



IDFPR

Illinois Department of Financial and Professional Regulation

Division of Real Estate

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JB PRITZKER
Governor

MARIO TRETO, JR.
Secretary

LAURIE MURPHY
Director

Illinois Department of Financial & Professional Regulation
Real Estate Valuation Task Force
OPEN Minutes

Date: January 17th, 2024

Call to Order: 11:08 a.m. –Ericka Johnson

Location: IDFPR - Division of Real Estate ("DRE")
555 West Monroe Street 4th Floor, Chicago Room
Chicago, IL 60661
And
Via Interactive Video Conference at IDFPR
320 West Washington Street, 2nd Floor, Conference Room 258
Springfield, IL 62786

Board Member(s) Present: Adrienne Suits Bailey, Jeffery Baker, Paul D. Brown, Jamie Cumbie, Deborah Fears, Dan Hofacker, Steven Monroy, Anthony E. Simpkins, Ericka D. Johnson, Ashia Walker, Cassandra Halm.

Board Member(s) Absent: Leader Marcus Evans, Javier Gumucio, and Tito G. Quinones

Division Staff Present: Ericka D. Johnson- Deputy Secretary, Gabriela Nicolau- DRE Deputy General Counsel, Jennifer Rossiter Moreno- DRE Operations Manager, Tia Davis- Legislative Liaison,

Guest(s) Present: Laurie Murphy- DRE Director, Jeremy Reed- DRE Deputy Director, Chris Posey- IDFPR Appraisal Board Member, Cecilia Marlow- IDFPR Appraisal Board Member, Fallon Young- Housing Policy Associate for NHS Chicago, Heather Barnes- CEO of Rebirth, Scott DiBiasio- Appraisal Institute Representative, Zamora Gaston- Leader Evans Policy Analyst, Kevin Jackson- Chicago Rehab Network, Lutalo McGee- Chicago Association Realtors, Marisol Miramontes, Merle Shearer- DRE Prosecutor, Adrienne Levatino- DRE Associate General Counsel, Brandon Heath, Sofia Papoutsis, David Feinberg, Helena Buckner- IDFPR Deputy Director of Legislative Affairs

Topic	Discussion	Action
Call to Order	Ericka D. Johnson opened the meeting.	The meeting was called to order at 11:08 am.
Roll Call	<p>Speaker of the House: Leader Marcus Evans- Absent</p> <p>Minority Leader of the House: Dan Hofacker- Present</p> <p>Minority Leader of the Senate: Jeffrey Baker- Present</p> <p>Director of the Department of Commerce and Economic Opportunity or Designee: Tito G. Quinones - Absent</p> <p>Director of Department of Human Rights or Designee: Steven Monroy - Present</p> <p>Director of Department of Revenue or Designee: Adrienne Suits Bailey - Present</p> <p>Executive Director of the Illinois Housing Development or Designee: Javier Gumucio - Absent</p> <p>Representative of Statewide Banking Association Representing banks of all asset size: Ashia Walker - Present</p> <p>Representative of Statewide Banking Association exclusively representing banks with assets below \$20,000,000,000: Jamie Cumbie - Present</p> <p>Representative of a Statewide Association representing Credit Unions: Deborah Fears - Present</p> <p>Representative of an Agency, Organization, or Association advocating for Fair Housing: Anthony E. Simpkins - Present</p> <p>Representative of an Agency, Organization, or Association for Consumer Protection: Cassandra Halm - Present</p> <p>Representative of a Statewide Appraisal Organization: Paul D. Brown - Present</p> <p>Secretary of Department of Financial and Professional Regulation or Designee: Ericka D. Johnson- Present</p>	Members Leader Marcus Evans, Tito G. Quinones, and Javier Gumucio were absent
Approval of Minutes	Ericka D. Johnson went over the last meeting's minutes and asked task force if they were fine with the minutes and if they are approved.	Adrienne Suits Bailey motioned for the approval of minutes with Deborah Fears second motion

