and Seattle, while those with the lowest demand were Phoenix, Albuquerque, and Philadelphia.
11. The Stata xtreg command can be used for multilevel or longitudinal data, as both use the same estimation equations. Random effects are required to estimate the census tract level coefficients.
12. To ensure that these real dollar differences are not inflated by our conceptualization of White, Black, and Hispanic neighborhoods as "100 percent" a given race, we examine the descriptive statistics in the county's most segregated neighborhoods. The mean housing value in census tracts that are at least 85 percent White is $974,000 ($n$ = 15,441 homes in 10 tracts). This mean value is 12 times higher than the mean value in tracts that are at least 85 percent Hispanic ($80,000; n = 47,978 in 59 tracts) and 15 times higher than the mean value in tracts that are at least 85 percent Black ($66,000; n = 10,075 in 13 tracts).
13. Given the skew of the housing quality data, we conducted sensitivity tests by identifying all homes whose value, square footage, or lot size were more than 3 standard deviations larger than the mean. Results with and without outliers are comparable. Thus, the presented models (which include outliers) are slightly more conservative.
14. Contrary to expectation, lower consumer housing demand corresponds with higher appraisal values, holding all else constant. To ensure that this finding was not a product of our operationalization of demand, we conducted additional validity tests. First, we ensured the ZIP codes with high demand match our qualitative observations. Second, we ran models predicting home value using only our demand variables, and results were in the expected direction (higher demand equals higher value). Finally, we ran models predicting consumer housing demand. Unsurprisingly, demand is higher in communities with larger homes, higher homeownership, and lower poverty. However, in Houston, demand is also higher in Black and Hispanic neighborhoods.

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