

Housing Discrimination Complaint

Case Number:

1. Complainants:

Fair Housing Advocates of Northern California
1314 Lincoln Ave., Ste. A
San Rafael, CA 94901
Represented By: Julia Howard-Gibbon

2. Complainant Representatives:

Julia Howard-Gibbon
Fair Housing Advocates of Northern California
1314 Lincoln Ave., Ste. A
San Rafael, CA 94901
Representing: Fair Housing Advocates of Northern California

3. Other Aggrieved Parties:


4. The following is alleged to have occurred or is about to occur:

- Discriminatory financing (includes real estate transactions)

5. The alleged violation occurred because of:

- Race

6. Address and location of the property in question (or if no property is involved, the city and state where the discrimination occurred):


Oakland, CA 94609

7. Respondents:

Home Point Financial Corporation
c/o CSC Lawyers Incorporating Service - Registered Agent
2710 Gateway Oaks Dr., Ste. 150N
Sacramento, CA 95833

Class Valuation LLC
c/o Golden State Documents Inc. - Registered Agent
8229 W. Manchester Ave. #5
Playa Del Rey, CA 90293

Thomas Kearney
8008 Kelok Way
Clayton, CA 94517

8. The following is a brief and concise statement of the facts regarding the alleged violation:

Complainant is Fair Housing Advocates of Northern California (FHANC), a non-profit organization that works to ensure fair housing by providing a variety of services toward education and enforcement. Respondents are Thomas Kearney (Certified Residential Real Estate Appraiser, #AR027019), Class Valuation LLC (appraisal management company), and Home Point Financial Corporation (lending company). The subject property is a duplex owned by Cora Robinson, who is African American. Complainant alleges Respondents discriminate on the basis of race.

In February 2021, Cora Robinson, a client of FHANC, alleged that in August 2020, she was denied a refinance loan based on the undervaluation reached in a discriminatory appraisal that indicated the house was of insufficient value to support the loan for the amount desired. Ms. Robinson determined that there were inappropriate comparable sales used, which were in areas with higher Black populations and lower values, and that these were selected because of her race. When FHANC learned of this, it conducted in depth research and investigation regarding the alleged housing discrimination. The investigation produced evidence that Respondents undervalued the subject property, subjecting Ms. Robinson to disparate treatment based on race, and that Respondents' policies have a disparate impact on Black homeowners.

On August 24, 2020, Class Valuation LLC, upon request of Home Point Financial Corporation, completed an appraisal of the subject property, in connection with a refinance of the property. The appraiser, Thomas Kearney, went to the subject property and personally met with both Ms. Robinson and the upper unit tenant, and saw that they are both Black. Mr. Kearney undervalued the home at a value of \$800,000, which is \$439,000 less than the amount another appraiser valued the property six months later. Complainant alleges irregularities in the appraisal ordered by Respondent Home Point Financial Corporation in connection with Ms. Robinson's race.

Mr. Kearney's appraisal report for the subject property explained that "most weight was given to comps [comparable sales] 1 and 2 for combining to cover the subject's dominant features and amenities." Ms. Robinson alleges that the ratio of Black to white population in comps 1 and 2 is significantly higher than that of the subject property. All of the comps were south of the subject property, which is an area that has a higher

percentage of Black residents and has been historically undervalued. In addition, the subject property was erroneously listed as having four instead of five bedrooms and was also erroneously listed as covered by rent control.

The loan broker forwarded the Appraisal Value Report to Ms. Robinson, including a statement that the appraiser came in extremely low and that three comparable sale properties were smaller than the subject property, have less bedrooms and less bathrooms, but sold for more. The loan broker, on behalf of Ms. Robinson, submitted a request for Reconsideration of Value (ROV) to Home Point Financial Corporation. The request for an ROV contained multiple suggestions for alternative comparable sales and a correction to the incorrect number of bedrooms. On August 26, 2020, Respondent Kearney responded to the ROV, but declined to change the appraisal value, and as a result of the low appraisal value, Home Point Financial Corporation ignored the issues with the appraisal and denied Ms. Robinson's refinance loan application.

After attempting to refinance with a different lender, which also selected Mr. Kearney to appraise the property, and again led to a low appraisal and undervaluation, Ms. Robinson applied a third time for a refinance with an alternate lender. The appraisal ordered by that lender and conducted in February 2021, appraised the subject property's value at \$1,239,000. The alternate appraiser included comparable sales from a radius around the subject property, including comparable sales from each cardinal direction. In particular, the alternate appraiser used an August 2020 comparable sale of a property located 0.25 miles northwest that was not included in Respondents' appraisal. Mr. Kearney did not include this property, which sold for \$1,600,000. Further, among other differences, the other appraiser correctly considered Ms. Robinson's property as having five bedrooms rather than four that Mr. Kearney put in his report. Based on the alternate lender's appraisal, Ms. Robinson was able to close a refinance loan.

At the time of the appraisal by Mr. Kearney, Ms. Robinson had an adjustable mortgage under which the rate could vacillate between 6.75% and 13%. In August 2020, Ms. Robinson was quoted a rate of 3.12% for the prospective refinance loan, which was denied, forcing Ms. Robinson to continue paying a higher mortgage.

Complainant alleges Home Point Financial Corporation accepted an appraisal with clear errors and a low valuation as a means to deny a loan on the basis of race and is indicative of a pattern of engaging in discriminatory financing on the basis of race. Additionally, Complainant alleges that Respondent Kearney employs a practice of refusing to consider comparative properties in neighborhoods that historically had higher home prices than the subject neighborhood, despite the current state of home values in either neighborhood, which Complainant alleges has a disparate impact on Black homeowners in neighborhoods that have been historically undervalued due to discriminatory housing practices, such as redlining.

Further, Complainant also alleges that the lender's neutral practice of denying a loan application based on a low appraisal, when the appraisal contains errors that are known

or should be known by the lender, disproportionately impacts Black people. The disparate impact occurs because appraisals of Black-owned homes tend to have a greater percent magnitude (ie: magnitude divided by the sales price) of inaccuracies than for comparable properties owned by white people. Therefore, because homes are valued significantly higher in white neighborhoods than Black neighborhoods, errors in appraisals of Black-owned homes tend to result in a greater magnitude of devaluation resulting in greater harm to Black homeowners.

Respondents' conduct frustrated Complainant's mission to promote equal housing opportunity and to eliminate unlawful housing discrimination. When FHANC became aware of the discriminatory lending and appraisal practices in February 2021, Complainant diverted its resources to address the frustration of mission by counseling Ms. Robinson and conducting additional research and investigatory activities. In addition, Complainant conducted education and outreach activities as recently as June 2021 regarding discrimination in housing appraisals as a result of Ms. Robinson's complaint.

9. The most recent date on which the alleged discrimination occurred:

June 15, 2021

10. Types of Federal Funding Identified:

11. The acts alleged in this complaint, if proven, may constitute a violation of the following sections:

805 of Title VIII of the Civil Rights Act of 1968 as amended by the Fair Housing Act of 1988.

Please sign and date this form:

I declare under penalty of perjury that I have read this complaint (including any attachments) and that it is true and correct.

Carolee Peatti

7/21/21

for Fair Housing Advocates of Northern California

Date

N O T E : HUD WILL FURNISH A COPY OF THIS COMPLAINT TO THE PERSON OR ORGANIZATION AGAINST WHOM IT IS FILED.