Topic	Discussion	Action
<p>Appraisal Bias and Undervaluation- NHS</p>	<p>Miss Johnson announced that Vice Chair Simpkins was on the meeting and that he could do his presentation on Appraisal Bias and Undervaluation.</p> <p>VC Simpkins said that Falon Young from NHS would be giving the presentation. That the presentation will give good background on the issues of under evaluation and appraiser biases that the task force is supposed to be addressing. That underling data will be covered as well. VC Simpkins asked if Miss Young has the powerpoint.</p> <p>Miss Young said she has the presentation but is having some difficulty sharing her screen and asked Miss Johnson if she would be able to share the powerpoint on her screen.</p> <p>Miss Johnson said that she can and shared the powerpoint. Miss Johnson then told Miss Young that she could start her presentation</p> <p>Miss Young introduced herself as a Housing Policy Associate and said that the presentation would be providing an overview of appraisal bias and undervaluation.</p> <ol style="list-style-type: none"> 1. Miss Young first discussed the background of appraisal bias <ol style="list-style-type: none"> a. Miss Young went over redlining and how financial institutions would not provide mortgages or loans to neighborhoods deemed hazardous and high risk. That appraisers would undervalue homes in neighborhoods of color and perpetrated inequity and discrimination. Even with redlining being outlawed, the impact of it is still present today. 2. Next was Data Review <ol style="list-style-type: none"> a. In 2021 Freddie Mac found that homes in neighborhoods with people of color were twice as likely to be undervalued when compared to white neighborhoods. When people of color increase in a neighborhood, there is a greater gap in the appraisal. b. Then, FHFA uncovered that there were race related flags in neighborhood description which indicates valuation bias. c. In 2022, Brookings Institution report found that homes in majority Black neighborhoods were 2x more likely to be under appraised under contract price then homes in majority white neighborhoods with resulted in \$162 billion loss for Black communities. 3. Evidence of Undervaluation in Black and Latino neighborhoods <ol style="list-style-type: none"> a. There has been some evidence that shows the value of a home increased after ethnic items were removed. This was shown in Indiana. Then in California and Colorado, a home value was increased after a white person posed as the homeowner. 4. Homeowners in Chicago <ol style="list-style-type: none"> a. Homeowners in South Shore, Avalon Park, and Beverly have faced appraiser bias when it comes to the value of their homes. 5. What are the 3 Methods of Property Valuation for Appraisals? <ol style="list-style-type: none"> a. (1)Sales Comparison Approach- Looks at homes in neighborhoods that are similar to the property 	

Topic	Discussion	Action
	<ul style="list-style-type: none"> • (2) Income Approach- Appraiser estimates the value of a property based on the income it can generate • (3) Cost Approach- Appraiser assesses how much it would cost to rebuild the property from the ground up 6. Bias and Inaccuracies in Appraisal Reports <ul style="list-style-type: none"> a. Sales Comparison Approach- Allows for broad discretion and has many common issues. Such as inaccurate property address, incorrect neighborhood name, incorrect square footage, incorrect number of bedrooms and bathrooms and appraiser bias. 7. Appraisers in the Mortgage Lending Process <ul style="list-style-type: none"> a. Appraisal Qualifications Board set the standards for licensed appraisers. Even so, women and people of color have a hard time getting into the industry. b. Appraisers must also follow the required State and Federal laws such as fair housing and discrimination laws 8. Effects of Undervaluation <ul style="list-style-type: none"> a. Impact on home buying: The borrower has to cover the difference between the contract price the the appraised value of the home b. Impact on home selling- Seller may have to lower the home's sales price supported by the lower appraisal c. Impact of refinancing- Low valuation in a refinance transaction can result in the lender lowering the amounts available to borrow 9. Home Value Appreciation in Chicago <ul style="list-style-type: none"> a. The appreciation value of a home is 2.5x higher in majority white neighborhoods and 1.75x higher in majority Latino neighborhoods when compared to black neighborhoods 10. Consumer Rights <ul style="list-style-type: none"> a. Borrower ROV and Complaints <ul style="list-style-type: none"> i. Borrower has the right to challenge a appraisal report and request a reconsideration of value. <ul style="list-style-type: none"> 1. This is not a formal legal process and homeowners are often unaware due to the lack of information shared by lender ii. Borrower can submit a complaint via IDFP and stat agencies only discipline. Not reward compensation iii. In cases of bias or discrimination, a complaint can be filed with HUD 11. Opportunities for State Action <ul style="list-style-type: none"> a. Appraiser Regulatory System <ul style="list-style-type: none"> i. 3 bodies- The Appraisal Foundation set qualifications. Appraisal Subcommittee set the standards for appraisers and provides funding and compliance. Finally State agencies regulate the industry. 	

