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Racial bias and the real estate industry - by Steven Spangle

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Steven Spangle

Racial bias is front and center of the news. Accusations involve all sections of the real estate industry, appraisers, brokers, and lenders.

Appraisers have been accused of using inappropriate comparable sales that indicate values below the true market value of a property that is owned by a person of color. Real estate agents have been accused of steering people of color away from white neighborhoods even though they can afford them. Lenders, have been accused of denying loans to people of color at significantly higher rates than to white applicants.

A June 7, 2021 article by Safia Samee, cited a study by the Brookings Institution in 2018 that found that in the average U.S. metropolitan area, “homes in neighborhoods where the share of the population is 50% black are valued at roughly half the price as homes in neighborhoods with no black residents,” and that there is a level of “implicit bias” in an individuals’ perception of members of an oppressed class. The study also found that the “value of assets – buildings, schools, leadership, and land itself – are inextricably linked to the perceptions of black people.” The article reported that of the approximately 78,000 appraisers in the country 85% are white, and less than 2% identify as black.

A 12/7/2017 article by Michael Crist, cited a survey by the National Association of Realtors (NAR) that indicated white and caucasian members made up the majority of NAR real estate agents at 74% of respondents, black members made up the third largest group at 7% of respondent.

An 8/9/2021 CNBC article indicated that according to a recent survey by Zillow a majority (59%), of black homebuyers are concerned about qualifying for a mortgage, while less than half (46%) of white buyers are concerned. It also indicated that 2020 data from the Home Mortgage Disclosure Act indicates lenders deny mortgages for black applicants at a rate 80% higher than that of white applicants.

The Biden administration unveiled new federal steps to help narrow the racial wealth gap. Part of the steps will involve the Secretary of Housing and Urban Development Marcia Fudge leading an interagency initiative to address inequity in home appraisals.

Junia Howell, of the University of Pittsburgh, appeared before the Federal Reserve, stating that to eradicate the racial discrimination in the system, Howell said that the appraisal industry may have to resort to automation, such as web apps, and digital platforms that can perform valuations.

As part of a new bank-wide commitment to fight housing inequality JPMorgan (JPM) is for the first time outlining specific legislation that can fight appraisal bias, backing the study of innovative ways to value homes and promoting efforts to boost sorely needed diversity in the appraisal industry.

Clearly there is a broad recognition that a problem exists and the government and others are taking action. As an industry we should not let people who are not part of the real estate industry making

decisions about the industry. As members of the real estate industry, it is very important that members of the industry take the initiative to address the issues.

One step toward correcting the problem is the development outreach programs brings more people of color into the industry.

A second step is to recognize that racial bias is not always intentional it can be unintentional. The development of diversity training can help the problem.

The third step is involvement with industry groups to help develop these and other initiatives to combat bias in our industry.

The NAR is an excellent group representing real estate agents. You can sign up for their newsletter at www.nar.realtor.

The Appraisal Foundation sets the congressionally-authorized standards and qualifications for real estate appraisers, and provides voluntary guidance on recognized valuation methods and techniques for all valuation professionals. It has created a new alternative to the traditional supervisor and trainee model. When complete the participant is eligible for up to 100% of experience credit for Licensed and Certified Residential credentials. You can sign up for their newsletter at <https://www.surveymonkey.com/r/5SPR3Y6>.

The Massachusetts and Rhode Island Chapter of the Appraisal Institute offers newsletters that anyone can request at <http://www.ma-appraisal institute.org/>.

The Massachusetts Board of Real Estate Appraisers represents New England appraisers. They send emails discussing industry issues including updates on current legislation. You can sign up to receive the newsletter by contacting them at staff@mbrea.org.

Appraisers, with virtually no lobbying and limited political action groups tend to fair badly when politicians get involved in improving the industry. It is important for members of every section of the industry to become actively involved in improving their industry before others set mandates.

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