Action Plan to Advance Property Appraisal and Valuation Equity

Closing the Racial Wealth Gap by Addressing Mis-valuations for Families and Communities of Color

PAVE
INTERAGENCY TASK FORCE ON PROPERTY APPRAISAL AND VALUATION EQUITY

MARCH 2022

"Affirmatively advancing equity, civil rights, racial justice, and equal opportunity is the responsibility of the whole of our Government. Because advancing equity requires a systematic approach to embedding fairness in decision-making processes, executive departments and agencies must recognize and work to redress inequities in their policies and programs that serve as barriers to equal opportunity."

PRESIDENT JOSEPH R. BIDEN, JR.

Executive Order on Advancing Racial Equity and Support for Underserved Communities Through the Federal Government

PAVE Task Force Agencies and Offices

The Interagency Task Force on Property Appraisal and Valuation Equity (PAVE) is composed of thirteen federal agencies and offices. PAVE is co-led by the U.S. Department of Housing and Urban Development (Secretary Marcia L. Fudge) and the White House Domestic Policy Council (White House Domestic Policy Advisor Susan Rice).

U.S. Department of Housing and Urban Development

White House Domestic Policy Council

Appraisal Subcommittee

Federal Reserve Board

Consumer Financial Protection Bureau

Federal Deposit Insurance Corporation

Federal Housing Finance Agency

National Credit Union Administration

Comptroller of the Currency

U.S. Department of Agriculture

U.S. Department of Justice

U.S. Department of Labor

U.S. Department of Veterans Affairs

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Executive Summary

FOR MANY AMERICANS, the dream of homeownership and the long-term financial security this investment represents is a dream deferred or unrealized. Homeownership is often hindered by inequities within current home lending and appraisal processes, which research shows disproportionately impact people in communities of color.

Though this broken system was created decades ago, perhaps the biggest drivers of the racial and ethnic wealth gap today are the racial and ethnic disparities in rates of homeownership and in the financial returns associated with owning a home.

Today, the median white family holds eight times the wealth of the typical Black family and five times the wealth of the typical Latino family.

On June 1, 2021—the centennial of the Tulsa Race Massacre—President Biden announced the creation of an interagency initiative, the PAVE Task Force ("the Task Force"). Co-chaired by U.S. Department of Housing and Urban Development Secretary Marcia Fudge and White House Domestic Policy Advisor Susan Rice, the Task Force was directed to *evaluate the causes, extent, and consequences of appraisal bias and to establish a transformative set of recommendations to root out racial and ethnic bias in home valuations.* The 13 member agencies and offices of the Task Force engaged philanthropic organizations, academics, civil rights leaders, housing industry stakeholders, and everyday Americans who currently own, or aspire to own, a home. The Task Force heard their stories, perspectives, and ideas. As a result of this engagement, the member agencies of the Task Force committed to a set of actions to help ensure that every American has a chance to build generational wealth through homeownership.

Tulsa Race Massacre of 1921

> *Just imagine if instead of denying millions of Americans the ability to own their own home and build generational wealth, we made it possible for them to buy a home and build equity into that...home and provide for their families.*

President Joseph R. Biden , Jr.

This *Action Plan to Advance Property Appraisal and Valuation Equity (PAVE)* ("the Action Plan") is the blueprint for how all Americans can benefit fairly from the equity built through homeownership.

Specifically, this Action Plan:

1. Outlines the historical role of racism in the valuation of residential property;
2. Examines the various forms of bias that can appear in residential property valuation practices; and
3. Describes affirmative steps that federal agencies will take to advance equity in the appraisal process, and outlines further recommendations that government and industry stakeholders can initiate.

The federal agency commitments outlined in this Action Plan *represent the first steps of the Task Force* to ensure that every American has the same opportunity to build wealth through homeownership.

The Home Appraisal Process

Appraisers commonly inspect the following aspects of a home to estimate its value.

The impact of inequitable property valuation

Throughout the 20th century, people of color were denied equitable access to housing as federal, state, and local governments systematically implemented discriminatory policies that led to housing segregation. *These policies contributed to a gap between the values of homes in communities of color and predominantly white neighborhoods.* Despite the passage of civil rights laws, most notably the Fair Housing Act, that were designed to ensure equal opportunity for home ownership, market value disparities persist and are a significant factor in today's sprawling racial wealth gap. [1]

The purpose and importance of appraisals

An appraisal is a critical element of homebuying and lending processes as it establishes the value of the property as the collateral for a home loan. The difference between a property's value and the homeowner's loan amount generally represents the homeowner's home equity. *One of the core benefits of homeownership is that a homeowner can build wealth by leveraging and growing that home equity.* Greater home equity makes it less likely that homeowners will fail to repay a mortgage if they experience financial hardship. Therefore, the property valuation is a critical input to the risk evaluations that surround the lending process.

Home loan lenders hire appraisers specifically to provide independent, fair, and objective estimates of the market value of a property so that lenders can accurately evaluate risk. Most commonly, appraisers estimate the value of a home by comparing it to similar, recently sold properties in comparable neighborhoods. An appraiser's opinion of value is very dependent on that appraiser's selection of comparable properties and the adjustments and weighting the appraiser applies to those selections. This decision has subjective elements that depend on the expertise of the appraiser and the appraiser's familiarity with the neighborhood, resulting in a natural imprecision of the appraiser's estimate of the home's value.

New studies validate appraisal bias in the U.S. housing market

Researchers have observed a market value gap between majority-Black and majority-white neighborhoods for decades. On average, homes in majority-Black neighborhoods are valued at less than half of those in neighborhoods with few or no Black residents. Statistical analyses show that accounting for neighborhood and property characteristics and amenities—such as the age of the property or its proximity to public transportation—does not explain the entire disparity.[2] Recent research has identified appraisals as one of the drivers of the gap.

New research from Freddie Mac (2021) using census data finds 12.5 percent of appraisals for home purchases in majority-Black neighborhoods and 15.4 percent in majority-Latino neighborhoods result in a value below the contract price (the amount a buyer is willing to pay for the property), compared to only 7.4 percent of appraisals in predominantly white neighborhoods. [3] This research corroborates prior observations that a neighborhood's average appraised property value tends to decrease as the share of historically marginalized populations increases. [4]

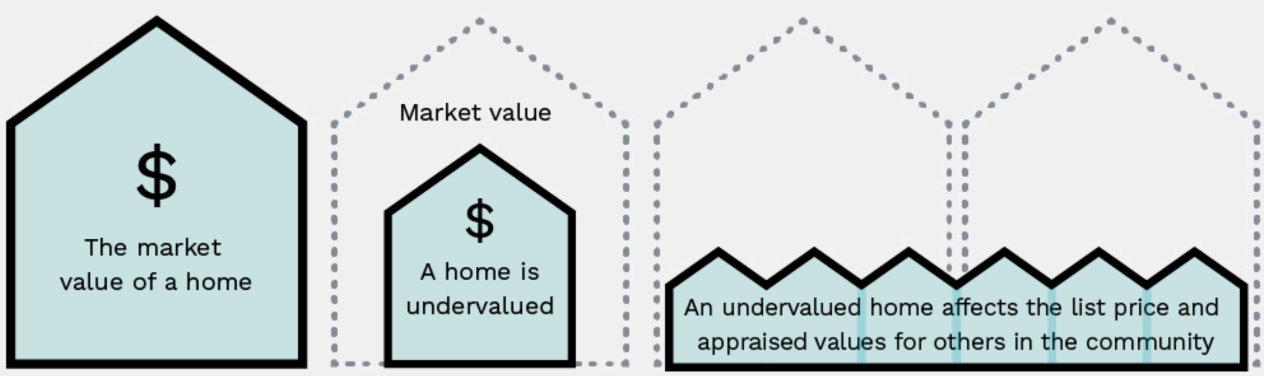
Very recently, a study of appraisal commentary (the free-form narrative section of an appraisal report, reflecting the appraiser's reasoning for the property valuation opinion) revealed that appraisers sometimes make racial and ethnic references. [5] For example, the study found that one appraiser wrote that a majority-white area was "not especially-diverse ethnically," and another appraiser noted that residents of a "predominantly Hispanic" neighborhood have "assimilated their cultural heritage" into the neighborhood.

The impact of undervaluation for homebuyers, sellers, and communities

An appraisal that is below the contract price in a home sale can sometimes result in a higher required down payment for a home buyer. This unexpected, out-of-pocket increase can often cause a sale to fall through, [6] *potentially preventing a prospective buyer from purchasing a home.* It can also result in a downward price renegotiation, helping the buyer, but reducing the seller's financial gains, which may in turn hinder that family in purchasing their next home. A low valuation in a refinance transaction can be similarly damaging to a homeowner, reducing the cash-out available and in some cases affecting the refinance interest rate and mortgage insurance premiums the homeowner pays, which can result in substantial costs over time.

A widespread pattern of undervaluation in communities of color can impact an entire neighborhood. Each instance of a lower purchase price becomes a candidate for the next appraiser to choose as a comparable sale for the next appraisal in the community, carrying the impact of the lower value forward. Over time, even a slight imbalance of undervaluation can have a significant effect on the property values in a

Compounding Effects of Undervaluations



Over time, homeowners in the neighborhood experience less gain of home equity wealth when they sell or refinance their home. Depressed property values can increase the likelihood of low valuations on future sales.

community, and hence on the accumulated wealth of homeowners in that community. This effect can hinder families in that community from leveraging equity to pay for college, pay for repairs, or use as a buffer during a financial hardship. Reduced property values can also diminish the property tax revenue that funds the maintenance and improvement of community schools and amenities.

Which laws enforce appraisal equity?

Home appraisals, a critical component of the homebuying and lending processes, *fall within the scope of fair housing and fair lending laws*.

Congress enacted the landmark Fair Housing Act in 1968 to lift barriers that created separate and unequal neighborhoods on the basis of race, color, religion, and national origin. Subsequent amendments to the Fair Housing Act also prohibit discrimination on the basis of sex (which includes sexual orientation and gender identity), disability, and familial status. Similarly, the Equal Credit Opportunity Act (ECOA) prohibits discrimination by creditors on the basis of race, color, religion, national origin, sex, marital status, age, or whether all or part of the applicant's income derives from any public assistance program, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act, including ECOA.

Despite the enactment of these laws, longstanding structural barriers have continued to serve as an impediment to homeownership. More than 50 years since the Fair Housing Act's passage, the racial homeownership gap is wider than ever: in 2021, the Black homeownership rate reached only 44 percent, while the white homeownership rate reached 74 percent. [7] According to recent studies, eliminating racial disparities in rates of homeownership would shrink the wealth gap between Black and white households by 31 percent and between Latino and white households by 28 percent. [8] *Eliminating racial disparities in the amount of wealth families gain from owning a home would narrow the wealth gap by an additional 16 percent between Black and white households and by an additional 41 percent between Latino and white households.* [9]

Homeownership means more than shelter for many Americans; it is often their most important investment. Part of the dream of owning a home is that it presents an opportunity to not just "get by," but to one day achieve a return on investment. *The President's formation of the Task Force was inspired by the moral imperative to fix inequitable policies and practices* and, above all, by his commitment to provide every American with a fair shot at wealth and prosperity.

> *I live in an all-Black community. My lot and house are bigger, yet my home is valuated at $25,000 less than the house two doors from me, which is an all-white community. The Biden-Harris Administration acknowledges that the communities of color like mine have lost billions of dollars solely through the appraisal process. We're committed to taking meaningful action to increase homeownership and generational wealth for all.*
>
> HUD Secretary Marcia L. Fudge

This document is intended as an action plan, not a report of high-level recommendations. *The Task Force focused on identifying concrete actions that agencies have committed to* take to eliminate bias and advance equity in home appraisals.

Agency Actions to Advance Valuation Equity

Strengthening guardrails against unlawful discrimination in all stages of residential valuation

1.1 Clarify the application of the Fair Housing Act and ECOA to the appraisal industry to ensure appraisers have clear guidance on antidiscrimination obligations under current federal laws.

1.2 Update agencies' and Government Sponsored Enterprises' appraisal-specific policies and guidance to reflect how nondiscrimination requirements apply to appraisers within these agencies' and Enterprises' programs.

1.3 Issue guidance and implement new policies to improve the processes by which a valuation may be reconsidered if the initial value is lower than expected.

1.4 Strengthen the standard appraisal dataset and data collection forms to reduce opportunities for appraisers to apply subjective criteria.

1.5 Address potential bias in the use of technology-based valuation tools through rulemaking related to Automated Valuation Models (AVMs).

1.6 Develop a legislative proposal that modernizes the governance structure of the appraisal industry to improve transparency and public participation in the establishment of appraisal standards and appraiser qualification criteria, and to advance diversity in the profession.

Enhancing fair housing / fair lending enforcement and driving accountability in the industry

2.1 Strengthen coordination among supervisory and enforcement agencies to identify discrimination in appraisals and other valuation processes.

2.2 Revise existing agreements between agencies involved in the enforcement of and compliance with fair lending and fair housing laws, as necessary, to increase collaboration among the agencies regarding appraisal discrimination.

2.3 Expand regulatory agency examination procedures of mortgage lenders to include identification of patterns of appraisal bias.

Building a well-trained, accessible, and diverse appraiser workforce

3.1 Update appraiser qualification criteria related to appraiser education, experience, and examination requirements to lower barriers to entry in the appraiser profession.

3.2 Increase engagement with states' appraisal regulatory agencies to help remove barriers to entry and advance diversity in the appraiser workforce.

3.3 Require appraisal anti-bias, fair housing, and fair lending training for all appraisers who conduct appraisals for federal programs and work with the appraisal industry to require such trainings for all appraisers.

