



Appraisal Bias: Actionable Recommendations from the Philadelphia Appraisal Bias Task Force

The National Middle Neighborhoods Community of Practice

Middle Neighborhoods Initiative

A **National Initiative** focused on mobilizing attention to reverse the disappearance of middle neighborhoods through decline or gentrification. The initiative does this through

- A **Community of Practice** that facilitates peer-to-peer learning among middle neighborhood practitioners. The CoP connects more than 800 practitioners, policymakers and researchers to each other through webinars, events, case studies, newsletters, and virtual site visits.
- **Research** into topics relevant to middle neighborhood practitioners and policymakers.
- **Policy analysis and advocacy** around housing, lending and other community development issues.
- **Communications** strategies to advance awareness and technical knowledge among a wide variety of audiences.

The initiative is coordinated by the **National Community Stabilization Trust** and **NeighborWorks America** and is advised by a **Steering Committee** of 20 prominent researchers, practitioners, and policy makers.





Characteristics of Middle Neighborhoods

- Mostly single-family homes built for families with children.
- Still well more than 50% owner-occupied, but slowly eroding.
- Housing stock is aging, still in generally acceptable condition, but often lacks features and updates to compete well for today's homebuyers.
- More racially, ethnically and economically diverse.



Many Middle Neighborhoods Are Faltering In Their Sustainability

- Ability to ***reliably attract replacement owner occupants*** and other neighborhood-friendly buyers
- Ability to ***generate home values that support quality maintenance***, repairs and updates without appraisal gaps
- Ability to ***repel irresponsible investors***
- Ability to ***maintain engaged residents taking stewardship*** of the neighborhood
- Ability to ***deliver home equity to owners and revenue to municipal government***



Some Middle Neighborhoods Are Facing Gentrification and Displacement

- Regions with strong economies and/or housing supply shortages
- Loss of affordable housing
- Risk displacement of lower-income renters, homeowners, and commercial tenants.
- A critical opportunity to:
 - Ensure that existing residents and businesses share in the community's growing prosperity.
 - Preserve affordable housing before it is lost.

Click [here](#) to learn more about defining Middle Neighborhoods

Refresh Your Map Zoom Questions or feedback? Type in location GO

Your Map

Map Satellite

Choose a 2014-2018 layer to display

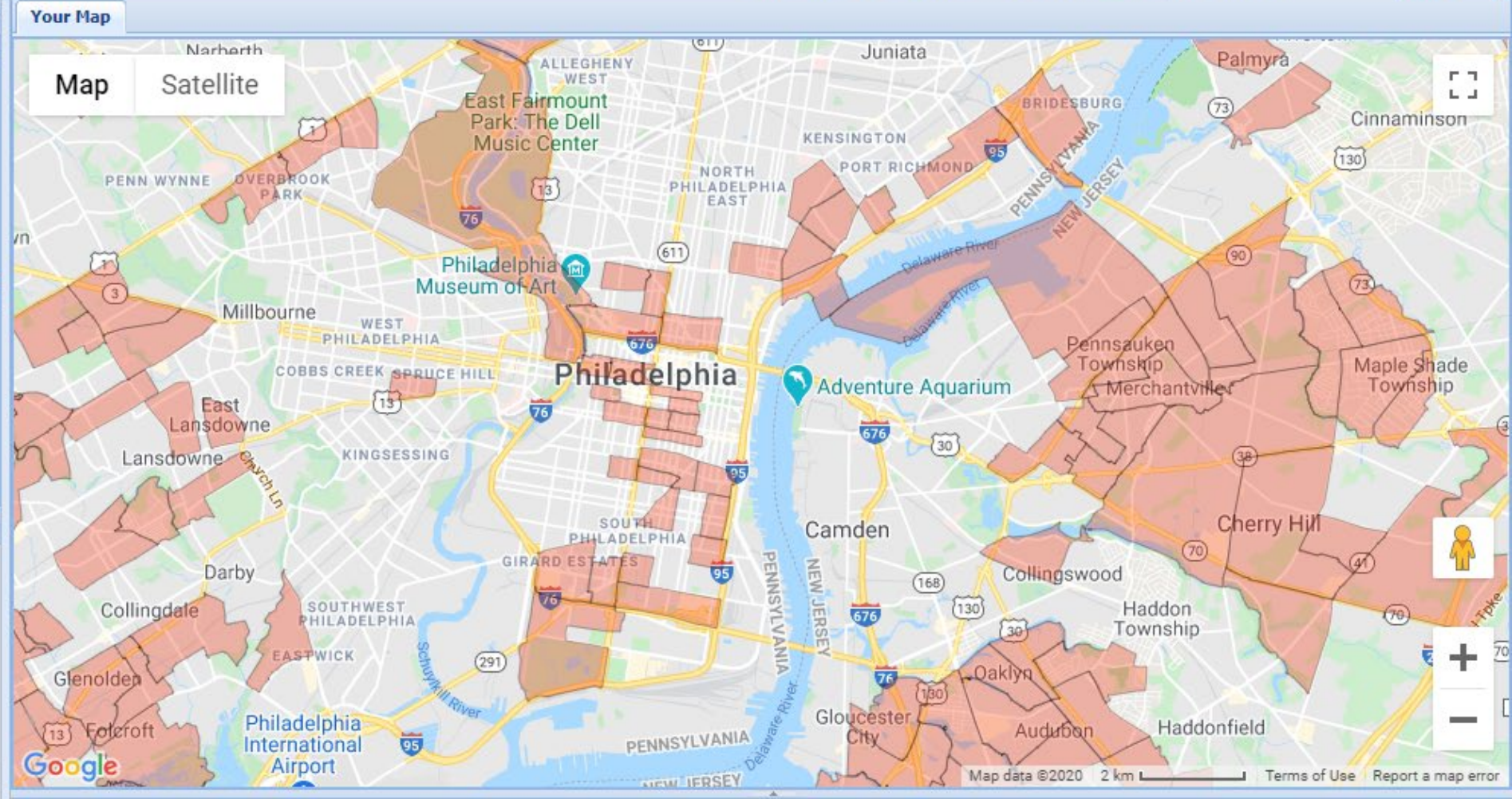
- 2018 City Test 1: 60-100% CMI
- 2018 City Test 2: 80-120% CMI
- 2018 National Test 1: 60-100% NMI
- 2018 National Test 2: 80-120% NMI
- 2018 Regional Test 1: 60-100% AMI
- 2018 Regional Test 2: 80-120% AMI
- 2018 Regional Test 3: 100-160% AMI

