



A NATIONAL TAKEOVER OF THE HOME APPRAISAL INDUSTRY REPRESENTS A DANGEROUS EXPANSION OF THE FEDERAL GOVERNMENT

By: Garrison Grisedale

KEY TAKEAWAYS

- The Biden Administration and Members of Congress are laying the groundwork for a federal takeover of the home appraisal industry in the name of “equity.”
- A stable housing market is key to the prosperity of the middle class, and history shows that government interventions have led to severe consequences for America’s housing market before—particularly those made in the pursuit of “equity.”
- The left’s interest in overhauling America’s appraisal process is especially dangerous because it relies on the false assumption that racism is the cause of disparities in home values for minority groups.
- Research demonstrates that a variety of factors contribute to home appraisal disparities, and instances of overt racial bias are exceedingly rare.
- This sort of ideological government expansion into private industry will distort the housing market and ultimately affect middle-class Americans the most.
- Left-wing proposals to expand federal oversight of the home appraisal are just another unjustified expansion of federal power and social experimentation in the name of “equity,” with potentially disastrous consequences for America’s housing industry.

INTRODUCTION

To the modern Left, “equity” is among the primary objectives of the federal government. Equity, in their eyes, is characterized by outcome—any differences in results among groups are *de facto* evidence of discrimination even if the policies are designed to be neutral. It should come as no surprise that this ideological push for “equity” has extended to the home appraisal industry, with the Biden Administration and Members of Congress now advocating for a new federal agency that would oversee the entire home appraisal industry in the name of “equity.”

This current attempt at a federal takeover of America’s appraisal industry is another egregious expansion of the Washington bureaucracy. Contrary to the Left’s narratives, not every disparate societal outcome is attributable to discrimination, and racial discrimination in the appraisal industry is already illegal under federal law. As such, racial discrimination in the home appraisal industry is rare, and a deeper dive into the data demonstrates that race is not the reason for disparities in home values but rather the combination of a variety of socioeconomic factors such as crime, public housing, and school quality ([Pinto et al., 2021](#)).

The federal government's top-down pursuit of racial equity through government regulation is simply another dangerous attempt at social experimentation. The ability to purchase a home in a stable market is vital to a robust middle class. Buying a home is the single most significant investment most Americans will make in their entire lives, and homeownership is the middle class's most powerful vehicle for building intergenerational wealth. As we saw during the mortgage mispricing during the 2007-2009 financial crisis, there can be severe consequences and heightened risk when the government meddles with pricing signals. Continued politicization and government intervention in the housing industry in pursuit of racial equity could once again distort market signals, forcing the middle class to suffer the costs of a volatile market, devalued homes, and widespread foreclosures.

THE PAVE REPORT

Nonetheless, the Biden Administration has fully embraced the federalization of the real estate appraisal industry. On June 1, 2021, President Joe Biden announced the creation of the Interagency Task Force on Property Appraisal and Valuation Equity (PAVE), headed by Housing and Urban Development (HUD) Secretary Marcia Fudge and White House Domestic Policy Advisor Susan Rice. President Biden said that “affirmatively advancing equity,” or pushing towards equal outcomes, is the “responsibility of the whole of our Government” ([2021](#)).

The PAVE Task Force's report reflects this ideology. The Task Force, comprised of 13 member agencies, aims to “root out racial and ethnic bias in home valuations” by addressing “inequities within current home lending and appraisal processes” ([Department of Housing and Urban Development, 2022](#)).

In early April, PAVE released its Action Plan, which represents the “most wide-ranging set of reforms ever put forward to advance equity in the home appraisal process” according to HUD ([2022](#)). After engaging more than 150 stakeholder groups, PAVE provided 21 recommendations aimed at achieving equity in the home appraisal industry, including “advance diversity in the profession,” requiring a new federally-developed “anti-bias training” for all home appraisers, developing comprehensive “data-sharing arrangements among all relevant government agencies,” launching a “new interagency effort” on the issue, and expanding “regulatory agency examination procedures of mortgage lenders to include identification patterns of appraisal bias” ([PAVE Task Force, 2022](#)). This expansion will open the lending industry to vast and far-reaching new levels of regulatory oversight from the federal government, which is especially worrisome given the Left's definition of bias has come to mean “any difference in outcomes between groups.” In this manner, PAVE's mission amounts to an unprecedented federal takeover of the home appraisal market in pursuit of “equity.”

FAIR ACT PROPOSAL

Building off this same mission, Representative Maxine Waters (D-CA-43) presented the Fair Appraisal and Inequity Reform Act of 2022 (FAIR Act) during a hearing in front of the House Financial Services Committee on March 29. The goal of Rep. Waters' bill is to establish an independent agency known as the Federal Valuation Agency and federalize the real estate appraisal industry, all aimed at addressing “inequity.” This new executive agency would oversee of “all real estate valuation standards and appraiser criteria.” The bill also creates a nationwide appraiser registry and database, standards for appraiser certification at the

federal level, and a database of demographic data on every vendor and contractor in the appraisal industry.