Empowering consumers to take action

4.1 Update and clarify government resources for consumers who believe they may have experienced appraisal bias.

4.2 Incorporate appraisal bias information into first-time homebuyer education courses.

4.3 Train housing counselors to empower them to assist potential victims of appraisal bias as part of pre- and post-purchase homeownership counseling.

4.4 Provide funding opportunities for testing, education, and outreach pertaining to appraisal bias and discrimination.

4.5 Execute a coordinated public awareness campaign to inform consumers of their rights, as well as to disseminate the new resources that will be available to them.

4.6 Inform Federal Housing Administration (FHA) borrowers about the process to request a reconsideration of a valuation when the initial valuation is lower than expected.

Giving researchers and enforcement agencies better data to study and monitor valuation bias

5.1 Develop data-sharing arrangements among all relevant government agencies and pursue joint strategies to make appraisal-related data more widely available, foster federal research, and better enable enforcement related to appraisal bias.

5.2 Launch a standing interagency effort to identify and fill gaps in the current state of research and help inform future policy and enforcement priorities.

5.3 Define metrics that can help to identify and measure patterns of mis-valuation in the property valuation process.

Assessing additional policy and research efforts to ensure more equitable valuation

The Task Force identified several additional policy initiatives that may have the potential to make a significant difference in ensuring fair and accurate home valuations for all communities. These policy ideas require in-depth evaluation and research, greater input from stakeholders, and further exploration. The Task Force is committed to doing this work. In the coming months the Task Force will assess:

- Expanded use of alternatives to traditional appraisals as a means of reducing the prevalence and impact of appraisal bias.
- Use of value estimate ranges instead of an exact amount as a means of reducing the impact of racial or ethnic bias in appraisals.
- The potential use of alternatives and modifications to the sales comparison approach that may yield more accurate and equitable home valuation.
- Public sharing of aggregated historical appraisal data to foster development of unbiased valuation methods.

Given the historical and continued impact of federal policies that enabled the persistent mis-valuation of properties in communities of color, the Task Force has carefully crafted a set of commitments that will further valuation equity within the housing market. This commitment is ongoing. The Task Force is indebted to the countless stakeholders who shared their stories and ideas. Additional policy and research efforts will continue to benefit from a diversity of voices working together toward the common goal of ensuring that the American Dream of homeownership is attainable for all.

Action Plan To Advance Property Appraisal And Valuation Equity

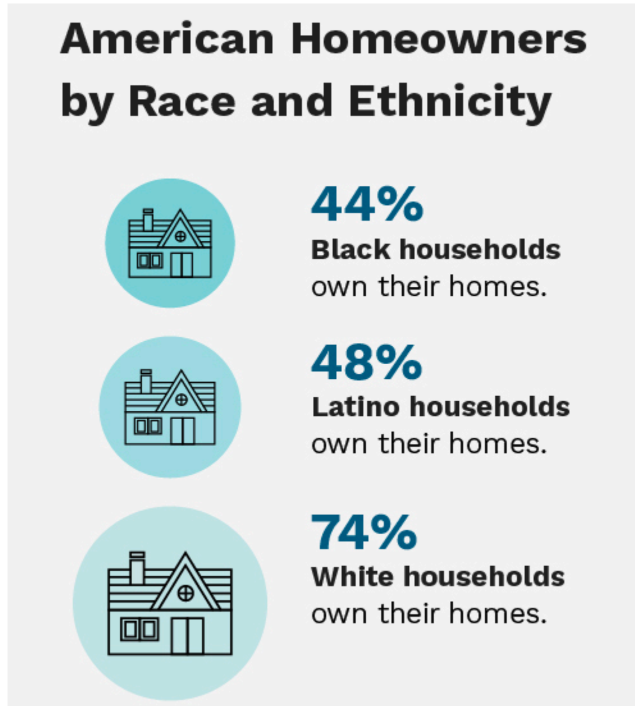
Diverse and inclusive communities strengthen our democracy, yet the legacy of residential segregation remains ever-present in American society. While federal housing policies and programs historically expanded homeownership for some families of color, many others were still excluded.[10] These policies also contributed to lending discrimination practices, such as mortgage redlining.[a]

Today, access to housing and wealth through homeownership in the U.S. varies greatly by race and ethnicity; a contributing factor to this is the persistent mis-valuation of homes for families and communities of color.[11] In 2021, the homeownership rate for non-Hispanic white families was 74 percent, compared to 44 percent for Black families and 48 percent for Latino families.[12] On June 1, 2021, President Biden announced the creation of an Interagency Task Force on Property Appraisals and Valuation Equity (PAVE) ("the Task Force") to combat inequity in home appraisals.

The Task Force's systematic approach

Over the past 180 days, the Task Force has undertaken a collaborative and comprehensive approach toward identifying actions to address appraisal bias. *This approach involved extensive consultation with subject matter experts and leaders across industry, academia, trade and civil rights groups, and government.*

During the Task Force's literature review and efforts to validate the contributing factors of appraisal bias, Task Force members held numerous listening sessions, engaging with more than 150 independent appraisers, appraisal management companies (AMCs), lenders, advocacy groups, and philanthropy organizations.



The Task Force also received stakeholder proposals and recommendations around issues of:

- Reconsiderations of Value (ROVs);
- Automated Valuation Models (AVMs);
- Technology innovations;
- Training;
- Data;
- Proposed solutions to increase diversity and access to the profession; and
- Other areas relating to advancing equity in valuations.

These stakeholder recommendations informed the agency commitments contained in this Action Plan. The Task Force hopes that these commitments will enable continued dialogue and collaboration with key

[a] In this Action Plan we define redlining as a slight modification to the Federal Financial Institutions Examination Council's (FFIEC's) definition, namely as "a form of illegal [discrimination] in which a lender provides unequal access to credit, or unequal terms of credit, because of the race, color, national origin, or other prohibited characteristic(s) of the residents of the area in which the credit seeker resides or will reside or in which the residential property to be mortgaged is located." (adapted from FFIEC, *Interagency Fair Lending Examination Procedures*, 2009, https://www.ffiec.gov/pdf/fairlend.pdf).

stakeholders in the appraisal and housing industry, advocates, consumers, and local communities.

How to read this Action Plan

This Action Plan: 1) describes the extent, causes, and consequences of mis-valuing residential properties; and 2) outlines a set of commitments to address the mis-valuing of properties. It provides a clear-eyed assessment of steps the Federal Government is committing to take in the short run to advance appraisal equity. *As such, the Action Plan is limited, with few exceptions, to actions that can be undertaken by federal agencies using existing authorities.*

The Action Plan also identifies a limited number of legislative proposals to further advance valuation equity. The independent agencies within the Task Force have not necessarily endorsed these legislative proposals at this time. The work of the Task Force supports the President's "Executive Order on Advancing Racial Equity and Support for Underserved Communities Through the Federal Government," which states that the Federal Government "*...should pursue a comprehensive approach to advancing equity for all, including people of color and others who have been historically underserved, marginalized, and adversely affected by persistent poverty and inequality*." [13]

Additionally, it responds to the President's January 26, 2021 "Memorandum on Redressing Our Nation's and the Federal Government's History of Discriminatory Housing Practices and Policies," which describes how "...a racial gap in homeownership" and the "...persistent undervaluation of properties owned by families of color" have inhibited equal opportunity and wealth-building opportunities. [14]

Definitions

For the purposes of this Action Plan, the Task Force defines "valuation equity" as a condition in which a residential property is equally likely to be accurately valued regardless of the race, ethnicity, national origin, or other protected characteristics of its residents or composition of its neighborhood.

This Action Plan often uses the term "racial and ethnic bias," as described in the President's "Memorandum on Redressing Our Nation's and the Federal Government's History of Discriminatory Housing Practices and Policies," to refer to bias based on race, ethnicity, or national origin.

> *"From Day One, the Biden-Harris Administration has put advancing equity and racial justice at the center of our work. By taking steps to eliminate bias in home valuations, this Action Plan will help us narrow the racial wealth gap and deliver a more equitable future for all Americans."*
>
> White House Domestic Policy Advisor Susan Rice

This Action Plan uses the term "valuation bias" to refer to bias based on race, ethnicity, or national origin in the residential valuation process performed as part of mortgage origination, regardless of the valuation method. The Action Plan uses the term "appraisal bias" to mean the same in the context of appraisals specifically (that is, an opinion of value rendered by a professional appraiser for residential real estate).

Scope

This Action Plan limited its scope to issues in the appraisal industry and does not attempt to address all forms of racial and ethnic bias in the housing market. The context of this Action Plan does not include appraisals performed to value non-residential real estate and personal property, nor does it encompass appraisals or other valuations performed for reasons other than support of mortgage lending.[b]

Additionally, the Task Force identified several key topics that could not be fully addressed within the Task Force's 180-day initial lifespan. This Action Plan identifies and discusses those topics as areas for the next phase of the Task Force's work.

[b] While this Action Plan focuses on residential appraisals, ECOA covers all lending, including commercial lending, and many of the principles and objectives highlighted in the report apply equally to commercial appraisals.

The History and Impact of Persistent Mis-Valuations

The homeownership gap and why it matters

SEVENTY-FOUR PERCENT of white American households own their homes, compared to only 48 percent of Latino American households and 44 percent of Black American households.[15] The number of Black homeowners would need to increase by 5 million for the Black homeownership rate to reach that of white Americans.

Much of the gap in rates of homeownership can be traced to socio-economic factors that differ on average between Black and white homeowners[16], *but Black Americans who do own homes hold less home equity, on average, than white homeowners.*[17] An uneven recovery from the 2008 housing crisis cemented these differences: houses in majority-white neighborhoods regained value more quickly than those in comparable Black and Latino neighborhoods.[18] Property characteristics and measures of neighborhood amenities may explain some of the gap in home values. However, a disparity persists even after adjusting for those factors.[19]

This gap is likely due to several factors, including:

- Direct impacts of residential segregation;
- Differences in neighborhood-level socio-economic factors that impact demand, that themselves may be remnants of past segregation; and
- An apparent pattern of racial and ethnic bias in appraisals.

The data show that a pattern of racial disparity in appraised values exists and that the discrepancy cannot be fully explained by other factors.[20] [21] [22]

History of valuation bias in the U.S. housing market

The origins of bias in the appraisal industry

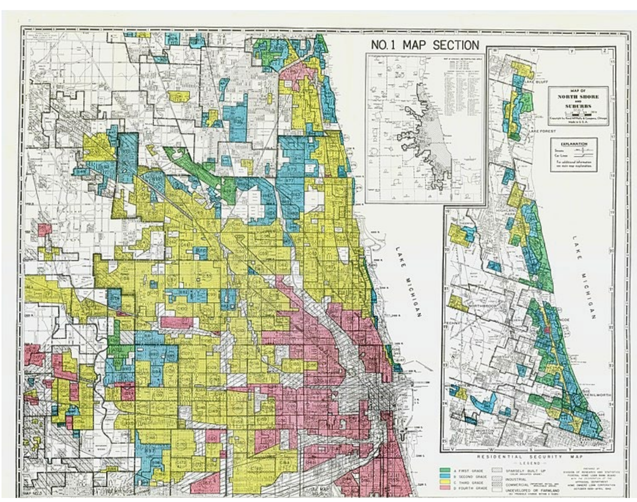
When the appraisal industry took shape in the 1930s, racism was embedded and commonplace. For example, one of the foundational documents of property appraisal practices, Frederick Babcock's influential 1931 manual "The Valuation of Real Estate," hypothesizes that neighborhood decline results inevitably from occupation by "...the poorest, most incompetent, and least desirable groups in the city," and describes how "...racial heritage and tendencies seem to be of paramount importance" in influencing property values. These perspectives toward property value influenced the mortgage underwriting of the Home Owners Loan Corporation (HOLC) and the Federal Housing Administration (FHA).

Role of HOLC in increasing valuation bias

Congress created HOLC in 1933 to refinance distressed mortgages from the Great Depression. Since these loans were based on the value of a home, the Federal Government created standards for property valuation. HOLC sought to broaden borrower eligibility and encourage lender participation, and hence generally encouraged overvaluation in its valuation guidelines.[23] However, HOLC's policies classified some neighborhoods as bearing higher collateral risk.

HOLC's City Survey Program created residential security maps in which it assigned urban neighborhoods a ranking from A-rated ("best") (shaded in green) to D-rated ("hazardous") (shaded in red), as a guide to help the lending industry evaluate risk. Lenders considered areas classified as "hazardous" as bearing high financial risk and would often refuse to make loans collateralized by properties in those areas.

Studies have shown that these "redlined" D-rated neighborhoods had a strong association with racial composition. Historian Kenneth Jackson stated that "Black neighborhoods were invariably rated 'D,' as were any areas characterized by poor maintenance, poverty, or vandalism." [24] Recent research has questioned whether the HOLC's maps were responsible for changes in lending patterns or whether they codified the practice of racialized valuation that already existed. [25] Regardless, on average, home values in communities of color lagged those in white neighborhoods.



HOLC Residential Security Map for Chicago, IL. Areas marked in red were denied home mortgage loans by lenders due to their perceived credit risk.

The role of FHA in increasing valuation bias

Similar to HOLC, FHA's policies also included a neighborhood risk rating methodology, which it incorporated into its underwriting manual. FHA's underwriting manual spoke to the risk of neighborhoods declining in value due to "adverse influences." The FHA underwriting manual from 1936 stated, "Usually the protection against adverse influences afforded by these means include prevention of the infiltration of business and industrial uses, lower-class occupancy, and *inharmonious racial groups*" [26] (emphasis added).

To avoid these "adverse influences," FHA's underwriting guidance encouraged lenders to consider restrictive covenants and zoning mechanisms as positive factors. Appraisers absorbed these race-based risk assumptions into their valuation practices. This contributed to the exclusion of Black neighborhoods from certain mortgage products. These practices limited Black households' access to homeownership.

