February 24,2021

Federal Housing Finance Agency
Office of Housing and Regulatory Policy
400 7th Street SW, 9th floor
Washington, D.C., 20219

The REQUEST FOR INFORMATION ON APPRAISAL-RELATED POLICIES, PRACTICES, AND PROCESSES released on December 28,2020 seeks to solicit input around four broad categories of the appraisal system detailed on pages 2-6 of the RFI.

We have been working for reinvestment in communities since 1977 when we formed to respond to blighted buildings and absentee landlords, decades of redlining, discriminatory real estate practices, and lack of public and private leadership. The community development field grew to respond to these market failures while focusing on local demand and housing needs.

Our mission: CRN is a multi-cultural, multi-racial coalition of community-based organizations which revitalize neighborhoods primarily through the development and rehabilitation of housing for low-income community residents. CRN and its members are dedicated to empowering communities without displacement and to building a strong affordable and accessible housing development movement in Chicago, throughout Illinois, and across the nation. CRN strives to meet the needs and promote the common goals of its members which foster socially and economically viable communities.

The Chicago Rehab Network interacts with the appraisal system in several ways that are separate and apart from the industry groups named in this RFI. Our customers are organizations working with low and moderate income neighborhoods and people in Chicago who mainly are Latino and Black residents disproportionately impacted by public policies that prioritized white neighborhoods, white homebuyers, and white residents. The community development field has been rehabbing rental buildings, counseling homebuyers, building supportive and senior housing, preparing small business owners, and fighting against public and private disinvestment for decades.

While tens of thousands of households have been served and thousands of buildings rehabbed creating stability for those residents, we still face huge obstacles. No community development effort can counter the current harm inflicted upon Black and Latino households seeking to borrow funds to purchase homes, to refinance, or to rehab their homes.

Current practices do not seek any level of balance for decades of redlining - which have resulted in residents turning to unrecorded cash improvements, lack of generational wealth, dilapidated and abandoned properties. Current appraisals are built upon previously biased and artificially low property values, which remain low. A study by Duke University quantified the loss of equity during two decades of contract purchases. *The Plunder of Black Wealth in Chicago* found that the amount of wealth land sales contracts expropriated from Chicago's black community was between 3.2 and 4.0 billion dollars. The 2020 State of Housing in Black America lays out the facts and current research comprehensively. The pervasive lending and real estate discrimination seen by Latino and Black Americans in cities which experienced historical redlining has worsened and research shows that appraisals are a driver of bias in low property values regardless of income – the key factor is race.

Given these conditions, a fresh lens is needed to reevaluate analyses of markets, regulations, policies and procedures. It is an economic and practical necessity as closing the racial wealth gap would have resulted in an additional $16 trillion in economic activity to the overall US economy since 2000 according to an analysis by Citi. The spending power already exists, and has existed, for Latino and Black borrowers to repay loans. Rather it appears to be lack of will and leadership which prevent lending products to meet the demand. As documented in this WBEZ and Chicago Reporter study, historically redlined communities continue to deposit dollars in traditional lending institutions without that capital returning to the community.

The Appraisal Subcommittee and the Appraisal Foundation have yet to show leadership in proposing variations in procedure for areas with typical sales comparables which include rural America and disinvested urban and suburban areas that have been historically redlined. This obstinacy must not stop or slow the FHFA from instituting policies to assure that Americans in these areas have access to loans and the benefits that come with equity. We call on the FHFA to be creative and forward-thinking towards opening up the billions in economic activity that will come from opening up reasonable options for appraisals in context of historical realities; for example, a Corp of appraisers specially trained and deployed to these geographies; -and immediate loan facilities to meet this demand.

Appraisal policy modernization and other proposals should include impact analysis considering benefits and costs to underserved and undervalued communities. This impact analysis is critical for the FHFA to ensure that all borrowers from all types of communities are being considered given what is documented as significant adverse policy impact.

For example, communities without broadband and high internet usage have barriers to online real estate and banking functions which should be a consideration. Historically redlined communities with high levels of cash rehab and cash purchases will not benefit from automated appraisals nor from appraisals that do not require interior inspections and contact with the owner.

Households in historically redlined communities should be able to borrow based on ability to repay the loan for a level-setting period. Undervalued and underserved communities are seeking to finance home maintenance and upgrades, sell homes to younger buyers, tap equity for emergencies and to start small businesses. *This demand is different than the inflated values prior to the 2008 economic crash resulted from a housing bubble in higher end areas, high incidence of ARM interest loans, and lack of diligence on income to repay the loan.*

The Enterprises have a "duty to serve" which must include providing products to make-up for decades of artificially-restricted home values. Intentional investment products are needed to achieve the goal of promoting access to mortgage credit stated in Enterprise charters. We can identify the communities that have been historically redlined and are currently underserved. **These areas should be flagged in the appraisal process leading to an additional level of due diligence to be conducted and certified by the appraiser.**

"After Rehab Value" and replacement cost baselines should be used as alternative appraisal methods in historically undervalued communities as reliable indicators of pertinent transactions and local investment. Recording cash activity into the MLS for purchases and rehab and County Recorders, including pocket sales, can establish an accurate picture of local investment as should be related to valuation process.

We look forward to reviewing the FHFA findings from this RFI. If you have questions or to discuss further, you can contact me at 312-663-3936 or via email at kevin@chicagorehab.org.

Sincerely,

Kevin F. Jackson
Executive Director
Chicago Rehab Network