



Fair Housing Advocates of Northern California

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FOR IMMEDIATE RELEASE

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Announcing: Discrimination Complaints Filed with HUD Allege Race Discrimination in Home Appraisal Process

San Rafael, CA – Today, Fair Housing Advocates of Northern California (FHANC) and Cora Robinson announce the filing of multiple fair housing complaints with the U.S. Department of Housing & Urban Development (HUD) alleging housing discrimination due to race in the appraisal and lending process. The named respondents are Thomas Kearney, an appraiser; Class Valuation LLC, an appraisal management company; Home Point Financial Corporation, a lending company; Scott Reed, an agent for Broker Solutions (aka Kind Lending), a lending company; and Broker Solutions (aka Kind Lending). The complaints can be found [here](#).

Ms. Robinson, a Black owner of an Oakland duplex where she currently lives, became aware that refinance rates were low and decided to apply to refinance her mortgage, as she planned to retire in the next couple of years and wanted to reduce her household expenses. She applied for a refinancing loan for her property and encountered two separate instances of what she believes to be discriminatory appraisal valuation of her home; in each case her home was undervalued by more than \$400,000.

She first applied for a loan in August 2020 with Home Point Financial Corporation, which requested an appraisal of Class Valuation LLC. Class Valuation completed an appraisal of Ms. Robinson's property and Thomas Kearney, the appraiser assigned to the property, submitted an appraisal of \$800,000, using six comparable properties, or comps.

“When the first appraisal came back the broker and I were shocked that the value was so low and he immediately let me know he was going to follow the process to ask for a Reconsideration of Value (ROV),” Ms. Robinson said. “Not only were there things in the appraisal that were just plain wrong, such as the number of bedrooms and the property classified as rent controlled when it's not, but the sales comps that the appraiser chose to use were guaranteed to lower the value of my house. Mr. Kearney refused to change the value.”

“Discrimination in the appraisal process is something we're seeing more and more often,” said Caroline Peattie, Executive Director of FHANC. “It's not that it wasn't occurring previously, but there has been more attention

A local non-profit helping communities eliminate housing discrimination



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paid to this issue, and more homeowners of color are coming forward when they have the experience of an unfair appraisal, particularly when it results in their loan being denied. Ms. Robinson's experience is one that many Black homeowners have had. Mr. Kearney's appraisals contained errors and deviations from standard appraisal procedures and his choice to use comps in neighborhoods farther away with higher Black populations indicates racial bias. But there is also a deeper and more systemic issue in the appraisal process, which is the practice of considering historical home values rather than relying only on home and neighborhood characteristics. This disproportionately and negatively affects Black people. We know that neighborhoods of color have been historically undervalued due to deliberate racist housing policies, such as redlining. This ongoing undervaluation of homes in Black neighborhoods is, in effect, present-day redlining."

Ms. Robinson's loan broker forwarded a statement accompanying the appraisal report, affirming that the appraisal was extremely low and that three of the comps were smaller properties than Ms. Robinson's, with fewer bedrooms and bathrooms, but which had sold for more than the amount at which Mr. Kearney valued Ms. Robinson's home. He requested a Reconsideration of Value (ROV) which included various alternative comps and a correction to the number of bedrooms. Mr. Kearney declined to change the appraisal value, and Home Point Financial Corporation denied her loan.

Ms. Robinson's first broker suggested she wait three months and apply again with a different lender, which she did in October 2020, this time through a loan officer located in the Bay Area. As luck would have it, Mr. Kearney was once again assigned to conduct the appraisal. Without contacting Ms. Robinson or re-inspecting the property, he issued another appraisal report, this time with a valuation of \$825,000. In this appraisal, Mr. Kearney kept four of the six comps from the first appraisal; but rather than choosing similar properties that had recently sold that were closer to Ms. Robinson's home, he dropped two comps from the first appraisal and chose three more that were even farther away for a total of seven comps.

"I applied again a few months later with a different company and again received a low appraisal value from Mr. Kearney, the same appraiser," said Ms. Robinson. "After I complained first to the loan agent, then to the AMC company, and finally to the Lender directly, a ROV was submitted for this second appraisal and this time Mr. Kearney wrote in the response that the neighborhood I was suggesting for comps 'historically demands higher value.' That comment definitely set off some alarm bells for me. I have to ask myself, why did he choose comps from neighborhoods farther from me, with higher concentrations of Black residents than my neighborhood, where the value was less? Would he have done that if *I weren't Black?*"

At this point, Ms. Robinson began to suspect that race played a factor in Mr. Kearney's valuation of her property. Once again, she requested a ROV, but the loan agent at the second lender refused to submit one on her behalf, saying that ROVs were not an effective tool, and that she should wait another three months to apply again with a new appraiser. It was only after she contacted the underwriter at Kind Lending who in turn communicated with the loan agent that he agreed to submit a ROV, though he never followed through. Weeks later, the underwriter submitted the ROV himself, though Mr. Kearney returned the ROV without changing the value. The lender then suggested Ms. Robinson wait three months and then reapply for a loan.

Instead, in February 2021, Ms. Robinson applied for a refinance loan with a third lender, and this time she received an appraisal report valuing her home at \$1,239,000. This was \$439,000 more than the valuation of Mr. Kearney's initial appraisal and \$414,000 more than his second valuation of her property. Based on the third appraisal, Ms. Robinson was finally able to close a refinance loan in March 2021 to lower her monthly rate, six months after she began the process of trying to refinance her loan. She had filed a discrimination complaint with HUD's Fair Housing and Equal Opportunity in December 2020 but contacted Fair Housing Advocates of Northern California in February 2021 to represent her.

When Ms. Robinson applied for a loan, she had an adjustable mortgage, under which the rate could vacillate between 6.75% and 13%. In October 2020, she was quoted a rate of 2.87% for the prospective refinance loan. When she finally succeeded in getting a loan in March, the interest rate she secured was 2.99%. "My monthly

payment dropped by \$769,” Ms. Robinson said. “Not only did I miss out on saving almost \$4,000 during that time, I could have saved much more on the lower interest rate over the life of the loan. That’s a serious financial loss that I can’t really afford now that I’m retiring.”

“I really hope that this complaint makes appraisers and lenders start to look more carefully at their practices and policies,” said Ms. Robinson. “And I really want people to know that there are organizations like FHANC to help support them if they have a discrimination complaint. I’m pretty sure HUD was going to close my case before FHANC became involved. I feel as though FHANC is really helping me tell my story.”

If you feel you may have been discriminated against in a recent home appraisal, contact FHANC’s office to complete an interview. Contact FHANC at fhanc@fairhousingnorcal.org or 415-457-5025 x101.

Fair Housing Advocates of Northern California is a non-profit organization serving several Bay Area counties that provides free counseling, enforcement, mediation, and legal or administrative referrals to persons experiencing housing discrimination. Fair Housing Advocates of Northern California also offers foreclosure prevention counseling, pre-purchase education, seminars to help housing providers fully understand fair housing law, and education programs for tenants and the community at large. Fair Housing Advocates of Northern California is a HUD-Certified Housing Counseling Agency. Please call Fair Housing Advocates of Northern California at (415) 457-5025 or TDD: (800) 735-2922 for more information.