In response, predatory agents sold Black households "FHA approved" dilapidated homes at inflated prices. [27] [28] Meanwhile, white borrowers with access to suburban housing benefited from access to mortgages with lower down payments and longer amortization schedules. [29]

Enactment of the Fair Housing Act and ECOA

The 1960s saw many discriminatory federal housing policies begin to be dismantled. [c] The Fair Housing Act of 1968 made it unlawful to discriminate against any person because of race, color, religion, or national origin in the provision of housing or in housing-related transactions. In 1974, Congress amended the Fair Housing Act to prohibit discrimination on the basis of sex. In 1988, it was amended to include disability and familial

[c] For example, Executive Order 11062 (November 1962) prohibited discrimination in the sale, leasing, rental, or other disposition of properties owned or operated by the Federal Government or provided with federal funds.

status as protected characteristics.[30] The Fair Housing Act also requires that all federal programs relating to housing and urban development be administered in a manner that affirmatively furthers fair housing.

Additionally, Congress enacted ECOA in 1974 to require that all individuals have an equal opportunity to obtain loans and other types of credit from financial institutions and lenders.

Yet, as initially enacted, the Fair Housing Act did not explicitly include property appraisals. As a result, the appraisal industry continued to use neighborhood demographics in property valuations. The Department of Justice (DOJ) sued four professional appraisal organizations in 1976, alleging they had "engaged in unlawful discriminatory practices by promulgating standards which have caused appraisers and lenders to treat race and national origin as negative factors in determining the value of dwellings and in evaluating the soundness of home loans." DOJ also alleged that they had failed to "take adequate steps to correct the continuing effect of past discrimination and ensure non-discrimination by appraisers and lenders."[31]

The resulting settlement required the defendants to adopt policy statements that clarified that the practice of treating race, ethnicity, or religion as a negative factor in real estate appraisals was unlawful. When Congress amended the Fair Housing Act in 1988, it *explicitly included appraising of residential real property* as a covered residential real estate-related transaction.[32]

Appraisals in the U.S. housing market

An appraiser's role is to provide an independent, objective, and unbiased opinion of the estimated market value of a residential property. Appraisers prepare appraisal reports for several reasons; this Action Plan primarily focuses on appraisals performed in support of mortgage lending. Appraisals are not the sole method of valuing residential properties, but they are required in most purchase transactions, as well as in many refinance transactions. In mortgage lending appraisals, the borrower typically pays for the appraisal, but the lender is typically the appraiser's client and is the intended user of the appraisal report.

The appraiser conducts the appraisal to both the standards of the Uniform Standards of Professional Appraisal Practice (USPAP) and to the requirements of the lender, which is in turn fulfilling its obligations to the ultimate holder of credit risk (e.g., the Government Sponsored Enterprises, Fannie Mae and Freddie Mac ("Enterprises"); or FHA, the U.S. Department of Veterans Affairs

The Fair Housing Act

The Fair Housing Act prohibits discrimination in the sale, rental, and financing of housing based on race, color, national origin, religion, sex, familial status, and disability.

1968

The Fair Housing Act is enacted **to lift barriers** that created separate and unequal neighborhoods on the basis of race, color, religion, and national origin.

1974

Congress amends **to prohibit discrimination based on sex.**

1988

Congress amends **to explicitly include appraisals.**

Equal Credit Opportunity Act

Congress enacts ECOA in 1974 to promote the availability of credit to applicants without regard to race, color, national origin, sex, marital status, or age.

(VA), or the U.S. Department of Agriculture (USDA), in many cases). Of note, in appraisals for VA loans, VA makes appraisal assignments on a rotational basis to VA fee-panel appraisers, so the process differs slightly.

In mortgage lending, *it is critical that the lender understands the value of the property collateralizing the mortgage loan*. The difference between the property value and the loan amount is a close proxy for the homeowner's home equity. Lenders calculate a metric called the loan-to-value (LTV) ratio to capture the impact of home equity as one of the dimensions of credit risk (credit risk is the risk of a lender taking losses if a borrower defaults on a mortgage). A borrower's home equity is predictive of both a borrower's likelihood of defaulting on the loan and the credit losses associated with the default.

All else equal, if a homeowner is facing financial hardship, but possesses significant home equity, the homeowner has both the motivation to avoid losing his or her home equity and options to avoid a default. Hence, an accurate property valuation is vital information for the holder of credit risk on a mortgage.

In a home purchase transaction, the mortgage appraisal also has value for the buyer, as the appraiser's opinion can also be a safeguard for the buyer against overpaying.

Appraisers traditionally estimate value by three approaches: sales comparison, cost, and income. The sales comparison approach is the primary practice for residential properties, in part due to guidance from the Enterprises and government insuring or guaranteeing agencies such as the U.S. Department of Housing and Urban Development (HUD), VA, and USDA. Under the sales comparison approach, the appraiser identifies recent nearby property sales with similar characteristics (comparable properties, or "comps"). The appraiser then adjusts the comp sales prices for observable differences in property characteristics, weighted by the appraiser's discretion, and then aggregates this to formulate a justifiable valuation for the subject property.

The appraiser uses his or her discretion in choosing and adjusting comps, and in weighting each comp sale's contributions to the value estimate. The appraisal's final value estimate—the appraiser's opinion of value—is sensitive to the appraiser's comp choices. An appraiser's decisions here are informed by his or her expertise and familiarity with the neighborhood and region, a competency that USPAP requires appraisers to demonstrate. Because of the importance of the appraiser's professional expertise, *there is a natural imprecision in the appraiser's valuation estimate* and a natural sensitivity to the subjective elements of the appraisal.

The degree of subjectivity embedded in an appraiser's work means that an appraiser can reasonably justify a range of values. For purposes of supporting lending, an appraiser uses his or her expert discretion to choose a single point value. In a purchase transaction with a contract price against which to compare, appraisal point value estimates can therefore reasonably land above or below the contract price.

Evidence of mis-valuations

Overvaluation and why it matters

When a property in a purchase transaction is appraised at more than a reasonable estimation of its fair market value, it is an overvaluation. In purchase transactions, the appraised value is heavily swayed by the anchor of the contract price between the buyer and seller. Therefore, most purchase appraisals result in values that meet, or slightly exceed, the contract price, but may still be reasonable.

A recent study using Fannie Mae data found that 92.1 percent of appraised values on purchase transactions were equal to or above the contract price.[33] While most of these were within a reasonable range of the contract price, studies have shown that appraisals are likely affected by a form of upward confirmation bias that results from an incentive inherent to purchase appraisals.

As one report notes, when a buyer, seller, lender, and appraiser all have distinct financial interests in a sale and "[t]he appraiser understands the financial implications of having no transactions and, at the same time, wants repeat business via referrals...[t]he way to ensure the deal is to appraise slightly high."[34] Other studies have borne out the prevalence of valuations above contract price in purchase appraisals and the reasons for it.[35] Some of the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act[36] (Dodd-Frank Act or Dodd-Frank) were written with an intention to mitigate this long-studied phenomenon.

Prior to 2008, systemic overvaluation helped support the rapid increase in home prices that set the conditions for the financial crisis.[37] In the wake of the crisis, the Enterprises implemented the Home Valuation Code of Conduct (HVCC), later replaced by portions of Dodd-Frank, in part to remove as much of the overvaluation incentive as possible by creating a degree of independence between the appraiser and the lender.

Even today, valuations above contract price are common.[38] Valuations above contract price in purchase transactions rarely cause problems with the purchase itself, but to the extent that they support a transaction out of line with market value, they may result in the

credit-risk holder undervaluing its risk, and may speed up irrational inflation of property values.

Undervaluation and why it matters

While overvaluations introduce their own issues, recent studies have focused on *undervaluation patterns as creating a more harmful outcome for Black and other historically marginalized homebuyers*. While purchase transaction appraisals lower than contract price are not common, they appear to be *less* common in majority-white neighborhoods than they are in Black and Latino neighborhoods.[39]

For the purposes of this Action Plan, the Task Force will use the term undervaluation to refer to valuation estimates less than a reasonable estimation of market value, understanding that there is imprecision in that term. In purchase appraisals, when a property appraises at less than the contract price, it may be the sign of an undervaluation. A purchase appraisal below contract price is not necessarily inaccurate or harmful. In fact, an appraiser's well-considered valuation that is less than a contract price can serve precisely as the control that appraisers are hired to provide. A fully justifiable valuation less than contract price can benefit both the buyer (who may then be prevented from overpaying) and the credit risk holder.

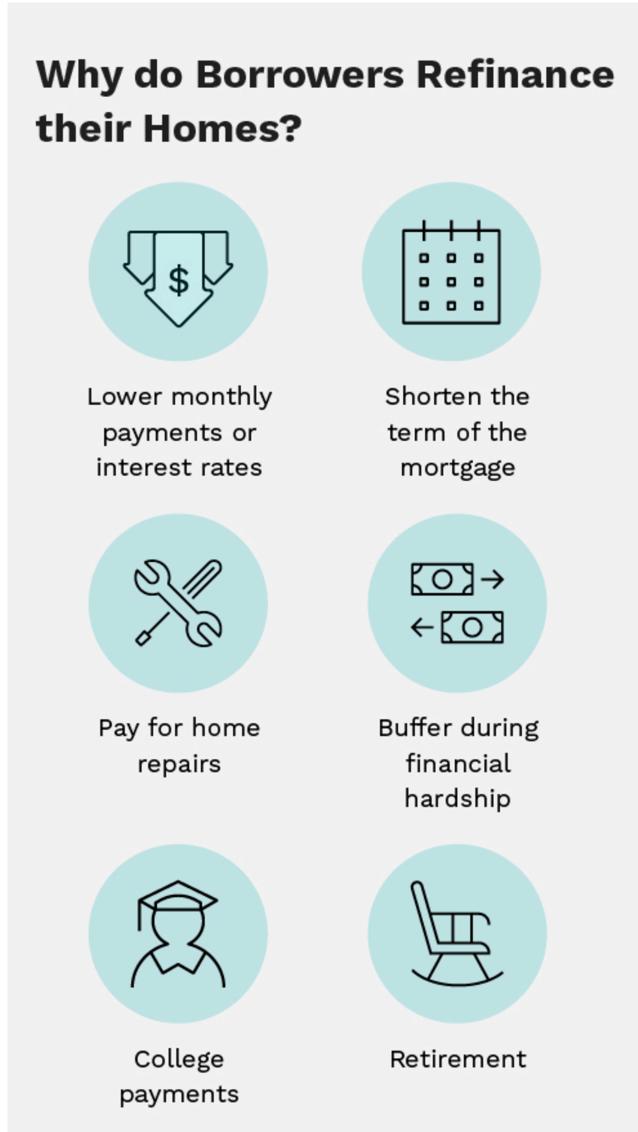
Yet, an unfair or inaccurate undervaluation in a purchase transaction can be harmful to multiple parties.[40] [41] If an appraisal "comes in low," the seller is not obligated to accept a lower contract price in response to the appraisal.

Especially in a seller's market, the seller may be willing to bet that another bidder's appraisal will "come in higher." In those cases, the original buyer's lender often cannot justify increasing the loan beyond underwriting guidelines, and hence may ask the buyer to come up with additional funding to make the deal work. Obtaining more funding can be difficult for many borrowers, especially borrowers of color, whose median wealth lags that of white borrowers.[d]

As a result, a below-contract purchase appraisal increases the likelihood by 7 percent that a property sale will be delayed or not completed.[42] This may harm both the buyer and the seller, as the buyer is unable to purchase the home, and the seller is unable to realize potential gains from the sale.

An undervaluation can also impact whether a borrower has to pay a mortgage insurance premium and the amount of that premium—costs which could significantly increase a borrower's total monthly housing expenses. If a low valuation causes a borrower to have to cover the difference between the contract price and the appraised value, this could reduce the borrower's down payment to the point where it prompts a private mortgage insurance (PMI) cost.

Alternatively, it is possible that the seller accepts a lower sales price supported by the lower appraisal. Studies have found that this is the most likely outcome of a valuation less than contract price.[43] While this outcome is helpful to the buyer, *it limits the seller's realized home equity gains and therefore impacts the seller's wealth.*



In a refinance transaction, there is no immediate contract price informing the appraisal. However, the appraiser's valuation still matters to all parties. A low valuation in a refinance transaction can result in the lender lowering the amounts available to borrow, or charging higher points or a higher interest rate as compensation for the apparent greater credit risk. In some cases, it can result in the borrower not being eligible for the refinance. In the common case where borrowers are seeking to access some of their realized home equity via a

[d] VA recognizes that low valuations can be harmful to veteran homebuyers, but uniquely features a procedure called Tidewater by which the veteran, lender, and agents are alerted if an appraiser needs additional information to support a contract price, allowing these parties a window of opportunity that could help the appraiser form a more accurate opinion of value. However, Tidewater is unique to VA because of the nature of its loan guaranty program as a benefit for veterans.

cash out refinance, a low valuation can reduce the amount of equity available to the borrower. For refinancing homeowners paying PMI, the home's valuation can also impact whether the homeowner will be eligible to drop the PMI coverage, thus avoiding a costly monthly premium.

An individual undervaluation in a purchase transaction can affect valuations throughout the subject property's neighborhood when it results in a renegotiation of the contract price. This lower contract price and sale then becomes a strong candidate for the next appraiser to choose the lower-priced sale as a comparable sale when appraising other homes in the same neighborhood.

When a neighborhood exhibits a pattern of low appraisals, the cumulative effect is a dampening of home values in that neighborhood, thus reducing the realized wealth of all of the neighborhood's homeowners. Compounded over time, even a slight imbalance of undervaluation can have a significant effect on the accumulated wealth of the homeowners of a community.