Choose a 2006-2010 layer to display

- 2010 City Test 1: 60-100% CMI
- 2010 City Test 2: 80-120% CMI
- 2010 National Test 1: 60-100% NMI
- 2010 National Test 2: 80-120% NMI
- 2010 Regional Test 1: 60-100% AMI
- 2010 Regional Test 2: 80-120% AMI
- 2010 Regional Test 3: 100-160% AMI

MSAs

- Panama City, FL Metro Area
- Parkersburg-Vienna, WV Metro Area
- Pensacola-Ferry Pass-Brent, FL Metro Area
- Peoria, IL Metro Area
- Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metro Area
- Phoenix-Mesa-Scottsdale, AZ Metro Area
- Pine Bluff, AR Metro Area
- Pittsburgh, PA Metro Area
- Pittsfield, MA Metro Area



Displaying census tracts with median household incomes between 80 and 120 percent of regional/MSA median (\$69,465), or \$55,572 - \$83,358

Guests

Councilmember Cherelle L. Parker

- Majority Leader
- Philadelphia City Council
- Philadelphia, PA

Ira Goldstein

- President of Policy Solutions
- Reinvestment Fund
- Philadelphia, PA

Agenda

History of Appraisal Bias

Appraisal Bias Report: Findings

Recommendations and Response

Q & A



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Middle Neighborhoods Community of Practice

July 28, 2022

About Reinvestment Fund

- We are a national mission-driven financial institution that creates opportunity for underserved people and places through partnerships. We marshal the capital, analytics, and expertise necessary to build strong, healthy, and more equitable communities.
- Since 1985, Reinvestment Fund has made **\$2.7 billion** in cumulative investments and loans.
- We are supported by **830 investors** that include individuals, foundations, religious institutions, financial institutions, civic organizations and government.

How we work:



