

Remarks

By

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At the

CFPB's Virtual Home Appraisal Bias Event

June 15, 2021

Good afternoon. I want to thank Acting Director Uejio for hosting this event and inviting me to participate. Events like these take a tremendous amount of effort by staff to pull them off, so I commend everyone involved for putting on such a terrific program on a very important topic.

We are here at an opportune time in history where the energy to tear down barriers to fair and equal participation in our economy may finally exceed the resistance protecting the status quo. We are seeing regulators, industry, and stakeholders work together to root out structural obstacles that have resulted in a legacy of unfairness and inequality.

Sustained access to affordable housing has long been one of the most important foundations of a more just economy. Real estate appraisals play an important role in the home-buying process. Biased appraisals can keep a family from getting approved for a loan or raise the price of a loan. They can trap “undervalued” neighborhoods by depressing property taxes, resulting in lower income to support education and infrastructure. Biased appraisals mean good loans to creditworthy customers go unmade. That’s not just bad business, it locks people in

unfairly, creating even more distance between the haves and the have-nots. As journalists,<sup>1</sup> academics,<sup>2</sup> and advocates<sup>3</sup> have pointed out, discrimination and bias in appraisals contribute to inequity in housing values and adversely affect a critical source of wealth accumulation for minority families. The impact is large and cannot be ignored. Studies have found that homes in Black neighborhoods are valued at roughly half the price as homes in neighborhoods with few or no Black residents. That difference has led to a \$156 billion cumulative loss in value nationwide for majority-Black neighborhoods, according to a study by the Brookings Institute.

While appraisers and the appraisal process are not often seen as parts of the banking system, there are clear intersections. Banking regulations require appraisals on certain transactions, and banks rely on third-party appraisals in their underwriting and overall risk management practices. Regulators, including the OCC, expect banks to ensure their vendors treat customers fairly and do not discriminate, and we are seeing banks held accountable for discrimination in appraisals they use.<sup>4</sup>

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<sup>1</sup> Brentin Mock. "What It Will Take to Close the Race Gap in Home Appraisals." Bloomberg. March 3, 2021 (<https://www.bloomberg.com/news/articles/2021-03-03/appraisers-acknowledge-bias-in-home-valuations>)

<sup>2</sup> Andre M. Perry, Jonathan Rothwell, and David Harshbarger. "The Devaluation of Assets in Black Neighborhoods." Brookings. November 27, 2018 (<https://www.brookings.edu/research/devaluation-of-assets-in-black-neighborhoods/>).

<sup>3</sup> "IFF: The Appraisal Bias: How More Equitable Underwriting Can Increase Capital in Communities of Color." National Community Reinvestment Coalition. June 4, 2019 (<https://ncrc.org/iff-the-appraisal-bias-how-more-equitable-underwriting-can-increase-capital-in-communities-of-color/>).

<sup>4</sup> Brenda Richardson. "HUD Reaches Agreement With JPMorgan Chase Resolving Claims Of Race Discrimination In Appraisals." Forbes. March 8, 2021 (<https://www.forbes.com/sites/brendarichardson/2021/03/08/hud-reaches-agreement-with-jpmorgan-chase-resolving-claims-of-race-discrimination-in-appraisals/?sh=ca3fb055bb50>).

Holding banks accountable is necessary but not sufficient to solve the problem of bias in appraisals. The solution requires a collective effort by all the stakeholders participating and watching this event today. I applaud the civil rights leaders and others participating for holding us accountable on this issue and engaging in solutions-oriented discussions that can make appraisals fairer in the future while also meeting the underwriting needs of the \$11 trillion in mortgage loans in our country. I look forward to this discussion and to working with my colleagues and stakeholders on this important opportunity.