An undervaluation in a refinance does not generally have the same influence because it does not result in a publicly transparent transaction. An appraisal above contract price in a purchase transaction does not exhibit an opposite positive effect because it does not prompt a contract price renegotiation.

Patterns of racial disparities in mis-valuations

A recent study found evidence that purchase appraisals are more likely to be below contract price in communities of color. Using data from 2015 through 2020, Freddie Mac demonstrated in a 2021 study that 7.4 percent of appraisals in purchase transactions for properties in majority-white census tracts came in below contract price, compared to 12.5 percent of those in majority-Black neighborhoods and 15.4 percent in majority-Latino neighborhoods. [44]

If these results are indicative of past patterns, then *this would have a long-term depressive effect on home prices in Black and Latino neighborhoods.* In turn, this would have contributed to at least some of the racial gap in home equity wealth. Notably, the Freddie Mac study examines the prevalence of low valuations in neighborhoods and communities of color, but not the size or impact of those low valuations. However, prior evidence suggests that patterns of undervaluation, whether racially biased or not, can harm both buyers and existing homeowners who seek to sell or refinance. [45]

Undervaluation patterns in neighborhoods are not always directly traceable to racial and ethnic bias in individual appraisals. Housing markets with more distressed properties, fewer transactions, or rapid house price growth are correlated with undervaluation. Similarly, one-bedroom, older, and lower-valued properties are correlated with underappraisals. [46]

In purchase transaction cases where an appraiser has a large selection of similar and recent comps from which to choose, appraisers tend to choose comps and make comp weighting adjustments that reinforce the contract price. [47] Past research has demonstrated that Black and Latino neighborhoods are more likely to be "thin" markets with fewer closely-comparable properties. As a result, those markets are particularly sensitive to the subjectivity inherent in the sales comparison approach to appraisals. [48] [49] In other words, Black and Latino neighborhoods can be more exposed to the subjective aspect of appraisals. *This sets the conditions for a magnified impact of racial and ethnic bias.*

More recent research suggests that appraisers' comp selection for properties in Black neighborhoods may subtly differ from that for properties in white neighborhoods. Freddie Mac's 2021 study found a statistically significant difference in the geographic distance between subject properties and their chosen comps when comparing subject properties in majority-Black and -Latino versus majority-white neighborhoods. Appraisers appeared to choose comps for Black and Latino neighborhood properties in a narrower geographic range, in both urban and suburban areas. [50] This requires further study, but may show that appraisers choose comps differently for properties in Black and Latino neighborhoods.

Very recent research examined appraisals in refinance transactions by comparing appraisal valuations with those predicted by AVMs. The study found that appraised values in majority-Black neighborhoods are more likely to exceed AVM predictions by more than 10 percent in cases where the homeowner is white, and that this pattern is strongest in several southern states. [51]

The same study examined the drivers of the valuation differences and found differences in appraisers' comp selection decisions between appraisals where the property's homeowner was white and cases where the property's homeowner was Black.

Past studies have pointed out the amount of discretion appraisers have in comp selection and have made the case that implicit perceptions of neighborhoods' racial and ethnic characteristics—themselves influenced by the historical inequalities discussed above—may affect appraisers' comp selection and weighting decisions. [52]

Another study presented evidence that, after adjusting for property characteristics and measures of

neighborhood amenities that differ between Black and white neighborhoods, an unexplained valuation gap persists. [53] Still, other studies have attempted to check appraisal accuracy in refinances and reverse mortgages where no sales are available, but only very recent studies have examined potential racial and ethnic bias in these transactions. [54] [55] [56] [57]

The impact of mis-valuations on families and communities of color

Accounting for the breadth of the literature, evidence suggests that racial and ethnic bias has been a contributing factor to the depressed values that appraisers in purchase transactions assign to properties in majority-Black and -Latino neighborhoods. Evidence also suggests that racial and ethnic bias affects refinance valuations as well. [58] Via this mechanism, *Black homeowners today are losing wealth-building potential* in part because of the perpetuation of historical discrimination and segregation. [59]

Property appraisals used in real estate transactions and mortgage lending are not the only valuations that may be vulnerable to racial and ethnic bias. Many jurisdictions generate revenue through a property tax that is based on a home's assessed value.

As with property appraisals, there is a legacy of racial discrimination in property tax assessments, though it is driven by different factors than those of residential lending valuations. This effect has taken the form of systemic relative overassessment of Black-owned properties and neighborhoods for taxation, and therefore relatively higher tax burdens. [60] [61] [62] [63]

The increased costs of higher tax burdens may be capitalized into lower sales prices. This may result in lower market value in historically marginalized neighborhoods, thus piling on to the apparent impact of racial and ethnic bias in mortgage transaction valuations. The Task Force has focused on appraisals performed in support of residential lending, but is aware that appraisals are not the only form of property valuation that affect communities of color.

Early Progress Toward Transformation

Since the initial meeting of the Task Force in August 2021, member agencies immediately engaged in exploring opportunities to advance equity. Task Force member agencies have taken the following actions prior to the issuance of this Action Plan:

Emphasized fair housing compliance for the FHA Appraisal Roster

After the inception of the Task Force, HUD issued Mortgagee Letter (ML) 21-27 on November 17, 2021, [64] clarifying existing nondiscrimination requirements and the application of the Fair Housing Act to appraisers on the FHA Appraiser Roster. Specifically, this ML updated HUD Handbook 4000.1, Section I.B.1.d.i, Appraisers Post-Approval Requirements, to emphasize compliance with all applicable laws, including the Fair Housing Act and all other federal, state, and local antidiscrimination laws. It also added clarifying language to Section II.A.3.a.v, Quality of Appraisal, to emphasize the requirement for the mortgagee to ensure the appraisal complies with all such laws. Lastly, the ML restructured Section II.D.2, General Appraiser Requirements, into subsections to include and clarify guidance specific to nondiscrimination and compliance with FHA guidelines and appraiser conduct.

Initiated a review of equity in appraisal professional standards and qualifications for the appraisal industry

The Appraisal Subcommittee (ASC) released an independent comprehensive legal and policy review of the USPAP and the *Real Property Appraiser Qualification Criteria*, as established by The Appraisal Foundation's (TAF's) Appraisal Standards Board (ASB) and Appraiser Qualifications Board (AQB) respectively, as well as the 15-Hour National USPAP and 7-Hour National USPAP Update Courses required to attain and maintain licensure as an appraiser. The ASC will evaluate the study and use it to improve the appraisal regulatory system to promote fairness, equity, objectivity, and diversity in appraisals and the training and credentialing of appraisers.

Assisted banks in providing fair, unbiased services to communities of color

The Office of the Comptroller of the Currency (OCC) launched Project Roundtable for Economic Access and Change (REACh), a consortium of leaders from the banking industry and civil rights organizations. Project REACh is working to facilitate improvements in the home appraisal and property valuation process, making sure that banks have the valuation information and data they need to underwrite their loans and manage their risks, and that the process is fair, objective, and free from bias. [65] Since its formation, Project REACh has initiated a number of working groups and projects aimed at addressing the racial wealth gap in homeownership, including targeted regional initiatives to expand homeownership for borrowers of color. For example, its Minority Depository Institution Pledge brought together over 20 banks "to invest in and support minority depository institutions to help them expand financial and capital access and narrow the racial wealth gap in the communities they serve." [66]

Enhanced enforcement and data sharing through coordination

In August 2021, HUD and the Federal Housing Finance Agency (FHFA) entered into a collaborative agreement to foster fair housing and fair lending coordination. Under this memorandum of understanding (MOU), the two agencies will focus on enhancing their enforcement of the Fair Housing Act, which HUD is primarily charged with administering and enforcing, and their oversight of the Enterprises and the Federal Home Loan Banks (collectively, the regulated entities), all of which FHFA regulates. The MOU will strengthen the agencies' ability to enforce fair housing and fair lending requirements, including those within the appraisal process, by promoting information sharing, coordination on investigations, compliance reviews, and the ongoing monitoring of the Enterprises.

Supported the enhancement of guidance related to appraisal bias

In December 2020, FHFA issued a Request for Input (RFI) on appraisal-related policies, practices, and processes to gather input on how the Enterprises can improve the appraisal process. After reviewing data, appraisals, and other property valuations, FHFA publicly shared examples of the findings from this review, including references to race and ethnicity in the "Neighborhood Description" and other free-form text fields in the appraisal form. In November 2021, FHFA approved Fannie Mae's clarification to the Appraisals section of its Selling Guide to expressly prohibit purchase of mortgages based on valuations referencing or based on a protected class under the Fair Housing Act. Fannie Mae also added to its list of prohibited phrases in appraisals, identifying subjective statements that may be associated with bias. FHFA has also made it a requirement for the Enterprises to take additional steps to address appraisal bias in the 2022 Scorecard, which provides further incentive for change as the Scorecard is used to evaluate performance, influencing compensation for Fannie Mae and Freddie Mac executives. Finally, FHFA issued advisory bulletin (AB) 2021-04: Enterprise Fair Lending and Fair Housing Compliance, which established a supervisory expectation that the Enterprises not rely on discriminatory appraisals.

Expanded pandemic-era appraisal options that may reduce opportunities for bias

In October 2021, FHFA announced that both Enterprises will incorporate "desktop appraisals" into their Selling Guides for many new purchase loans starting in March 2022. In March 2020, FHA also temporarily permitted optional "desktop appraisals" [67] in response to the COVID-19 pandemic. Desktop appraisals allow an appraiser to conduct an appraisal remotely, without a physical inspection of the property, which could limit the potential for racial or ethnic bias to impact the valuation. FHFA's decision was the result of a thorough review of data collected from use of the loan flexibilities, as well as input received from its RFI and a public listening session on appraisal-related policies, practices, and processes.

Advanced equity in the appraiser workforce through scholarships and other diversity, equity, and inclusion initiatives

Over the past several years, the Enterprises have partnered with the National Urban League and the Appraisal Institute on the Appraiser Diversity Initiative (ADI), an initiative to attract new entrants to the residential appraisal field. ADI is intended to foster diversity and overcome barriers to entry by expanding outreach and awareness of appraisal and valuation equity initiatives. ADI offers workshops to inform aspiring appraisers about the requirements to become an appraiser and the career opportunities available. ADI also offers scholarships to aspiring appraisers to assist with the appraiser education, training, and experience requirements. Additionally, ADI's industry partners, including lenders and mortgage advisors, help facilitate appraiser-supervisor relationships with appraiser trainees to help lower barriers to entry for the profession.

Encouraged the appraisal industry to align its antidiscrimination standards with those of federal law

On February 4, 2022, the Consumer Financial Protection Bureau (CFPB), the Federal Reserve Board (FRB), OCC, the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), HUD, FHFA, and DOJ sent a comment letter to TAF regarding the current draft of the 2023 Edition of USPAP standards, advocating for consistency with all applicable nondiscrimination standards provided in federal law. USPAP provides that "[a]n appraiser must not use or rely on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value." The Fair Housing Act and ECOA together prohibit all discrimination in home appraisals based on race or other protected characteristics, not just "unsupported" conclusions based on protected characteristics. The letter also reemphasized the fact that the provisions of the Fair Housing Act and ECOA that prohibit discrimination extend to appraisals.

Clarified that the Fair Housing Act prohibits discrimination in appraisals

On February 14, 2022, DOJ filed a statement of interest to make clear that the Fair Housing Act prohibits discrimination in home appraisals. The statement relates to a motion to dismiss filed in *Austin, et al. v. Miller, et al.* (N.D. Cal.), a private lawsuit alleging that the defendants violated the Fair Housing Act by discriminating on the basis of race in a home appraisal. After the defendants' appraisal, the plaintiffs – a Black couple – erased all evidence of race from their home and had a white friend pose as the homeowner for a second appraisal, which set the home's value at nearly $500,000 more. The statement of interest explains that appraisers may be liable under the Fair Housing Act, highlights the United States' commitment to combat appraisal discrimination, provides an overview of the Fair Housing Act's broad purpose and remedial intent, and addresses the pleading standard for Fair Housing Act claims.

Task Force Commitments

The Task Force has grouped its commitments into the following categories:

- Strengthening guardrails against unlawful discrimination in all stages of residential valuation
- Enhancing fair housing / fair lending enforcement and driving accountability in the industry
- Building a well-trained, accessible, and diverse appraiser workforce
- Empowering consumers to take action
- Giving researchers and enforcement agencies better data to study and monitor valuation bias

Additionally, the Task Force has identified several areas which require more analysis than the Task Force's 180-day timeline allowed, but which have the potential to make a significant difference in ensuring fair and accurate home valuations for all communities. This Action Plan discusses those areas following the discussion of the above commitments.

The Task Force believes that *these actions will substantially reduce the prevalence and impact of racial and ethnic bias in residential property valuation.*

1. Strengthening guardrails against unlawful discrimination in all stages of residential valuation

Regulators, and agencies with regulatory responsibilities, play a critical role in advancing appraisal equity by providing supervision, regulation, and oversight over key actors in the mortgage and appraisal industry. Federal banking supervisory agencies and regulators represented within the Task Force exercise broad oversight and compliance authority over the lending practices of:

- National- and state-chartered mortgage lenders;
- Non-depository mortgage originators and servicers;
- Federal Home Loan Banks; and
- Fannie Mae and Freddie Mac.

The Fair Housing Act not only covers the lending practices of these entities but also directly covers actors in the appraisal industry, including appraisers and AMCs. Nearly all segments of the residential home lending market are regulated or influenced by one or more Task Force member agencies, including:

- Conventional loans purchased by the Enterprises (FHFA);
- Loans insured or guaranteed by HUD, VA, and USDA;
- Other loan products (e.g., jumbo loans, etc.) originated by depositories (FRB, FDIC, OCC, NCUA, CFPB); and
- CFPB authorities with respect to consumer lending.