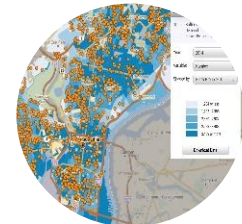
Lending & Investing



Capacity Building & Capital Access Programs



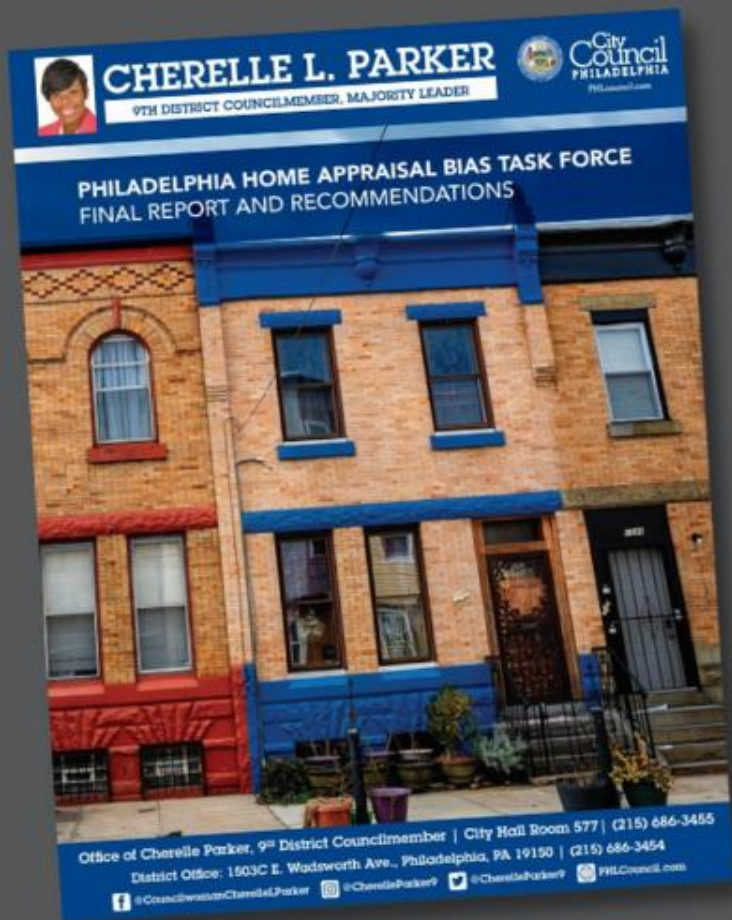
Policy Solutions



PolicyMap



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PHILADELPHIA HOME APPRAISAL BIAS TASK FORCE REPORT AND RECOMMENDATIONS

The report includes actions at the city, state, and national levels to make property appraisals more equitable.

REPORT AVAILABLE NOW:
WWW.REINVESTMENT.COM



www.reinvestment.com/insights/philadelphia-home-appraisal-bias-task-force-report-and-recommendations/

Task Force Members

PHILADELPHIA HOME APPRAISAL BIAS TASK FORCE FINAL REPORT AND RECOMMENDATIONS

The recommendations in this report do not necessarily reflect the formal positions of any of the organizations listed below.

TASK FORCE MEMBERS

NAME	ORGANIZATION
Cherelle Parker	Philadelphia City Council
Ira Goldstein	Reinvestment Fund
Rachel Meadows	Philadelphia City Council
Mark Alston	National Association of Real Estate Brokers
Mia Bailey	HUD's International and Philanthropic Affairs Division
Carlo Batts	Rittenhouse Appraisals
Annette Collier	Able Real Estate, Realists
Toni Johnson	Real Estate Associate, Realists
Melissa Long	Division of Housing and Community Development
Charles Lowery	New American Funding
Laura Mabery	Fair Housing Rights Center In Southeastern Pennsylvania
Angela McIver	Fair Housing Rights Center In Southeastern Pennsylvania
Darlene Meekins	Real Estate Agent, Realists
Sara Pratt	Relman Colfax PLLC
John Russell	American Society of Appraisers
Jorge Soto	National Fair Housing Alliance
Gregory Squires	George Washington University
Dave Thomas	Philadelphia Housing Development Corporation
Jillian White	Aloft (formerly with Better.com)
Morgan Williams	National Fair Housing Alliance
Vincent Wimbish	Wimbish Appraisal Service
Melody Zimmerman	Greater Philadelphia Association of REALTORS (GPAR)



Action Plan to Advance Property Appraisal and Valuation Equity
 Closing the Racial Wealth Gap by Addressing Mis-valuations for Families and Communities of Color



MARCH 2022

Identifying Bias and Barriers, Promoting Equity:
 An Analysis of the USPAP Standards and Appraiser Qualifications Criteria

January 2022

A study commissioned by the Appraisal Subcommittee of the Federal Financial Institutions Examination Council and carried out by the Council on Licensure, Enforcement and Regulation under Cooperative Agreement number TTA2021KY02.



Overarching Issues

- Lack of diversity in the profession
- Inadequate professional education on fair housing
- Lack of transparency into appraiser activity
- Lack of localized knowledge that would aid in crafting accurate appraisals
- Challenges in the degree to which consumers understand the appraisal process
- Persistent impacts of historic discrimination (e.g., redlining) coupled with contemporary discrimination that impacts value – and that is all baked into an appraised value

Why Is This Relevant To Middle Neighborhoods?

- Homeownership in middle neighborhoods tends to be relatively high.
- Middle neighborhoods also tend to be the racially integrated.
- Home values – and changes in home values – tend to be modest; homes are relatively affordable.
- “The well-being of these neighborhoods is essential for the families and individuals living in them...Should these middle neighborhoods decline in value by slipping into distress, local governments will have even fewer dollars to provide needed city services in these and other neighborhoods.” Paul Brophy (On The Edge: America’s Middle Neighborhoods)

Biased home appraisals threaten the well-being of these neighborhoods by, among other things, artificially depressing home values.