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	<p>b. Diversify the Industry</p> <ol style="list-style-type: none"> i. Problem is that there are barriers to entry for people of color ii. A recommended solution would be to have better pathways to diversify the appraisal industry along with the AQB PAREA program. There is also the How to series provided by the state to get people more interested in becoming an appraiser <p>c. Consumer Protections</p> <ol style="list-style-type: none"> i. Problem is that it is difficult for consumer to challenge problematic or discriminatory appraisals ii. Recommended solution would be to expand disclosures for reconsiderations of value and create a standardized ROV process for all residential home appraisals <p>d. Data Collection</p> <ol style="list-style-type: none"> i. Problem is that the State does not track complaints to identify appraisers who provide incorrect or discriminatory appraisals ii. Recommended solution would be to develop a publicly available data base on appraisal complaints and track patterns of appraisal bias. Overall increased transparency <ul style="list-style-type: none"> • VC Simpkins spoke on how FHFA uniform appraisal dataset (UAD) looks at trends in undervaluation and overvaluation within bias data sets • Gabriela Nicolau asked how these reports are picked • VC Simpkins said that the data is made up of all appraisers • Miss Nicolau said that we are limited in how much can be disclosed to the public when there is a pending investigation. The Department can only publish public information and demographic information is voluntary. Therefore, data will be limited in that regard • VC Simpkins thanked Miss Nicolau for making that point and said that it's difficult to design solutions to a problem and asked for legislation recommendations that can be made so that data can be more robust. <p>e. Consumer Education</p> <ol style="list-style-type: none"> i. Problem is that consumers are unaware of how to prepare for the appraisal process ii. Recommended solution is to expand consumer education resources and use NHS Navigating the Appraisal Process guide <p>f. Accountability and Enforcement</p> <ol style="list-style-type: none"> i. Problem is the disciplinary actions taken when an appraiser is found in violation of fair housing rules ii. Recommended solution is for the state to enforce accountability and require appraisers to complete fair housing training. Also the AQB proposed mandatory fair housing classes for QE requirements <ul style="list-style-type: none"> • Miss Johnson said thank you to Miss Young for putting the presentation together and giving the task force background on appraiser bias 	