Task Force agencies generally exercise oversight and compliance authority through:

- The issuance of guidance and regulations;
- Examination of banking and lending practices;
- Administrative or other legal enforcement actions and penalties for non-compliance; and
- Consumer outreach and education.

As part of its mission to address discrimination in the appraisal industry, the Task Force evaluated regulatory action that may be undertaken to better address racial and ethnic bias in home valuations. It also defined a set of commitments to improve effective oversight for property valuation by both government entities and industry stakeholders.

Action 1.1

Clarify the application of the Fair Housing Act and ECOA to the appraisal industry to ensure appraisers have clear guidance on antidiscrimination obligations under current federal laws.

Although FHA recently issued guidance on the application of the Fair Housing Act to appraisers on the FHA Appraiser Roster, there is no federal guidance dedicated to the broad application of the Fair Housing Act and ECOA to the appraisal industry as a whole. In the absence of this guidance, the appraisal industry lacks clarity around its antidiscrimination obligations under current federal laws.

Actions:

- CFPB, DOJ, VA, and HUD will issue guidance on the Fair Housing Act's and ECOA's application to the appraisal industry.

Action 1.2

Update agencies' and Enterprises' appraisal-specific policies and guidance to reflect how nondiscrimination requirements apply to appraisers within these agencies' and Enterprises' programs.

Consistent with the Fair Housing Act and ECOA, the federal financial regulators, HUD, USDA, VA, and the Enterprises, have policies that prohibit discrimination and require all participants to comply with the Fair Housing Act and ECOA. However, not all have specific guidance directed to appraisers or regulated institutions' use of appraisals.

As a result, appraisers working within guidelines of insuring agency or Enterprise programs might not understand how they are expected to apply the Fair Housing Act and ECOA to those programs. Likewise, appraisers performing work for financial institutions under the purview of regulatory or other agencies might not understand how they are expected to apply the same laws, specific to those institutions.

Actions:

- NCUA, FRB, FDIC, OCC, HUD, USDA, VA, and FHFA will ensure that appraisers or regulated institutions' use of appraisals are directly included in supervisory Fair Housing Act and ECOA compliance requirements, and are considered in every review of relevant existing and future policies and guidance.

Action 1.3

Issue guidance and implement new policies to improve the processes by which a valuation may be reconsidered if the initial valuation is lower than expected.

A reconsideration of value (ROV) may be requested by consumers to reassess the analysis and conclusions of their initial appraisal when provided with additional information that may affect the value conclusion. Consumers can provide information to a lender during an ROV request that includes additional comparable property information and additional information pertaining to characteristics of the subject property, such as square footage. An ROV offers consumers who suspect that their appraisal may have been influenced by racial or ethnic bias an avenue by which they might be able to request a different valuation that results in a better outcome.

In 2018, TAF issued a white paper recognizing the lack of consistent, industrywide policies and guidelines related to the ROV process and identifying a need for greater awareness of the ROV process and consistency in methods. More recently, a HUD investigation and conciliation pursuant to the Fair Housing Act emphasized the need for lenders to have clear, robust ROV processes—a need also highlighted by multiple recent news stories.

Under Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the prudential regulators (NCUA, OCC, FDIC, and FRB) currently require depository lenders to review appraisals conducted on their behalf and ensure that they comply with USPAP. Today, USPAP standards do not specifically address how ROVs can be considered in appraisal review processes. Title XI also provides that an agency "may require compliance with additional [appraisal] standards if it makes a determination in writing that such additional standards are required in order to properly carry out its statutory responsibilities."

However, most of the federal financial regulators and agencies with regulatory responsibility currently do not offer guidance on ROV processes. Prudential regulators are exploring ways to utilize their ability to supervise lenders and lender appraisal practices to help ensure that valuations are free of bias and that reconsideration options are available as necessary.

Actions:

- HUD will require FHA lenders to track usage and outcomes of ROVs and to report this data to FHA via FHA systems, leveraging insight from VA's existing ROV process where helpful, so that HUD can better identify patterns of ROV usage and evaluate the impact ROVs might have on possible discrimination.
- NCUA, FDIC, OCC, and FRB will issue guidance regarding ROVs. Issues that the agencies will consider addressing in the guidance would include examples of effective practices in using ROVs, and whether there are any measures that lenders can take to encourage greater use of ROVs. Prudential regulators will also review authorities and determine the potential for rulemaking related to ROV processes, as rulemaking would drive additional accountability beyond that of guidance.

Action 1.4

Strengthen the standard appraisal dataset and data collection forms to reduce opportunities for appraisers to apply subjective criteria.

Lenders must submit appraisals as a part of mortgage loans sold to Fannie Mae and Freddie Mac. Lenders submit appraisals electronically and in compliance with the Uniform Appraisal Dataset (UAD) and the related Uniform Residential Appraisal Report (URAR) form, which standardize definitions, requirements, and responses for appraisals. The UAD and URAR are also used to inform the Enterprises' AVMs. FHFA is currently guiding a UAD and Forms Redesign Initiative for the industry.

In 2021, FHFA conducted a review of historical appraisals[68] that revealed many overt and indirect references to race, ethnicity, and other prohibited traits in certain commentary fields. FHFA's analysis suggests that in certain instances, race and ethnicity can factor into an appraiser's opinion of value. FHFA released examples of its findings to the public, specifically in appraisers' commentary about neighborhoods' impact on home values, including references to:

- Neighborhood amenities geared to a racial, ethnic, or religious group;
- Neighborhoods' historical immigration and demographic transition patterns;
- Languages spoken in an area; and
- Racial and ethnic makeup as part of neighborhood descriptions.

Currently, the form reminds the appraiser that race and the racial composition of the neighborhood are not appraisal factors, and the appraiser must certify that race and other protected classes didn't factor into the valuation opinion. However, this recent FHFA analysis has found evidence that racial and ethnic factors can sometimes still be mentioned within the free-form commentary fields of the form. As the Enterprises are modernizing the form and the associated dataset, they should strengthen the form so that there is less opportunity for appraisers to apply subjective (and therefore potentially biased) criteria, while protecting the ability of the appraiser to value investments in the property and other intangibles that cannot be perfectly captured via quantitative fields. Less reliance on free-form text will also allow other stakeholders (such as lenders and AMCs) to better recognize instances where the appraisal does not adhere to discrimination prohibitions.

Additionally, the data collected on the existing form and related dataset may fall short of giving researchers the complete picture they need to resolve unanswered questions about appraisal bias and to calculate accurate metrics to measure bias. For example, some studies identified what appear to be mis-valuations but lacked the data to investigate the fundamental drivers of the mis-valuations.

Additionally, research into certain geographies (such as rural areas) has been stymied by a lack of rich, available data applicable to those areas. It is likely there are additional data elements that can be collected and disseminated, which will help researchers identify potential racial and ethnic bias, as well as help regulators and other agencies better monitor compliance with fair lending laws.

Actions:

- FHFA will ensure the redesigned UAD and URAR capture more objective data points and lessen reliance on free-form commentary, to reduce opportunities for subjective commentary by appraisers.
- FHFA will direct the Enterprises to update the URAR to increase the prominence of the nondiscrimination certification.
- FHFA will direct the Enterprises to update the URAR Form to strengthen the language of the form's Appraiser's Certification line item #17, in which the appraiser certifies that his or her opinion was not based on discrimination.
- The Task Force will examine additional elements in the URAR that may have a connection to discrimination in appraisals and will make recommendations to FHFA for potential modification:
    - Designation of Declining Market Areas: An appraiser's designation of a market's property valuation trends as "declining" on the URAR can potentially result in disparities in appraisals and valuations. The Task Force will evaluate how appraisers designate markets as declining, in both urban and rural settings, to ensure that the designation is used in unbiased and nondiscriminatory ways.
    - Designation of Uniform Neighborhood Boundaries: Currently, appraisers have a lot of discretion in determining neighborhood boundaries, which can impact the comparable sales that an appraiser uses. The Task Force will further explore whether designating uniform neighborhood boundaries could minimize discretion and ambiguity in the appraisal process and potentially reduce opportunities for bias without impeding an appraiser's ability to accurately capture all the factors that inform the opinion of value. The Task Force recognizes that neighborhood boundaries are not necessarily equally clear in rural versus urban and suburban areas, and therefore any resulting guidelines will have to avoid being overly deterministic.
- If there are research questions that are not fully answerable with the data currently available and some gaps can be filled through changes to the data collected on each appraisal, Task Force agencies will provide a list of data elements for FHFA to consider incorporating into its URAR and UAD redesign efforts to address discrimination.

Action 1.5

Address potential bias in the use of technology-based valuation tools through rulemaking related to Automated Valuation Models (AVMs).

The Task Force's purview focused on appraisals, but its evaluation of government responses has included consideration of appraisal alternatives such as AVMs. The Dodd-Frank Act required regulators of mortgage financing to promulgate a rule that establishes quality control standards for AVMs. Dodd-Frank defined AVMs as "any computerized model used by mortgage originators and secondary market issuers to determine the collateral worth of a mortgage secured by a consumer's principal dwelling."[69] These models typically build on the sales comparison approach used in appraisals, but the selection, adjustment, and weighting are often based on statistical correlations among previous transactions, producing an estimate for a property in average condition, often without observing the condition of the property being appraised.

While AVMs have the potential, if properly used, to reduce human bias and improve consistency in decision-making, they are not immune from the risk of discrimination. For example, the models may rely upon biased data that could replicate past discrimination or even data that could include protected characteristics, such as race, or very close proxies for them. Moreover, if an algorithm were to generate discriminatory results, the harm could be widespread because of an AVM's scale.

Actions:

- Agencies participating in AVM rulemaking commit to address potential bias by including a nondiscrimination quality control standard in the proposed rule.

Action 1.6

Develop a legislative proposal that modernizes the governance structure of the appraisal industry to improve transparency and public participation in the establishment of appraisal standards and appraiser qualification criteria, and to advance diversity in the profession.

Title XI of FIRREA established the present-day appraisal regulatory system, including authorization for TAF to establish minimum appraiser qualification criteria and uniform standards for the appraisal practice. TAF is a private organization, and the criteria and standards that TAF establishes have a material impact on the financial services industry, consumers, and regulators. The ASC has monitor and review authority over the practices, procedures, activities, and organizational structure of TAF, but no enforcement authority. Today, TAF establishes these standards and appraiser qualification criteria through a limited-exposure draft process. As compared to the Federal Register notice and comment process, this minimizes broader participation from stakeholders, including residential and commercial lending regulators, and in particular, those overseeing fair housing and fair lending, during the development of industry-wide appraisal standards and appraiser qualification criteria.

Actions:

- In consultation with Congress, Task Force agencies will pursue legislation to modernize the governance structure charged with setting and enforcing the standards and qualifications criteria. The Task Force believes the existing governance structure needs to be fundamentally reassessed to meaningfully advance equity in the industry. This may include, at minimum: introducing new mechanisms for review that would screen for equity impacts in proposed residential appraisal standards and appraiser qualification criteria; and proposing process changes pursuant to Administrative Procedure Act (APA) rulemaking procedures, allowing more diverse groups beyond the appraisal industry to comment and influence the final form of the criteria.

2. Enhancing fair housing / fair lending enforcement and driving accountability in the industry

The current federal enforcement landscape governing the lending and appraisal industry is complex and fractured, spanning at least six executive and independent agencies. Like real estate brokers, agents, and mortgage lenders, home appraisers must comply with the Fair Housing Act, which prohibits housing and lending discrimination based on race or color, religion, sex, national origin, familial status, or disability. Creditors must also comply with ECOA, which bars discrimination on a prohibited basis in any aspect of a credit transaction.

While the exact number of instances of valuation bias is difficult to assess, recent media accounts, coupled with data and history regarding lending and appraisal practices, reflect a persistent mis-valuation and undervaluation of properties experienced by borrowers and communities of color. Various federal, state, and local agencies process allegations related to appraisal bias, contributing to consumers' uncertainty on where they should seek relief. For consumers, there remains a lack of awareness on where to seek relief.

The Task Force's review of valuation-related authorities illuminates the need for a cohesive, consistent regulatory framework that streamlines and strengthens fair housing and fair lending enforcement. This will increase accountability across the industry to address valuation-related bias. In some cases, statutory changes may be required. For example, the Task Force recommends legislation to amend Title XI of FIRREA to expand the list of agencies with enforcement authority over appraisal requirements. Title XI of FIRREA grants enforcement authority to specified financial institutions' regulatory agencies to ensure that appraisals are performed to certain standards, but some agencies (such as FHFA) that were created after enactment of FIRREA are not included. This legislative change to include in FIRREA all agencies with appraisal oversight responsibility will improve agencies' ability to protect against racial and ethnic bias in appraisals performed for loans underwritten by those agencies' regulated entities.

Action 2.1

Strengthen coordination among supervisory and enforcement agencies to identify discrimination in appraisals and other valuation processes.

Without a clear set of practices, policy standards, or procedures to guide the identification and addressing of appraisal bias, there is potential for inconsistent practices across federal enforcement and supervisory agencies. These inconsistencies could impede elimination of racial and ethnic bias by, for example, creating uncertainty and confusion within the lending and appraisal industries about expectations around discrimination complaint referrals.

In addition, without clarity into what patterns may indicate the presence of racial or ethnic bias, agencies with visibility into data may not always know what to look for in referring potentially actionable cases to the appropriate enforcement agency. As a result, actionable instances of bias may be escaping appropriate investigation.