Challenges to Local Action

- Some legislative/policy options are only possible at the state or federal level
 - May block Philadelphia's ability to fashion a local solution
 - May not choose to act aggressively enough
- Resources
- Philadelphia was fortunate to have a champion in Councilwoman Parker, Rachel Meadows, and a community that has a history of coming together and addressing situations such as this (e.g., Delaware Valley Mortgage Plan, anti-predatory lending bill, Philadelphia Mortgage Foreclosure Diversion Program). Not every community has all of this!

Recommendations of the Philadelphia Home Appraisal Bias Task Force

Local Recommendations

Lack of Quantitative Data

- Local ordinance to require filing of specific appraisal data
- Local ordinance to license appraisers
 - Require fair housing training to maintain license
- Conduct analysis/investigation of appraisal bias at the individual level (i.e., “white-washing” a home) and neighborhood level
- Support a fair housing organization to develop/enhance enforcement testing capability
- Enter into agreements to collect appraisal data
 - Local lenders
 - State (e.g., PHFA)
 - Feds
- Collect specific appraisal data in transactions including the City (e.g., Philly First Home)

Local Recommendations

Lack of Qualitative Data

- Collaborate with local CBOs to sponsor focus groups/interviews with their clients
- Engage in structured listening sessions with local real estate professionals
- Partner with organizations like the Middle Neighborhoods Initiative or Chicago Rehab Network Appraisal Equity Campaign

Diversify the Profession

- Work with local universities, Appraisal Institute and American Society of Appraisers to promote the profession to people of color and women

Local Recommendations

Diversify the Profession

- Create a workforce development pipeline to prepare people to become appraisers
- Work with local anchor institutions to give preference to local appraisers of color when using appraisers in their real estate transactions
- City to create a “preferred vendor list”, like an MWDBE preference
 - Require/preference such vendors in projects supported by the City
- Encourage lenders doing business with the City to disclose appraiser demographics
- Promote Better Appraiser Program (Better.com) – Better takes on the responsibility to educate and train appraisers

Local Recommendations

Homebuyer / Homeowner Education

- Create consumer materials
- Support fair housing groups to do education and outreach
- Work with lenders to implement a transparent Reconsideration of Value process

Make Combatting Appraisal Bias A Priority

- Connect the City's AFH to the Task Force recommendations
- Make critical market data affirmatively public

Reconvene the Philadelphia Task Force at least twice a year to update the community on changes and to monitor progress on the recommendations

State Recommendations

Enhance Knowledge of Appraisal Practices Statewide

- Conduct an annual audit
 - Provide findings for inclusion in the state's fair housing plan

State As a Leader

- Support state requirement for appraisers to receive fair housing training
- Support the state's human relations commission in investigation of any allegations of appraisal bias
- Affirmatively pursue cases of appraisal bias

Diversity the Profession

- Advocate for an analysis of appraisal requirements and adjust those that hinder diversity without creating more competent professionals (e.g., number of training hours)

Federal Recommendations

- Create a HMDA-Like reporting requirement for the nation's appraisers
- Open the GSE databases so that researchers, community-based and fair housing organizations have access to their uniform appraisal data
- Create a funding stream to cover the cost of the training obligation
- Remove the specific extra educational requirements for trainers
- MAYBE: Abandon the Supervisor-Trainee model altogether
- Address the unintended consequences of AMCs

Each of the recommendations in the report was designed to address an issue identified through the task force's work, including the work of others on this most critical fair housing issue.

Reinvestment Fund Contact & Materials

Report: <https://www.reinvestment.com/insights/philadelphia-home-appraisal-bias-task-force-report-and-recommendations>

Press Release: <https://phlcouncil.com/philadelphia-home-appraisal-bias-task-force-issues-final-report-and-recommendations/>

Philadelphia Inquirer Article: <https://www.inquirer.com/real-estate/housing/home-appraisal-discrimination-black-white-philadelphia-20220727.html>

Op-Ed (2021): <https://whyy.org/articles/home-appraisals-drive-americas-racial-wealth-gap-95-of-phillys-appraisers-are-white/>

Contact:

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JOIN US!
**The Middle Neighborhoods
Community of Practice
(CoP)**

The Middle Neighborhoods CoP is an informal, facilitated network of practitioners, researchers and policymakers engaged in revitalizing middle neighborhoods. CoP members share learnings through topical webinars, referrals, site visits, phone calls, and occasional larger group events.

There are currently more than 800 people in the CoP. Please join us!

middleneighborhoods.org



Upcoming Webinars

AUG 9: Mountain Town Migration: Understanding the Impacts of the Covid-19 Pandemic on Middle Neighborhoods in the Mountain West

AUG 11: Centering Black Prosperity in the Revitalization of Black Middle Neighborhoods

AUG 23: Equitable Place-Centered Strategies for Safer Communities

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Thank you for
joining us!

Please email us if you have ideas for webinars, case studies, news stories, etc.

Tell us about your experience today!