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	<ul style="list-style-type: none"> • O ku'P leqrw'kphqto gf 'vj g'vcunlhqteg'vj cv'vj g'CS D" will be requiring appraisers to take an 8 hour training on bias by January 1, 2026 along with two hours or bias training for QE requirements. Then when their is proven civil or criminal discrimination, the state has in statue that the appraisers license can be taken. However, part of the challenge is having people come forward with complaints. • Miss Johnson then stated that its a mandatory suspension for appraisers if they are found to be discriminating in civil court or criminally. Miss Johnson then asked if there were questions or comments. • Chris Posey introduced himself and said that he has been an appraiser since 2005. Mr. Posey said that he is aware generational wealth is being impacted but that people can prepare for the appraisal process by providing a list of improvements to the property and any closed sales. This would be data the appraiser will utilize in their report. Mr. Posey said that census tracts shows black vs white disparity but that appraisers is looking at the entire neighborhood and village when appraising and not from the tracker. When it comes to barriers into the profession being greater for black and brown people, Mr. Posey has to dispute that because the barriers are the same for everyone. That the barriers are the 2500 class hours and then trainee licensing. That it would be better to require 1500 classes hour's instead of the 2500. Mr. Posey said another barrier is the cost. that it is \$5000 per module and two modules are needed with \$10,000 be the total. Then there is finding a supervisor who will take a person under their wing to train. Mr. Posey moved on to homeowners in Chicago and said that when values come back less then expected, people take issue with the appraiser when the appraiser could have been incompetent and not done what needed to be done in regards to research. That people need to be careful in making the assumption that the second appraiser that came in higher is more accurate. Consumer should have a third party review both reports. 	

Topic	Discussion	Action
	<ul style="list-style-type: none"> • Determine which one is competent. Mr. Posey then moved on to discuss neighborhoods being flagged as undervalued and the government getting involved in lawsuits. Mr. Posey expressed that what could happen due to that, is if neighborhoods are being watched, appraisers may avoid those areas because appraisers don't want to worry about being sued. • VC Simpkins said that they wanted to do the presentation to unpack some of the issues with appraisers and have a consideration for these issues. VC Simpkins said he has to push back on Mr. Posey's last comment because like in any industry, there are some great appraisers and then there are some who are not great. That everything cant be chalked up to incompetence once a home has been whitewashed. That we need data and appraisers need to be held to the same standards as everyone in the transaction. • Scott Dibiasio introduced himself as being from the Appraisal Institute. Mr. Dibiasio discussed the number of complains at HUD and that currently there are 200 complaints pending and it has been that way for 5 years. That complaints have been languishing for 2 plus years and HUD doesn't have the resources and are struggling to find action they can prosecute on for violation to fair housing. Mr. Dibiasio said that there has not been a single finding that an appraiser has engaged in discrimination. That cases are usually settled but without fault on either side and the state has no control over matters that are at the federal level • VC Simpkins asked if a lack of the number of complaints to HUD could be due to a lack of consumer complaints? VC Simpkins also asked if Dibiasio was saying that there is no appraisal bias due to HUD's findings? • Mr. Dibiasio said no and that people need to be held accountable and punished to the extent of the the law. That perhaps consumers are not aware and addressing incompetence is something that needs to be done. Even so, legally, HUD is having a hard time finding a legal footing. 	

Topic	Discussion	Action
	<ul style="list-style-type: none"> • Dan Hofacker thanked Miss Young for her presentation and said that some appraisers have employees on staff who are staff appraisers. Mr. Hofacker asked if there was any one from the IL board who could speak on the State not tracking complaints. • Miss Nicolau said that due to the confidentially agreement, the State can't disclose complaints unless there is a public decision. • Miss Johnson said that if someone lodges a complaint, by code and Acts, the Department cannot divulge that information publicly. • Miss Nicolau followed up by saying it is for all professions and that the State does not collect demographic information because it is not asked for on complaint forms. • Miss Johnson said that complaints are tracked but not disclosed. • Mr. Hofacker said that consumer education would be good and asked for NHS guide to be shared. That a cover letter that informs consumers of their rights would be good for every appraiser to share even though that is not a common practice consumers encounter. A focus on consumer education would be good so that the public know their rights and that he can bring some resources to share. Mr. Hofacker agreed that training and cost are barriers into the field and that IL is in the process of adapting PAREA computer training process. In regards to data transparency, FHFA, Freddie Mac and Fannie May are good resources. Mr. Hofacker said that he could bring people from the ADA and PAERA to speak at future meetings. • Miss Johnson said that she will share the PowerPoint and consumer guide on SharePoint with the task force. Even so, Miss Johnson wanted to put into perspective the direction the task force needs to go in and there move onto the next agenda item of generating a report that will go to the GA. 	