Actions:

- Task Force agencies will collaborate to align investigative protocols with respect to allegations of racial and ethnic bias in the valuation process. This includes identifying gaps in current methods, practices, data, and standards used by enforcement agencies when investigating complaints of alleged racial and ethnic bias in valuation processes.
- Task Force agencies responsible for enforcement of anti-discrimination laws in mortgage transactions will collaborate to: a) develop approaches to data analysis that identify discrimination, and b) identify case studies illustrating facts that agencies have found to support taking action on valuation discrimination.

Action 2.2

Revise existing agreements between agencies involved in the enforcement of and compliance with fair lending and fair housing laws, as necessary, to increase collaboration among the agencies regarding appraisal discrimination.

Today, each enforcement agency has access to only a partial picture of appraisal data, active enforcement actions, and complaint information across the U.S. housing market. To coordinate approaches in combatting discrimination in appraisals, agencies must be able to effectively and efficiently share information to gain insights into possible discrimination in valuations.

Actions:

- The federal banking supervisory agencies, CFPB, DOJ, HUD, VA, NCUA, and FHFA, will determine whether modifications to existing MOUs or development of new MOUs are needed to improve information sharing to address appraisal discrimination.

Action 2.3

Expand regulatory agency examination procedures of mortgage lenders to include identification of patterns of appraisal bias.

Regulatory agency examiners conduct reviews of real estate-related credit transactions, which may include a review of appraisals, to determine compliance with USPAP standards, federal nondiscrimination law, and reasonableness of opinion of value. During the reviews, examiners typically review a sample of transactions; however, the examination procedures may not be tailored to best identify patterns of appraisal bias.

Actions:

- NCUA, OCC, FDIC, FRB, and CFPB will, as needed, devise and implement changes to how examinations of mortgage lenders under their purview are conducted, develop examination aides and appropriate examination manual changes, and train staff on enhanced examination and data collection procedures. For example, examinations can: look for evidence that a mortgage lender's compliance management programs are considering appraisal bias as a risk, collect

additional information on appraisal attributes, and tailor exam aides to evaluate irregularities in appraisals documented in a loan file.
- NCUA, OCC, FDIC, FRB, and CFPB will conduct annual data analysis and reviews of their examinations, as needed, to improve their examinations' effectiveness in identifying patterns of bias in valuations.

3. Building a well-trained, accessible, and diverse appraiser workforce

The cost and burden of becoming an appraiser is extremely high, contributing to appraiser shortages and making it more difficult for underrepresented groups—including people of color and women—to access the profession. According to the Department of Labor's (DOL) Bureau of Labor Statistics (BLS), the appraiser/assessor profession is 97.7 percent white, and women comprise only 30.4 percent of the workforce, making appraisers perhaps one of the least diverse professions in the country. [70]

The AQB establishes the real property appraiser qualification criteria, including education, experience, and examination requirements. A summary of these requirements can be found in *Table 1*.

Table 1: AQB-Established Appraiser Qualification Requirements

Appraiser Classification	College Degree Requirement	Education Hours	Experience Requirement	Exam
Licensed Residential Appraiser	None	150 hours	1,000 hours in no fewer than six months	Licensed Residential Real Property Appraiser Exam
Certified Residential Appraiser	• Bachelor's degree, OR • Associate's degree in a focused field of study, OR • 30 college semester credit hours in specified topics, OR • 30 semester credit hours of CLEP exams in specified topics	200 hours	1,500 hours in no fewer than 12 months	Certified Residential Real Property Appraiser Exam
Certified General Appraiser	• Bachelor's degree	300 hours	3,000 hours in no fewer than 18 months; 1,500 hours must be in non-residential work	Certified Real Property Appraiser General Exam

Based on these criteria, it can take an individual several years to become a Certified General Appraiser, a longer timeline than is required in many other professional fields. Those seeking to become an appraiser must train under a Supervisor Appraiser who is responsible for overseeing their training, education, and experience. This presents a major barrier to entry for aspiring appraisers, especially for people of color and others without a previous connection to the profession. Finding a supervisor can be difficult, as there is no formal process to help aspiring appraisers find a willing supervisor, and there is little incentive for established appraisers to take on an unpaid role. TAF's Practical Applications of Real Estate Appraisal (PAREA) could provide an alternative to the traditional supervisor-trainee model.

Appraisers are typically classified as independent contractors, which often requires them to self-fund training and professional development opportunities. New trainees are often dependent upon friends and family-based networks to support their training requirements and professional development. This approach contributes to inequitable outcomes in highly race- and sex-segregated occupations. Employment-based models, which offer more paid training and professional development, have more tools to diversify professions.

The Task Force will work to lower barriers to entry in the appraiser workforce, to include proposing changes to the AQB criteria and engagement with state appraisal regulatory agencies to identify leading practices that could be scaled nationally to advance equity in the appraiser workforce. In some cases, statutory changes may be required. For example, the Task Force recommends that Congress consider legislation to allow licensed appraisers (which have less rigorous college degree, education, and experience requirements than Certified Residential or Certified General Appraisers) to be placed on the FHA Appraiser Roster. Appraisers must appear on the FHA Appraiser Roster to conduct appraisals for FHA-insured mortgages, but the criteria for entry onto the roster are stricter than those of most other industry participants. According to HUD data, since 2008, when legislation was enacted to limit participation on the roster to Certified Residential or Certified General Appraisers, the percentage of Black appraisers on the roster has declined by nearly 23 percent over the same time frame that the overall roster declined by only 7 percent, contributing to the lack of diversity in the profession.

Action 3.1

Update appraiser qualification criteria related to appraiser education, experience, and examination requirements to lower barriers to entry in the appraiser profession.

The lack of diversity within the appraiser workforce can contribute to patterns of mis-valuation in communities of color. Efforts to diversify the industry face numerous barriers. The credentialing requirements to become an appraiser are extensive, including a four-year college degree for certain certifications, additional educational requirements, and up to 3,000 hours of sometimes unpaid experience to be completed as a trainee under the guidance of a supervisor.

The experience requirements have proven to be especially problematic. Given that supervisors are not compensated for such work but sometimes must be on site while trainees work and are potentially training future competition, established appraisers have little incentive to take on trainees outside of their friends and family-based networks. This has resulted in limited opportunities for new entrants to the occupation to complete the mandatory training requirements. Even when a trainee can find a supervisor, the ability to complete the requirement is limited to those who can afford to do so. These requirements present significant barriers to entry for underrepresented and disadvantaged groups, including people of color.

Actions:

- Task Force agencies will send a joint letter to TAF's AQB and release a joint statement, requesting consideration of the following changes to appraiser qualification criteria:

- *Reduce or eliminate AQB experience requirements*. Lowering the minimum requirements set by the AQB could remove unnecessary barriers to entry that add considerable time and expense to the process of becoming an appraiser, particularly for women and people of color.
- *Provide additional justification for the college degree requirement for the Certified Residential Appraiser and Certified General Appraiser classifications or eliminate it entirely.* There is little existing support that a college degree makes appraisers more ethical, accurate, or credible. Alternatively, if evidence is developed supporting a college degree requirement, automatically qualifying relevant real estate programs from accredited Institutions of Higher Education as fulfilling the credentialing requirements to sit for an exam will expand access and pathways to the profession. Currently, no degree programs fully satisfy the AQB's education requirements for certification—even post-secondary degrees.
- *Develop a comprehensive exam as an alternative path to credentialing.* Once passed, it would earn the individual a credential, which states would have the opportunity, at their discretion, to accept in lieu of some or all additional requirements. This model has had success in other professions (e.g., accountants).

Action 3.2

Increase engagement with states' appraisal regulatory agencies to help remove barriers to entry and advance diversity in the appraiser workforce.

AQB criteria operate as a "floor," above which states may introduce additional requirements. In addition to the extensive education, experience, and examination requirements put forward by the AQB, several states have in place additional requirements that must be completed in order to become an appraiser.

Title XI of FIRREA requires the ASC to make grants to the states in accordance with policies developed by the ASC in support of state enforcement activities, in addition to other areas. The ASC provides grant funds for the development and support of state appraiser regulatory programs.

Several states are using innovative models to reduce barriers and advance equity in their workforces. South Dakota State University (SDSU) has developed a program that allows aspiring appraisers to satisfy all education and experience requirements while completing a bachelor's degree. Mississippi is launching a nine-month program that allows participants to complete the education and experience requirements to become a licensed residential appraiser, with a plan to provide stipends to participants in the condensed program. Georgia allows for appraisers hired by the Department of the Interior (DOI) to fulfill experience requirements while employed with DOI, providing guaranteed access to a supervisor and stable income for trainees. These programs are recruiting participants from underserved areas of their states, including communities of color, to address significant workforce shortages.

Actions:

- The PAVE Task Force website will publish or link to requirements for all state-level appraiser certifications, including those from states with requirements above those put forward by the AQB – thereby increasing transparency and driving state action, as appropriate.
- ASC staff will engage with each State Appraiser Regulatory Program in an annual session focused on advancing equity in each respective Program. Topics may include: reviewing state appraiser qualifications to identify and eliminate burdensome requirements; creating employment opportunities within State Boards and personnel for people of color, women, veterans, persons with disabilities, and other underrepresented populations; and developing innovative alternatives to the supervisor-trainee appraiser model.
- The ASC will make available $3.3 million in grants to states annually in Fiscal Years 2022 and 2023 to support innovative approaches at the state level to advance more equitable state appraiser certification and licensing systems. This may include: alternatives to the supervisor-trainee model, improving the supervisor-trainee process by introducing incentives or alternate ways for appraisers to become supervisors, new training that improves the effectiveness of supervisors, and education modules that shorten the timeline for becoming a licensed or certified appraiser.
- The ASC will conduct a technical assistance initiative to help states understand the flexibilities they possess and work with them to establish alternative pathways.
    - This could include reminding states that there is flexibility with AQB experience requirements and that states have the authority to recognize college degrees and workforce training programs as fully satisfying the educational requirements in their state.
    - ASC staff will engage, and will encourage state agencies to engage, Tribes, Tribal Colleges, veterans groups, Historically Black Colleges and Universities (HBCUs), Minority-Serving Institutions (MSIs), and community colleges on developing the next generation of appraisers.
- The Task Force will seek to expand the use of paid trainee models, such as the DOI example mentioned above, to help remove barriers to entry and advance equity in the appraiser workforce.
- As another example of a paid trainee model, DOL and the ASC will seek to develop Registered Apprenticeship programs as an alternative pathway to an appraiser credential. They will also seek to establish a Registered Apprenticeship for federally-employed appraisers, like those employed by DOI, to allow agencies to provide paid on-the-job training while the apprentices attend courses.

Action 3.3

Require appraisal anti-bias, fair housing, and fair lending training for all appraisers who conduct appraisals for federal programs and work with the appraisal industry to require such trainings for all appraisers.

The AQB's *Real Property Appraiser Qualification Criteria* currently provides, but does not require, fair housing and appraisal bias education for new applicants. Similarly, the existing required training for appraisers on the FHA Appraiser Roster and VA Appraiser Panel does not include components covering diversity, equity, inclusion, or the application of the Fair Housing Act to the appraisal industry. As a result, the existence and quality of these educational offerings vary significantly across states.

Actions:

- HUD, USDA, and VA will propose rules to develop and require appraisal bias, fair housing, and fair lending training for the current appraiser workforce supporting their agencies' programs and appraisers applying to support their agencies' programs.
- The Task Force recommends that TAF update AQB criteria to include appraisal bias and fair housing training in the *Real Property Appraiser Qualification Criteria* as a requirement for all aspiring and licensed/certified appraisers, as well as during the recertification process.

4. Empowering consumers to take action

A critical component in addressing the impact of potential bias during the appraisal process is educating consumers and communities on their rights. However, consumers are typically unfamiliar with the appraisal process and are unaware of their rights in the process of buying, selling, or refinancing their homes. Empowering consumers with this knowledge, as well as providing them with centralized resources for reporting suspected violations, can help ensure that consumers can defend their rights during the appraisal process. The Task Force has identified new and existing resources that can be leveraged to both increase consumer education on this topic and better centralize available resources for consumers and communities.

Action 4.1

Update and clarify government resources for consumers who believe they may have experienced appraisal bias.

Pursuant to Dodd-Frank, the ASC operates a hotline to refer complaints about non-compliance with USPAP or appraiser independence standards from homebuyers, lenders, appraisers, and others to the appropriate regulator. In instances of alleged appraisal bias, the hotline merely provides general information on where one may seek relief at the federal and state level; however, it currently does not provide referrals to applicable enforcement agencies, based on the nature of the complaint.

In addition, government websites that are in place to provide resources to consumers are not properly educating consumers on appraisal bias. For example, HelpWithMyBank.gov is an official OCC website that provides information and assistance for customers of national banks and federal savings associations. The website allows consumers to file, check the status of, and appeal the final disposition of banking-related complaints, including appraisal complaints. The current website contains limited explanatory information regarding appraisals and does not address possible discrimination in appraisals.

Actions:

- The ASC will develop a strategy to expand the hotline to provide a referral for potential victims of appraisal discrimination, to include HUD's Office of Fair Housing and Equal Opportunity (FHEO) and CFPB for individual complainants; the Civil Rights Division of DOJ and HUD-FHEO for pattern or practice complaints; and appropriate state agencies for individual, pattern or practice complaints. The ASC will share hotline data with these agencies, as appropriate, and will update the hotline website to include information pertaining to fair housing and lending laws and how they pertain to appraisals and appraisers.
- CFPB will encourage lenders to provide borrowers with information on the available means to reconsider valuations (e.g., appraisals, AVMs) that borrowers believe to be inaccurate. For example, such information might potentially be included together with copies of valuations provided to borrowers as required by the ECOA valuation rule.
- OCC and FDIC will update frequently asked questions on their websites (e.g., OCC's Helpwithmybank.gov) to address additional appraisal-related issues so that consumers can learn more about appraisals, recourse options, and available resources.

