

Written Testimony of Melody Taylor
Executive Director of the Property Appraisal and Valuation Equity Task Force
U.S. Department of Housing and Urban Development
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Introduction

Chairman Brown, Ranking Member Toomey, and other members, I am extremely honored to have been invited to address the Committee on Banking, Housing, and Urban Affairs.

Appointed by Secretary Marcia Fudge in July 2021, I serve as the Executive Director of the Property Valuation Task Force, and as the Regional Director for the Office of Fair Housing and Equal Opportunity with over 20 years of fair housing experience. Again, I am honored to be here today.

Homeownership is the primary way American families build wealth and pass it on to the next generation. The value of one's home in the refinance process determines whether they can use the home's equity to send their children to college, whether they can start a business by accessing credit on reasonable terms, and ultimately whether their children benefit from the transfer of intergenerational wealth. This is the American dream.

Sadly, accounts of appraisal bias have captured national headlines in recent months. For instance, a Black couple in Marin City, California received an appraisal far lower than anticipated, even after making substantial home improvements. When they asked a white friend to stand in for them during a second appraisal, the home was valued roughly half a million dollars more than it was just weeks prior.

A Black woman in Indianapolis did not reveal her race on a refinancing application, removed all family photos, only communicated by email, and asked a white friend to pose as her brother during the appraisal. Her appraisal more than doubled from her first two appraisals. Imagine for just a moment that sinking feeling that you might experience knowing that “erasing” yourself might be the difference between your child receiving an education – or not.

Research has shown that their experiences are not one-offs. Rather, they are part of a pattern of racial bias. A Freddie Mac study published in September 2021, found that appraisals for home purchases in majority-Black and majority-Latino neighborhoods were roughly twice as likely to result in a value below the actual contract price compared to appraisals in predominantly white neighborhoods. Recent research by Fannie Mae examining refinance transactions found that overvaluations of white-owned homes were more likely to occur in majority-Black neighborhoods. These scenarios tend to be contributing factors to the wealth gap in communities of color.

Advancing Racial Equity and Support for Underserved Communities

For this reason and more, on June 1, 2021—the centennial of the Tulsa Race Massacre—President Biden announced the creation of the Interagency Task Force on Property Appraisal and Valuation Equity (PAVE). Co-chaired by HUD Secretary Marcia Fudge and White House Domestic Policy Advisor Ambassador Susan Rice, the Task Force was directed to accomplish two things: 1) evaluate the causes, extent, and consequences of racial and ethnic appraisal bias; and 2) establish a set of actions to root out racial and ethnic bias in the valuation of residential property. Secretary Fudge and Ambassador Rice asked me to serve as the Executive Director of the Task Force, and this has been one of the great honors of my 20-year career in fair housing.

Background of the Action Plan

The Task Force convened 13 cabinet level and independent agencies and White House offices as members charged with harmonizing regulatory action, aligning compliance and enforcement activities, and developing standards and guidance which are now detailed in the recently published PAVE Action Plan. We did not take this journey alone. In listening sessions and one-on-one meetings, we met with and sought input from Realtors, appraisers, philanthropy, academia, civil rights leaders, and Americans with lived experiences of racial bias to identify solutions that will bring positive immediate impact to the people we all serve.

The product is a blueprint describing the history and impact of persistent mis-valuations, early progress that the Task Force has already made toward transforming the industry, 21 concrete actions, and future PAVE agency commitments to ensure equitable access to opportunity through homeownership.

Overview of the Actions

The Action Plan provides comprehensive actions around the following:

1. **Enhancing oversight and accountability:** The Action Plan lays out steps to enhance oversight and accountability of the appraisal industry, which has long operated in a relatively closed and self-regulated framework and has not been effective at addressing deep-rooted inequities.
2. **Empowering consumers:** The Action Plan provides for increased consumer awareness of the reconsideration of value process and concrete commitments, from housing counseling to the issuance of policy guidance, to improve that process.

3. **Preventing algorithmic bias in home valuations.** The Action Plan seeks to reduce automated valuation models' (AVMs) reliance upon biased data that could replicate past discrimination, including through the intended inclusion of a nondiscrimination quality control standard in the future proposed rule on AVMs.

4. **Cultivating an appraiser profession that is well-trained and diverse.** The Action Plan lays out a series of steps to remove unnecessary barriers that may make it more difficult for underrepresented groups to access the profession, and to strengthen training of existing appraisers. For example, the Action Plan outlines training requirements in the area of appraisal anti-bias, fair housing, and fair lending for all appraisers who conduct appraisals for federal programs, and the Task Force will work with the appraisal industry to require such trainings for all appraisers.

5. **Coordinating enforcement to keep industry accountable.** The Action Plan includes steps to improve coordination and collaboration between enforcement agencies to better identify discrimination in appraisals, including by aligning investigative protocols with respect to allegations of racial and ethnic bias in the valuation process.

6. **Leveraging federal data and expertise to inform policy, practice, and research on appraisal bias.** The Action Plan identifies instances where potentially useful datasets exist that have not been shared between agencies for research, compliance, and enforcement. The plan provides a strategy to foster the aggregation of data to better study, understand and address appraisal bias.

Conclusion

In conclusion, I thank you for your interest in this issue and the solutions that federal agencies, industry, and others have collaboratively created. Our immediate and long-term actions will unleash opportunity for children and families in every neighborhood and corner of our Nation. We look forward to expanding and amplifying these successes in partnership with you. Again, thank you.