

“The Sales Comparison Approach is Racist”

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- <https://www.cnn.com/2022/08/24/opinions/racism-in-home-appraisal-real-estate-korver-glenn/index.html>

Appraisal Bias in the News

<https://www.cnn.com/2022/08/29/opinions/real-estate-appraisals-black-homes-racism-fleming/index.html>

<https://www.cnn.com/2022/08/19/us/black-couple-home-appraisal-lawsuit-reaaj/index.html>

<https://www.cnn.com/2022/03/23/success/biden-equity-home-value-appraisals/index.html>

<https://nationalfairhousing.org/issue/issue-appraisal-bias/>

The Rules

- The purpose of the Uniform Standards of Professional Appraisal Practice (USPAP) is to promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers. It is essential that appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their services in a manner that is meaningful and not misleading.
- The Appraisal Standards Board promulgates USPAP for both appraisers and users of appraisal services. The appraiser's responsibility is to protect the overall public trust and it is the importance of the role of the appraiser that places ethical obligations on those who serve in this capacity. USPAP reflects the current standards of the appraisal profession.
- - An appraiser must act competently and in a manner that is independent, impartial, and objective.
 - An appraiser must comply with the ETHICS RULE in all aspects of appraisal practice.
- An appraiser must promote and preserve the public trust inherent in appraisal practice by observing the highest standards of professional ethics.
- An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.

The Problem with the Rules

An appraiser:

- must not use or rely on **unsupported conclusions** relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an **unsupported conclusion** that homogeneity of such characteristics is necessary to maximize value

- This language implies that conclusions on a prohibited basis are permissible as long as they are supported, which then raises the question of what is permissible “support.” At this time, the Appraisal Standards Board has proposed the following clarifying comment in a First Exposure Draft (dated August 18, 2021):
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- “In most instances, even supported conclusions based on one or more of the characteristics noted above must be avoided. Supported conclusions based on the characteristics of protected classes may be allowed if those conclusions are: (1) not precluded by applicable law; (2) necessary for credible assignment results; and (3) based on relevant evidence and logic.”
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- Even with this comment, however, the language remains unclear, and still raises more questions than answers. It seems more efficient to restate the law more clearly in the USPAP Standards, and then provide a new Advisory Opinion and training module based on the applicable federal, state, and local fair housing laws

To-Do List for Appraisers

- Be objective...and be perceived as objective.
- Be consistent...do not vary your technique for appraising from one location to another
- Be transparent...document your workfile and be prepared to share it with clients and users of your work
- Include an anti-discrimination statement in your certification or scope of work:
“The Appraiser is knowledgeable of and compliant with all federal, state, and local laws, including any antidiscrimination laws, rules applicable to the subject property, or any provisions of the Fair Housing Act. No part of the appraisal analysis or reporting is based on the race, color, religion, sex, actual or perceived sexual orientation, actual or perceived gender identity, age, actual or perceived marital status, disability, familial status, national origin of either the prospective owners or occupants of the Property, present owners or occupants of the Property, or the present owners or occupants of the properties in the vicinity of the Property, or on any other basis prohibited by federal, state, or local law. “

HUD issued Mortgagee Letter 2021-27