

NAREB Study Finds Some Positives in the Struggle Against Appraisal Bias, but Racial Disparities in Home Values Continue

HUD Acting Sec. Todman Commends NAREB for advancing collective efforts to ensure homeowners have equal opportunities to realize full value of their property

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/EINPresswire.com/ -- The [National Association of Real Estate Brokers](#) (NAREB) released a [comprehensive study](#) of appraisal

bias today, finding some narrowing of contract price

undervaluation gaps and reduction of disparities in appraisals in

Black neighborhoods compared to White communities. Notably,

significant progress was made in specific cities, offering hope for environments where Black intergenerational wealth can thrive.



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Dr. Courtney Johnson Rose

The study identifies two types of appraisal bias: the gap between median appraisal values of homes in Black communities relative to similar-quality homes in White neighborhoods and “contract price undervaluation,” which is the share of appraised homes that fail to meet or exceed the price set by sellers in sales contracts.

“HUD recognizes that appraisal bias is a significant barrier to fair housing and economic opportunity, particularly for communities of color who are most affected by undervaluation and discriminatory practices,” said HUD Acting Secretary Adrienne Todman. “It not only limits the

wealth-building potential for families but also perpetuates a cycle of inequity in our housing market. I commend NAREB for their leadership in releasing this important report and advancing collective efforts to ensure that every homeowner has an equal opportunity to realize the full value of their property.”

Sandra Thompson, Director of the Federal Housing Finance Agency (FHFA), said, “Today’s report showing that appraisal disparities between Black and White neighborhoods have narrowed

proves that shining a light on these longstanding concerns can drive real change benefiting thousands of aspiring and current homeowners. However, we recognize that persistent and unacceptable inequities remain. Our work to ensure fairness throughout the housing finance system and enable underserved communities to build generational wealth continues.”

Dr. Courtney Johnson Rose, NAREB President, asserted that while the study, entitled “Home Appraisals in Black and White: Disparities in the Estimated Valuation of Homes by Neighborhood Racial Composition” shows that appraisal bias continues to exist, there has been improvement following the establishment of the White House’s Federal Interagency Task Force on Property Appraisal and Valuation Equity (PAVE) in 2021. The release of the PAVE Action Plan on March 23, 2022, outlined policy measures actively working to lessen the occurrence and impact of appraisal bias.

Dr. Rose also credited FHFA Director Thompson and former HUD Secretary Marcia L. Fudge for facilitating the public release of [Uniform Appraisal Dataset Aggregate Statistics](#), which provides aggregate data on home appraisals. Some major housing industry stakeholders had opposed its release. The data empowers housing experts to monitor appraisal practices, similar to the impact of the public release of Home Mortgage Disclosure Act data in 1991, a cornerstone in fighting housing and lending discrimination.

“We couldn’t have done this study previously,” said Dr. Rose. “With the new data, we can analyze what is happening in Black communities. NAREB thanks the Biden-Harris Administration, the PAVE task force, and FHFA for providing us with these tools to better understand and address the problems. We now have more



Sandra Thompson, Director of the Federal Housing Finance Agency



HUD Acting Secretary Adrienne Todman

transparency. NAREB can work with the mortgage and appraisal industries to identify and implement solutions. But it all starts with the data.”

Further, Dr. Rose said, “I want to thank Vice President Kamala Harris, who was a driving force behind PAVE. At our national convention in August 2023, Vice President Harris asked what NAREB is doing to help fight appraisal bias, citing its role in restricting Black wealth. I took her words to heart, and NAREB is addressing the issue with this detailed study and other substantial actions.”

Dr. Rose noted that home equity comprises 65 percent of the median net worth for Black households, making it a leading component of Black wealth. As a result, appraisal bias, housing discrimination, and the Black-White homeownership gap have been significant factors in restricting Black wealth over the decades.

Compiled by James H. Carr and Michela Zonta, the study determined that the most significant decline in contract price undervaluation in Black communities was in neighborhoods with the largest shares of Black borrowers (at or higher than the national average). Those communities experienced a fall in contract price undervaluation from 14.8 percent to 10.3 percent.

In reviewing data from the 20 metropolitan areas with the largest Black populations, the study found that in Houston, the Black median appraised home undervaluation gap narrowed by 31 percentage points, falling from 41% in 2021 to 10% in 2023. The undervaluation gap plunged 14% in the Washington, DC, metropolitan area, from 35% in 2021 to 21% in 2023. The median appraised home undervaluation gap has also narrowed in the Atlanta, Chicago, Dallas, Detroit, Philadelphia, Richmond, and Virginia Beach metropolitan areas.

However, there were other locations where the gap increased. In Los Angeles, the Black appraised undervaluation gap grew 17 percentage points, from 31% in 2021 to 48% in 2023. The gap also rose by four percentage points in Baltimore and Miami. It increased by up to three points in the Charlotte, Cleveland, Memphis, New York, St. Louis, and Tampa metropolitan areas while remaining the same in Orlando.

The research also found that:

□ When the volume of home purchases by Blacks in Black neighborhoods (i.e., neighborhoods where Blacks are buying rather than simply residing) is considered, in both 2021 and 2023, homes in Black neighborhoods with large shares of loan originations to Black borrowers had a median home appraised undervaluation gap of 47% compared to White neighborhoods with no Black borrowers.

□ After controlling for housing quality and neighborhood location, amenities, and socioeconomic characteristics, homes in Black neighborhoods in 2023 had a median appraised home value of \$299,572 compared to \$430,915 in White neighborhoods, a 30% undervaluation gap.

□ Between 2021 and 2023, the median appraised home undervaluation gap fell from 38% to 23% in gentrifying Black neighborhoods with no Black loan originations compared to White neighborhoods with no Black loan originations.

□ Nationally, the adjusted median appraised home valuations gap increased between 2013 and 2022. From 2022 to 2023, however, the gap decreased. The median appraised home valuation gap between Black and White neighborhoods varied significantly based on the share of Black and White borrowers in Black census tracts.

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