Topic	Discussion	Action
Report Outline	<ul style="list-style-type: none"> • Miss Johnson informed the task force that a report is due by December 31st, 2024 and that after the initial report, periodic reports will need to be submitted after. That the Report is going to cover a lot of ground the GA is going to take seriously and a draft will need to be done by October. Miss Johnson said that the task force has 9 months to draft what is going into the report and said that she made an outline that will be uploaded to SharePoint. • Miss Johnson then went over the outline of the report that will go to the GA. Miss Johnson said that at the next meeting, the task force will go section by section and assign volunteers and that those from outside of the task force can come provide clarification as we discuss each topic. Example, those from Freddie Mac, Fannie Mae and IL Realtors can come speak about why they conducted their studies they way they have. Miss Johnson told the task force discussion will be with the end goal of getting the report completed and that Miss Nicolau will be writing the report. • Miss Nicolau reminded the taskforce not to have discussions of the report off line • VC Simpkins asked if it was possible to get a consultant to be the writer of the report • Miss Johnson said that Miss Nicolau is a great writer but VC Simpkins has a good point and that a consultant is something that can be looked into • Mr. Hofacker said to keep in mind reconsideration of value and be mindful of federal level and it impact on a state report. Also ROV and barrier of entry • VC Simpkins said that a number of people on the task force are on other task forces. Therefore resources and recommendations can be pulled from there. • Miss Johnson said that at the next meeting, further discussions can be had and people can review the report outline • VC Simpkins agreed on looking at the outline at the next meeting and splitting up research • Miss Johnson said she will get the outline sent around and uploaded to the SharePoint portal. Miss Johnson then asked task force members to send her an email if they don't have access to the portal and that the portal 	

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	<ul style="list-style-type: none"> • is only for task force members • Miss Nicolau followed up with saying that everything in the SharePoint portal is shared with the public during the meetings • VC Simpkins said that public comments could be taken now and asked Miss Johnson how much time is left for the meeting. • Miss Johnson said 5 minutes 	
Open Discussion		
Public Comments	<p>∇ XE"Uko r nku'cungf 'h'vj gtg'y gtg'cp{ 'r wdrlc" eqo o gpw</p> <p>∇ O ku'lqj puqp'uckf 'vj gtg'y cu'3'eqo o gpv'ltqo "Nwcrq" OeI gg'uc{ kpi 'vj g'KN'T gcnqtu'r w'vqi gj gt "c'uwwf {OO ku' lqj puqp'uckf 'vj cv'vj g'uwwf { 'ku'vj g'r qtvcn</p> <p>∇ O ku'P leqrw'uckf 'vj cv'vj g'uwwf { 'ku'r wdrlc{ "cxckrdrg"qp" yj g'y gd as well</p> <p>∇ O ku'lqj puqp'uckf 'vj cv'vj g'uwwf { 'ku'ecmgf "Eqmrt"cpf " Eqmrtvgtcnd{ "O ctuhcl"lgcp"from UIC</p> <p>∇ XE"Uko r nku'cungf 'h'vj g'qwrkpg'ku'qp'Sj ctgPqkp</p> <p>∇ O ku'lqj puqp'uckf 'k'ku</p> <p>∇ XE"Uko r nku'cungf "o go dgtu'vq"rqk at outline and suggest any changes. Simpkins asked how to communicate these changes.</p> <ul style="list-style-type: none"> • Miss Nicolau said to send them to Tia Davis individually • VC Simpkins asked how these changes will be given out • Miss Johnson said it will be sent via email and on SharePoint 	
Next Months Agenda		
Adjournment	The next meeting is scheduled for February 21st, 2024.	There being no further business to discuss, motion made by Ericka D. Johnson and seconded by Dan Hofacker at 12:29pm. Motion carried unanimously