





FISCAL AND POLICY NOTE

October 4, 2023

TO: Jennifer A. Jenkins,
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin 
Director of Budget and Policy Analysis

FROM: Shalene Miller-Whye 
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-075-2023 Real Estate Appraisal Bias Ban

CB-075-2023 (*proposed by:* Councilmembers Franklin, Harrison, and Hawkins)

Assigned to the Planning, Housing and Economic Development (PHED) Committee

AN ACT concerning The Real Estate Appraisal Bias Ban of 2023 For the purpose of establishing a ban on real estate appraisal bias in Prince George's County.

Fiscal Summary

Direct Impact:

Expenditures: No direct expenditure impact likely.

Revenues: No direct revenue impact likely.

Indirect Impact:

Potentially favorable.

Legislative Summary:

CB-075-2023¹ is sponsored by Councilmembers Franklin, Harrison, and Hawkins and was presented to the Council on July 18, 2023, and referred to the Planning, Housing and Economic Development Committee. CB-075-2023 would impose a ban on real estate appraisal bias prohibiting real estate appraisers from considering race, ethnicity, color, religion, sex, gender identity, age, disability, familial status, or national origin in their real estate appraisal analysis. Those in violation of this will be imposed with a \$1,000 civil fine.

Resource Personnel:

- Leroy D. Maddox Jr., Legislative Officer
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Current Law/Background:

There are several laws related to real estate appraisal bias locally, statewide, and federally.

County Law related to Real Estate Appraisals

The Prince George's County Code, Division 12, Subdivision 1 defines discrimination as “acting, or failing to act, or unduly delaying any action regarding any person because of race, religion, color, sex, national origin, age (except as required by State or Federal law), occupation, familial status, marital status, political opinion, personal appearance, sexual orientation, disability, or gender identity, in such a way that such person is adversely affected in the areas of housing and residential real estate, employment, law enforcement, education, public accommodations, or commercial real estate.”²

Further, Division 12, Subdivision 5, Sec. 2-210 states that no person whether acting for monetary gain or not, shall: “deny any person access to, or membership or participation in, any multiple listing service, real estate brokers' organization, or other service, organization, or facility relating to the business of selling or renting housing, or to discriminate against any person in the terms or conditions of such access, membership, or participation, or in the selling, brokering, *or appraisal of residential real estate* on account of race, religion, color, sex, national origin, age (except as required by State or Federal law), occupation, marital status, political opinion, personal

¹ [Prince George's County Council - Reference No. CB-075-2023 \(legistar.com\)](#)

² [SUBDIVISION 1. - GENERAL PROVISIONS. | Code of Ordinances | Prince George's County, MD | Municode Library](#)

appearance, sexual orientation, disability, familial status, gender identity, immigration status, citizenship status, or source of income. (emphasis supplied)”³

State Law related to Real Estate Appraisals

Section 20-402 of the Maryland State Government Code, states that “a person that is licensed or regulated by a unit in the Maryland Department of Labor listed in § 2–108 of the Business Regulation Article may not refuse, withhold from, or deny any person any of the accommodations, advantages, facilities, privileges, sales, or services of the licensed or regulated person or discriminate against any person because of the person’s race, sex, creed, color, national origin, marital status, sexual orientation, age, gender identity, or disability.”⁴ In this case, a licensed real estate appraiser is licensed by the Maryland Department of Labor.

Federal Law Related to Real Estate Appraisals

Title 42 of the U.S. Code, Sec. 3605, states that “it shall be unlawful for any person or other entity whose business includes engaging in residential real estate-related transactions to discriminate against any person in making available such a transaction, or in the terms or conditions of such a transaction, because of race, color, religion, sex, handicap, familial status, or national origin.”⁵

While federal law has banned appraisal bias, there are still reports of bias from appraisers. The Appraisal Foundation (TAF) sets all licensed appraisers' standards with the Uniform Standards of Professional Appraisal Practice (USPAP). TAF has never clearly outlined the federal law regarding appraisal bias within their standards, nor has the organization included warnings related to bias.⁶ Research also shows that there is no guidance on discretion within USPAP for appraisers in relation to fair housing risk, nor is there any training provided in relation to fair housing.⁷ Without including federal law within their standards, they undermine federal law, which in turn may open the door for further bias and discrimination from appraisers.