Action 4.2

Incorporate appraisal bias information into first-time homebuyer education courses.

Many homebuyer programs designed to assist low-and moderate-income purchasers and homebuyers of color require first-time homebuyer education courses. These courses provide an opportunity to educate underserved communities about issues of appraisal bias and the rights of potential victims of appraisal bias. Today, homebuyer courses can be improved to: educate consumers more explicitly on appraisals, help them identify mis-valuations, and provide resources to file a fair housing complaint or dispute an appraisal.

Actions:

- The Task Force recommends that the National Industry Standards for Homeownership Education and Counseling update its Pre-Purchase Education Standard Homeownership Education Content to include information pertaining to appraisal bias and consumers' rights to dispute a potentially biased appraisal.
- HUD's Office of Housing Counseling (OHC), in conjunction with HUD-FHEO, will draft an appraisal bias training module for first-time homebuyer education providers to use during the course of first-time homebuyer education classes.

- HUD-FHEO will create educational materials explaining appraisal bias and advising consumers of their rights to dispute biased appraisals through the ROV process and file administrative complaints, to be distributed to attendees of first-time homebuyer education courses; this information will also be posted on HUD's website.

Action 4.3

Train housing counselors to empower them to assist potential victims of appraisal bias as part of pre- and post-purchase homeownership counseling.

Homeownership counseling is offered to consumers by HUD-Approved housing counseling agencies to help consumers make informed decisions throughout the homeownership or life of loan process, including purchase, mortgage application, servicing, refinance, and sales. HUD-Certified Housing Counselors receive ongoing training and continuing education to ensure best-in-class services to assist clients facing a variety of home buying- and homeownership-related issues. HUD-OHC, HUD-FHEO, and their grantees have an opportunity to provide training to counselors to effectively provide counseling services to clients who are experiencing problems with appraisals/valuation, including appraisal bias and discrimination.

Actions:

- HUD-OHC and HUD-FHEO will create a training rubric for OHC and its grantees to train counselors on appraisal-related issues, including appraisal bias, ROVs, and how to identify comparable sales. Additionally, HUD-OHC will incorporate questions pertaining to appraisal discrimination and its remedies into its pool of questions for the Housing Counseling Certification Examination.
- HUD-OHC, in conjunction with its Housing Counseling Training grantees and the sponsors of the National Industry Standards for Homeownership Education and Counseling, will establish best practices and update the guidelines for quality homeownership and counseling services to incorporate emerging best practices and guidance related to appraisal equity.

Action 4.4

Provide funding opportunities for testing, education, and outreach pertaining to appraisal bias and discrimination.

HUD funds 120 local fair housing nonprofits throughout the country through FHEO's Fair Housing Initiatives Program (FHIP). Of the $47.4 million awarded in 2021, $10.7 million was awarded for Education and Outreach Initiative (EOI) grants to organizations that educate consumers and housing providers about the Fair Housing Act. Recipients have primarily utilized these grant funds to expand community-based fair housing educational campaigns, as outlined in the FHIP Notice of Funding Availability.

Actions:

- HUD-FHEO will update the HUD FHIP Notice of Funding Opportunity Application and Award Policies and Procedures Guide and issue other guidance to clarify that FHIP EOI grants may be used to increase knowledge and awareness of appraisal bias and discrimination, and that Private Enforcement Initiative (PEI) grants can be used to conduct testing related to appraisal bias and discrimination. It will also engage with existing FHIP grantees to encourage outreach to targeted communities, lenders, and industry partners around remedies for appraisal bias.

Action 4.5

Execute a coordinated public awareness campaign to inform consumers of their rights, as well as to disseminate the new resources that will be available to them.

In support of the Action Plan, the Task Force has developed an external communications strategy, designed to increase public awareness of appraisal bias and improve resources available to act against inequity in the appraisal process. This strategy, informed by stakeholders and executed by Task Force agencies, will educate consumers on the causes, consequences, and extent of appraisal inequity; inform consumers of pending policy and programmatic changes, as identified in the Action Plan, to help address appraisal inequity; and direct consumers to industry, philanthropic, or regulatory resources where they can learn more on this issue and report any instances of suspected appraisal bias.

Actions:

- HUD, in partnership with the other Task Force agencies, will continue to develop PAVE.hud.gov to serve as a central source of information for general audiences and interested stakeholders who want to learn more about appraisal and valuation equity, including their rights under the Fair Housing Act.
- The Task Force agencies will produce easy-to-understand, accessible informational materials, in multiple languages as needed, for consumers who want to understand their rights and how to navigate relevant changes to the appraisal industry.

Action 4.6

Inform FHA borrowers about the process to request a reconsideration of a valuation when the initial valuation is lower than expected.

Generally, FHA has ROV guidance but the processes for borrower disputes are lender-specific, and to maintain appraiser independence, borrowers do not have an ability to engage with an appraiser to request an ROV. Rather, they must ask the lender to make the ROV request, and there are no industry-wide notices provided to borrowers informing them of their ability to request an ROV. Consumers who are purchasing or refinancing a home are often unaware of their options when they receive a valuation that is lower than expected. As a result, consumers who believe racial or ethnic bias may have influenced their appraisal may miss an opportunity to challenge the appraisal and provide data that can support a more beneficial valuation.

Actions:

- HUD will update FHA policy to notify borrowers, before loan closing, of their ability to speak with their lender to request an ROV. FHA has a specific opportunity to provide borrowers more information about the ROV process in a way that may help borrowers of color who believe their appraisal may have been influenced by racial or ethnic bias. Policy within the FHA's single-family mortgage insurance program has an outsized impact on borrowers of color. In Fiscal Year 2021, people of color comprised more than 40 percent of all FHA-insured mortgages. More specifically, FHA served double the percentage of Black and Latino borrowers when compared to those served through other mortgage originations.[71]

5. Giving researchers and enforcement agencies better data to study and monitor valuation bias

High-quality data is essential to high-quality identification and analysis of possible appraisal bias. Some government agencies have data sources that can support analysis of possible appraisal bias; yet, the Task Force has identified instances where potentially-useful datasets exist that have not been shared between agencies for research, enforcement, and compliance. For example, the ASC houses the National Registry of Appraisers and AMCs and related appraiser license information, but other agencies cannot use that data to trace individual appraisers across state lines. CFPB maintains Home Mortgage Disclosure Act (HMDA) data for mortgage loan originations, which could be better leveraged by all interested agencies. CFPB also makes its consumer complaint database, which can include consumer complaints about appraisals, available to the other Task Force agencies. FHA, VA, and USDA possess detailed appraisal data on the loans they insure, with differing degrees of accessibility. FHFA regulates the Enterprises, each of which possess detailed historical appraisal data in the form of UAD for the loans that have been underwritten with the help of their tools. Yet, for the most part, appraisal-related data is not shared amongst the agencies that possess it.

This lack of access to complete data has been a hindrance to research on appraisal disparities and on the impact of racial and ethnic bias in appraisals, both amongst federal researchers and investigators, and in the private sector and academia. It has also prevented federal agencies from establishing metrics that can be used to identify appraisal bias where it occurs.

Action 5.1

Develop data-sharing arrangements among all relevant government agencies and pursue joint strategies to make appraisal-related data more widely available, foster federal research, and better enable enforcement related to appraisal bias.

Agencies (e.g., FHFA, HUD/FHA, VA, and USDA) own and/or have access to historical appraisal data specific to their programs, but each lacks visibility into the breadth of appraisal data from other agencies' programs. Some sharing of this data amongst government agencies already occurs; for example, CFPB has offered other agencies access to its consumer complaint database that receives appraisal-related complaints. However, a more permanent and comprehensive framework for sharing data between all agencies would improve the Federal Government's ability to analyze the vast quantity of federally-managed appraisal- and valuation-related data for racial and ethnic bias.

Because appraisers evaluate properties under multiple programs, and properties over time can collateralize loans from multiple programs, an agency can gain greater insight from historical appraisal data that has been aggregated across programs than it can from examining the data from only its own program. Appraisers and AMCs often serve both FHA's Appraiser Roster and VA's Appraiser Panel. Today, these agencies—along with USDA, which utilizes FHA's Appraiser Roster—have no mechanism to share data on appraiser performance, including metrics on requests for ROVs, or the percentage of appraisals that deviate from or match the contracted sale price. Agencies should gain access to this data to track appraiser performance over time, hold appraisers accountable, and understand if issues of bias or misconduct may be taking place across all federal home loans.

Traditional interagency federal data sharing requires each investigating agency to acquire disparate data from several agencies in several disparate formats; then clean, parse and load that data; merge or join the disparate forms of the data; and logically model the data into a structure appropriate for the research at hand. While such an approach has the advantage of providing multiple perspectives on a given issue, potentially involving different populations and/or different points in time, it may lead to unnecessary duplication of effort.

Centralizing these functions and creating a populated shared federal database readily accessible to federal agencies could accelerate the analysis needed to fully study, understand, and address appraisal bias. A centralized historical appraisal database has the potential to foster more informed development of policies and practices to mitigate bias in the homebuying process, and serve as a foundation for potential enforcement actions, the potential development of new evaluation metrics, and analysis of different—and potentially more equitable—valuation strategies.

Actions:

- Agencies that possess specific data relevant to research and enforcement related to appraisal bias will take action, consistent with law, to make their data available to other federal agencies with interest in the topic, including the following specific agency actions:
  - The ASC will develop a strategy to collect and share its data with other agencies in furtherance of the goals of the Task Force.
  - FHFA has begun sharing historical appraisal data with federal agencies to further appraisal bias research and enforcement.
  - To the extent permitted by law, HUD, VA, and USDA will share a meaningful subset of their respective historical appraisal databases of UAD data, which they have collected into the FHA, VA Loan Guaranty, and Rural Development programs, respectively, subject to applicable privacy, security, and other statutory or regulatory considerations, with other federal agencies (e.g., FHFA, DOJ, OCC, CFPB, FRB, and FDIC).
  - VA, HUD, and USDA will agree upon a common dataset that can be used to track appraiser performance. Agencies will use this data to track appraiser performance over time, hold appraisers accountable, and understand if issues of bias may be taking place across federal home loans. Agencies will also make select performance data available to appraisers, so that they can improve their performance and approach to appraising properties without bias.
- Task Force agencies will pursue development of a shared federal database of historical appraisal data to foster federal research and enforcement related to appraisal bias:
  - Agencies possessing candidate data for inclusion in a shared federal database (ASC, CFPB, FHFA, HUD, VA, and USDA representatives) will examine the legal and operational feasibility of sharing the data into such a database. This examination will include evaluating the operational considerations of such a database (e.g., budget, legal, security, governance requirements, etc.) critical to standing up a working and accessible database.
  - Regulatory agencies (OCC, FDIC, FRB, NCUA, and CFPB), that possess extensive experience safeguarding financially sensitive federal data, will share with the PAVE Task Force best practices and lessons learned for handling data of this nature, to help inform the Task Force's recommended operational solution.

Action 5.2

Launch a standing interagency effort to identify and fill gaps in the current state of research and help inform future policy and enforcement priorities.

The extent and impact of racial and ethnic bias in appraisals is not fully known. For example, the prevalence of undervaluation in Black and Latino neighborhoods has been easier to study on purchase transactions than it has on refinances, because purchase transactions feature a listing, contract, or purchase price that can be used to compare the appraisal. As another example, for both purchases and refinances, it is easier to detect patterns that may indicate racial and ethnic bias in areas where the high volume of sales provides ample recently-sold comparable properties; in rural areas, fewer comparable properties exist, thereby making it more difficult to detect undervaluation. Related, valuation of manufactured housing, and possible racial or ethnic disparities therein, has not been studied as much as that of traditional homes. New research of understudied appraisal circumstances, such as for refinances and for all appraisals in rural areas, is needed to assess how policy can address possible racial and ethnic bias. For valuations on a broader level, the prevalence of possible racial and ethnic bias in AVMs has not been studied as closely as that in appraisals. More research is needed to determine if AVMs might perpetuate past mis-valuation patterns.

Actions:

- The Task Force will launch the PAVE Research Working Group, a standing interagency effort to identify and fill gaps in the current state of research and help inform future policy, enforcement, and compliance priorities. The Working Group, comprised of OCC, HUD, FRB, FDIC, CFPB, DOJ, FHFA, ASC, NCUA, VA, and USDA representatives, will engage with stakeholders both within and outside government to develop a research agenda that could supplement work already being undertaken by the agencies, including assessing possible bias in AVMs, considering limitations in the ability to detect bias in rural areas, evaluating possible bias in the valuation of manufactured homes, and assessing how bias affects neighborhood-level valuations versus how bias affects valuations of individual homes.
- The Working Group will compile research questions that are not fully answerable with the data currently available. If some gaps can be filled through changes to the data collected on each appraisal, these agencies will provide a list of data elements for FHFA to consider incorporating into its URAR and UAD redesign efforts to address discrimination.

Action 5.3

Define metrics that can help to identify and measure patterns of mis-valuation in the property valuation process.

In the current literature on appraisal bias, some studies examine the share of purchase loans in which an appraisal comes in lower than a property's contract price, while others look at the magnitude of possible undervaluation relative to certain AVMs. Studies differ in how to categorize neighborhoods by racial composition, and there is not consensus on the definition of neighborhood boundaries, nor on the appropriate level of granularity at which to look for possible bias patterns. Additionally, refinances have not been studied as extensively as purchases: mis-valuations in refinance transactions are more difficult to study because there is not a listing, contract, or purchase price against which to compare the appraisal.