THE TRUTH ABOUT FAIR HOUSING

Like all expansions of the federal government, this is not where things would end. Various stakeholder groups, such as the National Fair Housing Alliance, have also called for massive regulatory expansion of the home appraisal industry. For example, their January “Identifying Bias and Barriers, Promoting Equity” report decried the “relatively closed, self-regulated” framework of the appraisal industry, even though market competition generally outperforms centralized regulation in bringing about desirable market outcomes ([2022](#)). As a result, the report declared it “time to examine the structure and governance of the appraisal industry, particularly as they impact borrowers of color” ([2022](#)).

Earlier this year, the Biden Administration’s Department of Justice unilaterally decided that fair housing laws do apply to home appraisers, whereas in the past, the Fair Housing Act was understood only to apply civil rights protections to groups affected by landlords, real estate companies, banks, lending institutions, insurance providers, and other related entities ([Hinds et al. 2022](#)). This is just another expansion of often arbitrary, cumbersome federal oversight which burdens the appraisal industry and will result in a more regulated housing market and further top-down social experimentations emanating from Washington, D.C.

THE FALSE ASSUMPTIONS OF INEQUITY

This interest in overhauling America’s appraisal process is especially dangerous because it relies on the false assumption that racism is the cause of disparities in home values for minority groups.

As American Enterprise Institute (AEI) researchers Edward Pinto and Tobias Peter explain in the Wall Street Journal, the PAVE report relies on three flawed studies to support its claims ([2022](#)). First, PAVE references a Federal Housing Financial Agency blog post that cites just 16 isolated incidents of racial bias out of millions of total reports. The Task Force then goes on to cite “exploratory” research from Freddie Mac—research which was later directly contradicted by a Fannie Mae report which found that “the frequency of ‘undervaluation’ did not have a notable racial pattern ([Williamson et al. 2022](#))). And lastly, PAVE’s third citation came from a Brookings Institute report, which was later refuted by AEI research ([2021](#)).

According to Pinto and Peter, AEI’s dive into the data “clearly shows that Americans with higher income and married have higher homeownership rates regardless of race.” Contrary to the thesis that overt racial bias is the lone cause of appraisal disparities, the researchers found that “when they were of similar socioeconomic status, black, white and Hispanic households all had similar outcomes” ([2022](#)).

CONCLUSION

Of course, government meddling in the housing industry has led to unintended consequences before, particularly when deployed in pursuit of racial equity ([Peters et al. 2002](#)). From the 1968 Housing and Urban Development Act to the 1994 National Homeownership Strategy and the 2008 market crash, good intentions have gone awry

([Pollock et al. 2021](#)). Unfortunately, the Biden Administration and the modern Left continue to pursue the failed regulatory agenda of the past.

This sort of ideological government expansion into private industry will distort the housing market, from how new home prices are determined to how much people will be able to borrow from the bank to finance a home, ultimately affecting middle-class Americans the most. Left-wing proposals to expand federal oversight are flawed because they are an unjustified expansion of federal power in the name of “equity,” with potentially disastrous consequences for America’s housing market by destabilizing the industry for the American middle class in their pursuit of stable homeownership.

AUTHOR BIOGRAPHY

Garrison Grisedale is a Policy Analyst for the America First Policy Institute. Previously, he worked as the speechwriter for Housing and Urban Development Secretary Ben Carson in the Trump Administration and a fly-fishing guide in Alaska's Bristol Bay.

WORKS CITED

- Department of Housing and Urban Development. (2022). PAVE Interagency Task Force on Property Appraisal and Valuation Equity.
- Hinds, S. et al. (2022). Statement of Interest of the United States. United States District Court Northern District of California San Francisco Division.
- HUD Public Affairs. (2022). Biden-Harris Administration Unveils Action Plan of Wide-Ranging Set of Reforms to Advance Equity in Appraisals. HUD.gov.
- NFHA. (2022). Groundbreaking Report Identifies Bias and Systemic Barriers in Real Estate Appraisals. National Fair Housing Association.
- NFHA. (2022). Identifying Bias and Barriers, Promoting Equity: An Analysis of the USPAP Standards and Appraiser Qualifications Criteria. National Fair Housing Association.
- PAVE Task Force. (2022). Action Plan to Advance Property Appraisal and Valuation Equity. Pave.hud.gov.
- Peters, G. and Wooley, J. (2002). Fact Sheet: President Bush Calls for Expanding Opportunities to Homeownership. The American Presidency Project.
- Pinto, E. and Peter, T. (2022). A Wasted Opportunity to Improve Housing Outcomes for Minorities. The Wall Street Journal.
- Pinto, E. and Peter, T. (2021). The Impact of Race and Socio-Economic Status on the Value of Homes by Neighborhood. American Enterprise Institute.
- Pollock, A. and Pinto, E. (2021). Political disasters in US housing: the lessons of history. American Enterprise Institute.
- White House Briefing Room. (2021). Executive Order on Advancing Racial Equity and Support for Underserved Communities Through the Federal Government.
- Williamson, J. and Palim, M. (2022). Appraising the Appraisal: A closer look at divergent appraisal values for Black and white borrowers refinancing their home. Fannie Mae.