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## FAIR HOUSING FOR APPRAISERS

### FACT SHEET

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The federal Fair Housing Act prohibits discrimination in housing and applies to a wide variety of housing transactions, including rentals, sales, home mortgages, appraisals and homeowner's insurance. Landlords, real estate agents, lenders, insurance companies and condominium, cooperative and homeowner associations must not discriminate because of one's membership in a protected class.

For much of our history, people of color were excluded from housing and the economic opportunities that come along with it through explicit policy decisions. During the early to mid-20th century housing boom, the New Deal's federal Home Owners Loan Corporation (HOLC) developed a system of evaluating and grading geographic areas based on race. Areas where communities of color lived were coded as "hazardous" and signified with red shading on the HOLC appraisal maps. This practice is the origin of the term "redlining" in real estate. Areas adjacent to communities of color could be downgraded because of their proximity of these "redlined" neighborhoods<sup>1</sup>.

The Fair Housing Act of 1968 had the dual purpose of ending housing discrimination and reversing the damages of segregation practices such as withholding government backed loans in redlined areas of appraisal maps. In 1977, the U.S. Dept. of Justice entered into an agreement with the American Institute of Real Estate Appraisers (AIREA) in a lawsuit that led to the adoption of the following policy statements:

(1) It is improper to base a conclusion or opinion of value upon the premise that the racial, ethnic, or religious homogeneity of the inhabitants of an area or a property is necessary for maximum value.

(2) Racial, religious or ethnic factors are deemed unreliable predictors of value trends or price variance.

(3) It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon

stereotyped or biased presumptions relating to race, color, religion, sex or national origin or upon unsupported presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

With the adoption of these three policies, AIREA included the above policies and principles into training materials, courses, and seminars to satisfy the requirements of the Fair Housing Act<sup>2</sup>.

### HOUSING DISCRIMINATION IS ILLEGAL.

#### Who Is Protected?

The Fair Housing Act prohibits discrimination in housing because of a person's:

- ✓ Race
- ✓ Color
- ✓ National Origin
- ✓ Religion
- ✓ Sex (including gender identity and sexual orientation)
- ✓ Familial Status
- ✓ Disability

#### In North Dakota, additional protections include:

- ✓ Age
- ✓ Marital Status
- ✓ Public Assistance
- ✓ Domestic Violence

### WHAT TYPES OF HOUSING ARE COVERED?

The Fair Housing Act covers most housing transactions. In very limited circumstances, the Act exempts owner-occupied buildings with no more than four units, single-family houses sold or rented by the owner without the use of an agent, and housing operated by religious organizations and private clubs that limit occupancy to members.

<sup>1</sup> Identifying Bias and Barriers: Promoting Equity: An Analysis of the USPAP Standards and Appraiser Qualifications Criteria, (February, 2022), <https://nationalfairhousing.org/issue/issue-appraisal-bias/>

<sup>2</sup> United States v. American Institute of Real Estate Appraisers, 442 F. Supp 1072 (N.D. Ill. 1977), appeal dismissed, 590 F.2d 242 (7th Cir. 1978). <https://law.justia.com/cases/federal/district-courts/FSupp/442/1072/2285128/>

## WHAT IS PROHIBITED?

All housing transactions are covered under the Fair Housing Act, including the appraising of property. It is illegal discrimination to take any of the following actions because of race, color, religion, sex (including gender identity and sexual orientation), disability, familial status, or national origin:

- ✓ Refuse to appraise property in connection with the purchase, sale or financing of property.
- ✓ Set different terms and conditions in the appraisal process in connection with the purchase, sale or financing of property.
- ✓ Provide different appraisal services associated with the purchase, sale or financing of a property.
- ✓ Make housing unavailable due to a discriminatory housing appraisal.
- ✓ Make, print or publish any notice, statement or advertisement with respect to the appraisal process of a dwelling that indicates any preference, limitation or discrimination.
- ✓ Undervaluing a property because of the race or nationality of the current residents.
- ✓ Refusing to do an appraisal because of the location of the property based on race or national origin, i.e. refusing to appraise a property because it is located on Native American tribal land.

## RECENT STUDIES OF APPRAISAL BIAS IN THE U.S. HOUSING MARKET

Recognizing that the appraiser has the power to determine the value of a mortgage borrower's most important financial asset, the National Fair Housing Alliance released a study in 2022 analyzing the Uniform Standards of Professional Appraisal Practice (USPAP) standards and appraiser qualification criteria to identify bias and reduce barriers to marginalized populations. The study provides recommendations and discusses barriers to equal access to housing through the appraisal process. You can read the study in whole on their website at [www.nationalfairhousing.org](http://www.nationalfairhousing.org)

In 2021, the Interagency Task Force on Property Appraisal and Valuation Equity (PAVE) developed a set of recommendations to root out racial and ethnic bias in home valuations in the country. The Action Plan details a set of commitments and actions, most of which can be taken using existing federal authorities, that will help every American to have a chance to build generational wealth through homeownership. You can read the full action plan at [PAVE.HUD.gov](http://PAVE.HUD.gov)

## EXAMPLES OF RACIAL AND ETHNIC REFERENCES THE PAVE TASK FORCE FOUND IN SURVEYED APPRAISALS THAT MAY VIOLATE THE FAIR HOUSING ACT:

- ✓ The percentages of racial and ethnic makeup of the area. e.g., "The racial makeup of the city was 86.28% white, 12.46% Black or African-American, 0.52% Native American, 0.22% Asian, and 0.52% from two or more races. 0.56% of the population were Hispanic or Latino of any race.
- ✓ Foreign birthplaces of residents noted as part of the neighborhood descriptions.
- ✓ The languages spoken in an area.
- ✓ Noting that "there is more Asian influence of late" buying the market.
- ✓ A neighborhood described as "predominately Hispanic" and that the residents have "assimilated their culture heritage" into the neighborhood.
- ✓ A town was described as having a "Black race population above state average."
- ✓ A reference to a neighborhood being originally "White-Only," before becoming a "White-Flight Red-Zone" to explain why the neighborhood is mostly "Working-Class Black" now.
- ✓ Noting an area's "decline in population, which transitioned from being predominately Eastern European to having a substantial amount of Black and Hispanic people."
- ✓ An area that was "originally founded as a whites-only city or sundown town" but had become "fairly diverse" with a "diverse school system."
- ✓ An area that was "'not especially-diverse' ethnically, with a high percentage of white people."

## SOURCES AND FAIR HOUSING RESOURCES

- ✓ High Plains Fair Housing Center: [www.highplainsfhc.org](http://www.highplainsfhc.org)
- ✓ North Dakota Department of Labor and Human Rights: <https://www.nd.gov/labor/human-rights>
- ✓ U.S. Department of Housing & Urban Development/Fair Housing: [hud.gov/fairhousing](http://hud.gov/fairhousing)
- ✓ National Fair Housing Alliance on Appraisal Bias: <https://nationalfairhousing.org/issue/issue-appraisal-bias/>
- ✓ Interagency Task Force on Property Appraisal and Valuation Equity: <https://pave.hud.gov/>
- ✓ U.S. Department of Justice/Civil Rights: [usdoj.gov/crt](http://usdoj.gov/crt)



*The mission of the High Plains Fair Housing Center is to strengthen communities and to ensure equal access to fair housing in the region through training, education, enforcement and advocacy. For more information, please contact:*

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