The Task Force recognizes the need to define a set of metrics which can be consistently used to:

a) Identify individual properties—before valuations take place—that have a high risk of being impacted by bias (regardless of the method of valuation);
b) Identify individual valuations, after a valuation has taken place (regardless of the method of valuation), that have a high risk of having been skewed by racial and ethnic bias;
c) Identify appraisers who exhibit patterns of valuation that appear to be impacted by racial and ethnic bias;
d) Identify neighborhoods that appear to be consistently undervalued in the valuation process associated with lending (including rural areas that can be more difficult to value); and
e) Identify broader patterns of possible mis-valuation that would be of interest to lenders, federal agencies, and others.

The Task Force recognizes that different stakeholders will need different metrics for specific purposes, yet there also is value in federal agencies sharing a mutual understanding of the strengths and weaknesses of a range of useful metrics. The Task Force's interaction with industry has revealed a widespread willingness to solve the problem, but without a more comprehensive understanding of the strengths and weakness of the existing metrics, measuring progress may be challenging. To that end, the Task Force will conduct additional analysis and research to inform the robustness of the existing metrics, as well as the development or enhancement of new and existing metrics.

Actions:

- The member agencies of the PAVE Research Working Group will pursue defining new metrics that can be used to identify and measure patterns of mis-valuation.

Assessing additional policy and research efforts to ensure more equitable valuation

In performing its work, the Task Force recognized several initiatives and areas of research and analysis that could not be completed in the Task Force's initial 180-day timeline, but that have the potential to make a significant difference in ensuring fair and accurate home valuations for all communities.

The Task Force recognizes that these areas require in-depth evaluation and/or research, greater input from stakeholders, and further exploration of implications before any policy recommendations can be put forth. However, the Task Force is committed to continuing its study of these potentially impactful areas. The Task Force has also identified shortcomings in the current body of literature around valuation bias and plans to continue to establish an agenda for a coherent cross-agency research strategy to close the information gaps. Such gaps limit full understanding of the prevalence of racial and ethnic bias in property valuations and the appropriate metrics to monitor and mitigate it.

In the coming months, the Task Force agencies will initiate assessments of:

1. Expanded use of alternatives to traditional appraisals as a means of reducing the prevalence and impact of appraisal bias.

The Task Force agencies will research the soundness, prudence, and feasibility of expanded use of alternatives to traditional appraisals, and will identify and propose, as appropriate, additional regulatory and policy changes needed to ensure that expanded use of alternatives to traditional appraisals results in a reduction in the frequency and impact of racial and ethnic bias in valuations. Some lenders already use alternatives such as hybrid appraisals, desktop appraisals, AVMs, and other alternative methods of valuation.

Studies differ on whether AVMs reduce the influence of racial and ethnic bias; some researchers have observed that AVMs are less accurate in Black neighborhoods. [72] Similarly, desktop appraisals avoid an appraiser's visit to the home and would appear to eliminate that possible driver of bias, but data remains inconclusive as to whether desktop appraisals value Black and Latino properties differently than traditional appraisals. Related, appraisal waiver options have been in place for several years in certain programs. Appraisal waivers protect against immediate appraisal bias, but the estimated valuations that influence eligibility for some of the waiver programs may still reflect past bias. The Task Force agencies will further study whether increased usage of these alternatives could have the result of reducing the prevalence of bias. [e]

2. Range-of-value estimates instead of point estimates as a means of reducing the impact of racial or ethnic bias in appraisals.

Some researchers have suggested that, rather than approaching valuation to land on a specific point value estimate, valuations may be better served by aiming for an estimated range of values. Research studying patterns of low valuations on purchase appraisals in Black and Latino communities [73] has addressed the frequency of low valuations, but not the magnitude; many instances of low valuation may result in value estimates that still fall within a reasonable range of values approximately centered on the contract price. If appraisal customers could accept such a range of values as a valuation opinion, rather than requiring a point value, some researchers have speculated that it might have the effect of muting the *impact* of the racial and ethnic bias in residential appraisals, particularly in undervaluations. Buyers would be less likely to be asked to provide more cash, and purchase deals would be less likely to be scuttled.

[e] The Task Force recognizes that the use of alternative valuation methods may be practically limited by statute and by existing rules governing which federally-related real estate transactions require evaluations vs. appraisals.

The Task Force agencies will further study the utility of implementing a range of value estimate approach, including potential benefits and drawbacks. In evaluating this approach, the Task Force agencies should consider what underwriting rules or program eligibility decisions currently rely on a precise loan-to-value ratio; such rules and decisions might need to be adjusted under a range of value approach. The Task Force agencies should also consider the process appraisers would use for determining range of values and metrics to evaluate whether such an approach makes a difference, as well as any potential disproportionate positive or negative impacts.

3. The potential use of alternatives and modifications to the sales comparison approach that may yield more accurate and equitable home valuation.

Most appraisals rely on the sales comparison approach, where the appraiser draws price data from the sale of comparable properties in comparable markets. Its use is required or encouraged by HUD, VA, USDA, and the Enterprises. The sales comparison approach requires appraisers to exercise significant discretion in their valuations. The reliance on sales comparisons within the appraisal process—and the discretion associated with it—may contribute to the undervaluation of properties in certain neighborhoods by effectively carrying forward historic bias into current-day property valuations.

The Task Force proposes reviewing the efficacy of the sales comparison approach to valuation, examining whether alternative approaches to appraisal valuation could reduce racial disparities, and examining whether guardrails can be placed on the execution of the sales comparison approach to protect against the perpetuation of past mis-valuation.

4. Public sharing of a subset of historical appraisal data to foster development of unbiased valuation methods.

The Enterprises and government mortgage loan insurance and guaranty agencies all possess a large array of historical appraisal data in the form of collections of UAD, which each agency uses to evaluate the credit risk of the loans they purchase, guarantee, or insure. This data, when appropriately modified to protect homeowner privacy, has the potential to inform better-understood valuations and mitigate racial and ethnic bias in valuations. The Task Force acknowledges that if this data were to be publicly available lacking appropriate privacy protections, its availability could risk aggravating discriminatory practices.

Stakeholders have repeatedly mentioned the public value of these sets of appraisal data. Just as federal researchers can benefit from sharing appraisal data with each other, such data can also be of use to non-federal researchers examining valuation bias (e.g., to identify potential discriminatory actors). Appraisers themselves might be well-served by having a view of a subject property's past appraisals or of historical appraisal patterns in a specific neighborhood or market. Rich appraisal data could also be useful for other publicly beneficial purposes, such as supporting local tax assessment—better public data may help assessors more accurately reflect property and neighborhood amenities [74] and therefore address racial and ethnic bias in property tax assessment, as well. Additionally, such data could help ensure more accurate, unbiased AVMs, especially in geographies that have proven harder to value, such as rural areas.

The Task Force agencies will closely examine the considerations that need to be addressed to work toward public sharing of a subset of historical appraisal data, including that collected by the Enterprises, and by HUD, VA, and USDA. These considerations include the legal analysis of possible limitations to public disclosure per the Privacy Act of 1974, statutes specific to protecting veterans' data, third-party usage, data privacy, and practical constraints.

What Comes Next?

In addition to the agency commitments outlined in this Action Plan, the Task Force intends to continue its work and engagement to analyze and formalize long-term, transformational policy solutions, and to continue the momentum on several of the actions it has identified to date.

After publication of this Action Plan, the Task Force will formalize a long-term research and policy agenda, derived from the work over the past 180 days, with the goal of embedding equity and fairness in the policy-making process. Additionally, the Task Force will monitor and measure progress during implementation of the actions identified in the sections above.

Lastly, as the Task Force transitions into the next phase of work to advance equity in the appraisal process, it will continue seeking opportunities to partner with financial institutions, philanthropy groups, academia, civil rights groups, advocates, and industry associations to create a coordinated approach in tackling this issue.

Call to Action

The Federal Government has a critical role to play in overcoming and redressing the history of discrimination. This Action Plan represents one step toward addressing prior discriminatory housing policies systematically implemented and perpetuated across this country.

Get help

Members of the public should contact HUD-FHEO to learn more about their Fair Housing rights during the homebuying or refinancing process, or to file a fair housing complaint. Please visit the PAVE Task Force website (PAVE.HUD.gov) for additional resources, or FHEO's website (https://www.hud.gov/program_offices/fair_housing_equal_opp/online-complaint) to file a fair housing complaint. Consumers can submit complaints about problems during the lending process, including discrimination complaints, to the CFPB, as well (https://www.consumerfinance.gov/complaint/).

Get involved

The Task Force is seeking support from stakeholders who can inform, implement, and evaluate long-term, transformational policy solutions that will radically improve the home appraisal industry. Through partnership with members of industry, advocacy, fair housing, and academic organizations, the Federal Government hopes to take additional steps to effectively end racial discrimination across each stage of the appraisal and homebuying process.

Stay informed

The Task Force launched the PAVE website to provide updates on the Actions found in this Action Plan and provide additional resources to consumers and industry partners. Please visit PAVE.HUD.gov to stay informed on how the Federal Government and its industry partners are combatting appraisal bias.

Appendix I: PAVE Task Force Member Agencies and Offices

U.S. Department of Housing and Urban Development

White House Domestic Policy Council

Appraisal Subcommittee

Federal Reserve Board

Consumer Financial Protection Bureau

Federal Deposit Insurance Corporation

Federal Housing Finance Agency

National Credit Union Administration

Comptroller of the Currency

U.S. Department of Agriculture

U.S. Department of Justice

U.S. Department of Labor

U.S. Department of Veterans Affairs

Appendix II: Acronyms

Government Agencies/Other Entities:

ASC	Appraisal Subcommittee
CFPB	Consumer Financial Protection Bureau
DOI	Department of the Interior
DOJ	Department of Justice
DOL	Department of Labor
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
FRB	Federal Reserve Board
HUD	Department of Housing and Urban Development
NCUA	National Credit Union Administration
OCC	Office of the Comptroller of the Currency
TAF	The Appraisal Foundation
USDA	United States Department of Agriculture
VA	Department of Veterans Affairs

Other Acronyms:

APA	Administrative Procedures Act
AQB	Appraiser Qualifications Board
AMC	Appraisal Management Company
ASB	Appraisal Standards Board
AVM	Automated Valuation Model
BLS	Bureau of Labor Statistics

C.F.R.	Code of Federal Regulations
EAD	Electronic Appraisal Delivery
ECOA	Equal Credit Opportunity Act
EOI	Education and Outreach Initiative
FASB	Financial Accounting Standards Board
FHIP	Fair Housing Initiatives Program
FIRREA	Financial Institutions Reform, Recovery, and Enforcement Act of 1989
HBCU	Historically Black Colleges and University
HERA	Housing and Economic Recovery Act of 2008
HMDA	Home Mortgage Disclosure Act
HOLC	Home Owners Loan Corporation
HVCC	Home Valuation Code of Conduct
LTV	Loan to Value
ML	Mortgagee Letter
MOU	Memorandum of Understanding
OHC	Office of Housing Counseling
PAVE	Property Appraisal and Valuation Equity
REACh	Roundtable for Economic Access and Change
RFI	Request for Input
ROV	Reconsideration of Value
UAD	Uniform Appraisal Dataset
UCDP	Uniform Collateral Data Portal
U.S.C.	United States Code
USPAP	Uniform Standards of Professional Appraisal Practice

Appendix III: Glossary of Terms

Appraisal Bias	Bias based on race, ethnicity, or national origin in the opinion of value rendered by a professional appraiser. (The Task Force recognizes that other forms of bias (e.g., confirmation bias) may impact appraisals, but for the purposes of this document, we are referring to racial and ethnic bias in the appraisal process.)
Automated Valuation Model	A computerized model used by mortgage originators and secondary market issuers to determine the collateral value for a residential dwelling securing a mortgage.
Loan to Value Ratio	In a mortgage, the ratio of the loan amount to the value of the property that secures the loan.
Overvaluation	An appraisal in which the opinion of value is higher than a reasonable estimate of the fair market value of the home.
Racial and Ethnic Bias	Refers to bias based on race, ethnicity, or national origin as described in the President's *Memorandum on Redressing Our Nation's and the Federal Government's History of Discriminatory Housing Practices and Policies.*
Reconsideration of Value	A request by consumers for an appraiser to reassess the analysis and conclusion of their initial appraisal when provided with additional information that may affect the value conclusion.
Redlining	A form of illegal discrimination in which a lender provides unequal access to credit, or unequal terms of credit, because of the race, color, national origin, or other prohibited characteristic(s) of the residents of the area in which the credit seeker resides or will reside or in which the residential property to be mortgaged is located.
Sales Comparison Approach	An appraisal approach in which the appraiser identifies recent sales of nearby properties with similar characteristics, adjusts the comparable sales price for observable differences in property characteristics, and then aggregates the adjusted comparable property values with a weighting of the appraiser's discretion, to estimate a value for the subject property.
Undervaluation	An appraisal in which the opinion of value is lower than a reasonable estimate of the fair market value of the home.

Uniform Standards of Professional Appraisal Practice	The generally recognized ethical and performance standards for the appraisal profession in the United States. USPAP was adopted by Congress in 1989, and contains standards for all types of appraisal services, including real estate, personal property, business, and mass appraisal. Compliance is required for state-licensed and state-certified appraisers involved in federally-related real estate transactions.
Valuation Bias	Bias based on race, ethnicity, or national origin in the residential valuation process performed as part of mortgage origination, regardless of valuation method. Appraisal bias as defined above is a channel of valuation bias, when valuations stem from appraisals. (The Task Force recognizes that other forms of bias (e.g., confirmation bias) may impact valuations, but for the purposes of this document, we are referring to racial and ethnic bias in the valuation process.)
Valuation Equity	A condition in which a residential property is equally likely to be accurately valued regardless of the race, ethnicity, national origin, or other protected characteristics of its residents or composition of its neighborhood.

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