



**ILLINOIS
REALTORS®**

P. O. Box 19451
Springfield, IL 62794-9451
217.529.2600
fax 217.529.3904
www.IllinoisRealtors.org
info@IllinoisRealtors.org

CHICAGO OFFICE
430 N. Michigan Avenue, #800
Chicago, IL 60611

PRESIDENT
Sue Miller

ABR, BPOR, C2EX, CRB, CRS, GRI,
ePro, LTG, PMN, SFR, SRS
814 B North Front Street
McHenry IL, 60050
815.385.6990
smiller@coldwellhomes.com

PRESIDENT-ELECT
Ezekiel 'Zeke' Morris
7300 South Cottage Grove Ave.
Chicago, IL 60619
312.767.0572
zekemorris@zekemorris.com

TREASURER
Michael Gobber
1860 S. Mannheim Road
Westchester, IL 60154
708.655.2552
mike@gobberrealestate.com

IMMEDIATE PAST PRESIDENT
Edwin Neaves
1 Brickyard Drive, Suite A
Bloomington, IL 61701
309.663.7653
eneaves@thesnydercompanies.com

CHIEF EXECUTIVE OFFICER
Jeffrey T. Baker
P.O. Box 19451
Springfield, IL 62794-9451
217.529.2600
jbaker@illinoisrealtors.org



February 26, 2021

The Honorable Mark Calabria
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington DC 20219

RE: Request for Information on Appraisal-Related Policies, Practices, and Processes

Dear Director Calabria:

Thank you for your outreach efforts to solicit detailed information from a broad audience of real estate professionals regarding appraisal-related policies, practices, and processes. Illinois REALTORS® is a professional trade association representing over 50,000 REALTORS® in Illinois. We are dedicated to professionalism throughout the real estate industry and advocacy for consumer-friendly public policy. When a considerable number of real estate professionals raise concerns about the fairness of any aspect of the real estate transaction, Illinois REALTORS® has a responsibility to listen, study and act.

In response to the Federal Housing Finance Agency's (FHFA's) request for information (RFI), Illinois REALTORS® is providing the following responses to the RFI's operational questions on appraisal process improvement C1.4 and C1.5. The comments focus on the urgent need for increased research, the lack of consumer awareness and oversight in the appraisal industry and the need to identify and change systemic issues that allow bias and devaluation.

As the FHFA's RFI points out, "Recent articles indicate concerns with the undervaluation of residential property in minority communities." In addition to media attention, Illinois REALTORS® has seen a steady drip of appraisal concerns become a flowing stream. As this topic garners more discussion, it is most disheartening to recognize that real estate professionals who serve majority African American neighborhoods have adapted a special set of skills and processes to deal with bias in the appraisal process. As one REALTOR® recently pointed out, "Why must I do twice the work of my counterpart in a white neighborhood to achieve the same outcome?"

In 2020, Illinois REALTORS® created a Discriminatory Appraisals Task Force with a mission to:

- Collect data and information about appraisal bias in Illinois.
- Create and provide tools to Illinois REALTORS® and consumers about how to best navigate appraisals, the reconsideration of value process and appraiser oversight.

- Propose and advocate for useful systemic changes that will create an equilibrium of fairness within the real estate transaction.

The need for independent research and data on this topic is paramount. It is too easy for a problem to be dismissed as coincidence or not statistically significant when too little scholarship exists. We encourage the FHFA and other federal housing agencies to engage in a coordinated assessment of bias specific to the appraisal process. The assessment should consider how professional practices might enable on-the-ground bias.

In addition to studying how appraisal practices allow for day-to-day bias, an evaluation must be made to determine how current appraisal practices encourage the perpetuation of lower values in predominately black neighborhoods, which were devalued and disinvested through government policies such as redlining. The analyses cited in the RFI have demonstrated lower valuations based on racial makeup of neighborhoods while controlling for neighborhood amenities and characteristics. Study must also be made through to determine what practices allow and encourage neighborhood devaluation.

Illinois REALTORS® encourages the FHFA to advocate for policy changes that will result in more equitable systems, particularly with regard to identifying comparable properties. In the Howell and Korver-Glenn (2018) study cited in the RFI, evidence was documented showing the prevalence of race in determining comparable property selection despite the explicit prohibition of this practice. If a problem persists despite its prohibition, this indicates a systemic breakdown. The National Fair Housing Alliance has determined that the use of comparable properties from different neighborhoods in the appraisal could, in some circumstances, present a Fair Housing Act violation.

Based on just a handful of surveys from Illinois REALTORS® members, this practice appears pervasive in predominantly black communities. Racial bias in comparable property selection and geographic competence must be examined and fixed.

In addition, the lasting impacts of racial segregation and redlining need to be addressed. Appraisal industry approved training material, as recently as 1976 included principles such as:

“the principle of conformity holds that maximum value is realized when a reasonable degree of sociological and economic homogeneity is present.”

One of the first federal Fair Housing Act lawsuits resulted in the removal of this segregationist language from appraisal training materials, but federal authorities need to examine how systems such as the uniform appraisal form



could be unintentionally holding back values in neighborhoods that recently suffered from practices and principles like the one referenced above.

Illinois REALTORS® encourages the FHFA and other housing-related agencies to develop and normalize consumer information that will help the public understand how to navigate the appraisal process and what options and tools are available when faced with bias or discrimination. Illinois REALTORS® recognizes that real estate professionals must better understand the appraisal process to advocate for property owners and consumers.

To that end, we are creating Illinois-specific tools that address how to interact with the appraiser, how to navigate a reconsideration of value and what to do if faced with discrimination or bias. These tools will be created with the input of practitioners from across the state and will help more real estate professionals and property owners navigate the complex regulations that can have a major impact on their personal wealth.

Again, Illinois REALTORS® thanks the FHFA for soliciting detailed information from a broad audience of real estate professionals regarding appraisal-related policies, practices, and processes. Through research and education, Illinois REALTORS® hopes to work with a broad coalition of stakeholders in the real estate transaction to achieve a transparent and inherently fair process. If two parties can enter a real estate transaction and end up with a different result because of their membership in a protected class, then the systemic causes must be identified and fixed.

Illinois REALTORS® stands ready to participate in and contribute to activities that will yield results. We appreciate the opportunity to provide input and look forward to working together on these critical issues.

If you have questions, please contact Illinois REALTORS® Chief Executive Officer, Jeffrey Baker, at (217) 529-2600, or Director of Member Outreach, Gideon Blustein, at (847) 899-1873 or gblustein@illinoisrealtors.org

Sincerely,



Sue Miller, President
Illinois REALTORS®