Discussion/Policy Analysis

Real estate appraisal bias has been an ongoing issue and a product of historical housing discrimination. This is originally based on the Home Owners Loan Corporation “HOLC” appraisal system which created redlining maps that devalued communities of color. This created a link

³ [Subtitle 2, Division 12, Subdivision 5. - Prohibited Acts in Housing and Residential Real Estate. | Code of Ordinances | Prince George's County, MD | Municode Library](#)

⁴ [Maryland State Government Code Section 20-402 \(2022\) - Prohibited Acts :: 2022 Maryland Code :: US Codes and Statutes :: US Law :: Justia](#)

⁵ [42 U.S.C. § 3605 \(2021\) - Discrimination in residential real estate-related transactions :: 2021 US Code :: Us Codes and Statutes :: US Law :: Justia :: 2021 US Code :: US Codes and Statutes :: US Law :: Justia](#)

⁶ [Appraisal discrimination is illegal under federal law | Consumer Financial Protection Bureau \(consumerfinance.gov\)](#)

⁷ [2022-01-18-NFHA-et-al_Analysis-of-Appraisal-Standards-and-Appraiser-Criteria_FINAL.pdf \(nationalfairhousing.org\)](#)

between race and risk, which in turn has led to the devaluation of homes in neighborhoods, particularly those that are made up of Black and Latino populations.⁸ While policies have been created to forbid bias in housing, it persists in home appraisals. This leads to discriminatory practices and implicit bias from home appraisers.

Based on research done by the Federal Housing Finance Agency on valuation bias in appraisers, the FHA studied commentary made by appraisers that demonstrated that there is a clear sign of bias in many home appraisals. Some of the commentary included information regarding the percentage of racial and ethnic makeup in the area, the language spoken, and the decline in population of a given area based on race.⁹

Research also shows that Black neighborhoods are appraised 22% to 23% below their value.¹⁰ This has shown up in Prince George's County and surrounding areas. Based on research from 2018, the Washington-Arlington-Alexandria, DC-VA-MD-WV area had a -15.4 % devaluation rate of homes in Black neighborhoods. This translated to a loss of approximately \$48,490 for homeowners.¹¹

While implicit bias is a major factor, the diversity of home appraisers also contributes to this. According to the Bureau of Labor Statistics, 97% of home appraisers are white¹². To address this diversity issue in the labor force, the State of Maryland passed House Bill 669¹³ into law, which will loosen the requirements of obtaining a real estate appraiser license starting in October 2023. House Bill 669 is expected to increase the number of home appraisers significantly.

CB-075-2023

CB-075-2023 would seek to create a deterrence of real estate appraisal bias by allowing individuals to file claims of real estate bias to the Office of Human Rights, and if bias is found, appraisers would be imposed with a \$1,000 fine.

CB-075-2023 prohibits bias under Subtitle 13, Housing and Property Standards, Section 13-1165 while requiring that the Office of Human Rights administer and enforce this section by establishing rules and procedures to adjudicate alleged violations.¹⁴ If enacted, the Office of Human Rights would also be required to handle violation claims, conduct investigations regarding claims, pursue violations, and issue fines as necessary under Subtitle 28, Section 28-269.¹⁵

⁸ [*2022_03_03_NFHA-et-al_Analysis-of-Appraisal-Standards-and-Appraiser-Criteria.pdf \(nationalfairhousing.org\)](#)

⁹ [Blog | Federal Housing Finance Agency Reducing Valuation Bias by Addressing Appraiser and Property Valuation Commentary \(fhfa.gov\)](#)

¹⁰ [How racial bias in appraisals affects the devaluation of homes in majority-Black neighborhoods | Brookings](#)

¹¹ [The devaluation of assets in Black neighborhoods | Brookings](#)

¹² [Employed persons by detailed occupation, sex, race, and Hispanic or Latino ethnicity: U.S. Bureau of Labor Statistics \(bls.gov\)](#)

¹³ [2023 Regular Session - House Bill 669 Chapter \(maryland.gov\)](#)

¹⁴ [Prince George's County Council - Reference No. CB-075-2023 \(legistar.com\)](#) (pg. 2, line 3-16)

¹⁵ [Prince George's County Council - Reference No. CB-075-2023 \(legistar.com\)](#) (pg. 3, line 13-28)

Fiscal Impact:

- *Direct Impact*

Enactment of CB-075-2023 should not have a direct fiscal impact. It is likely that additional enforcement actions can be absorbed by the agency.

- *Indirect Impact*

Enactment of CB-075-2023 may have a favorable indirect fiscal impact if fines are issued based on real estate bias, as well as if fines are a deterrence, which will lead to the increasing value of homes within the County.

- *Appropriated in the Current Fiscal Year Budget*

No.

Effective Date:

CB-075-2023 shall be effective forty-five (45) calendar days after it becomes law.

If you require additional information or have questions about this fiscal impact statement, please call me.