



Fair Housing Advocates of Northern California

1314 Lincoln Ave., Ste. A, San Rafael, CA 94901 ▼ (415) 457-5025 ▼ TDD: (800) 735-2922
www.fairhousingnorcal.org ▼ fhanc@fairhousingnorcal.org

May 7, 2024

FOR IMMEDIATE RELEASE

Contact:

Caroline Peattie, Executive Director, Fair Housing Advocates of Northern California
(415) 483-7552, peattie@fairhousingnorcal.org

Julia Howard-Gibbon, Supervising Attorney, Fair Housing Advocates of Northern California
(415) 483-483-7516 julia@fairhousingnorcal.org

Discrimination Complaint Alleging Race Discrimination in Home Appraisal Process Settled with Appraiser

San Rafael, CA – Fair Housing Advocates of Northern California (FHANC) and their client, a Black homeowner in Oakland, announce the settlement of a complaint against a lender and Michael Ustick, a licensed real estate appraiser, resulting in significant monetary and injunctive relief. The complainants filed the fair housing complaint with the California Civil Rights Department (CRD) in December 2022 alleging housing discrimination due to race in the appraisal process.

Both the lender and Mr. Ustick denied any liability or wrongdoing in connection with the claims made in the complaint but agreed to make changes to their business practices to prevent discrimination as part of the settlement. Most notably the lender agreed to conduct an internal review by a different appraiser of any appraisal where the borrower alleges discrimination and to order a new appraisal if it is determined that the appraisal was discriminatory or otherwise materially deficient.

“We are pleased to have reached an agreement so that Ms. Trent (an alias) can have closure and move on with her life,” said Caroline Peattie, FHANC’s Executive Director. “This was another example of how an unfairly low appraisal can affect your ability to access a loan with good terms. Regrettably, Ms. Trent’s experience is not unique. There is plenty of research that shows that Black and Latinx applicants are more likely than white applicants to receive an appraisal value lower in both the sales and refinancing process – studies show that appraisers still seem to value neighborhoods and relevant comparable properties (comps) and make substantial adjustments to comps based on the demographics of the neighborhood where properties are located. This is part of what we believe happened in our client’s case.”

Ms. Trent applied to a mortgage company to refinance her home loan and to use some of the equity to finance needed repairs and renovations. The company hired Michael A. Ustick, a real estate appraiser, to inspect her home on December 8, 2021, and prepare an appraisal report. Mr. Ustick conducted an inspection of Ms. Trent’s home in the Allendale neighborhood of East Oakland. Allendale is located completely within census tract 4070, which is 85.47% non-white and/or Latinx. Despite the recent increase of white residents to the neighborhood, Allendale is still a majority minority neighborhood and is still perceived as a Black neighborhood. Mr. Ustick appraised her home for \$785,000, well below the valuations she had received in two previous appraisals.

Because of the low appraisal, the mortgage company denied her loan. One month later, Ms. Trent applied for a loan through a different lender. The subsequent appraisal report valued her home at \$1,125,000, a \$340,000 difference. FHANC’s complaint alleged that Mr. Ustick took into account both Ms. Trent’s race and the current

and historical racial demographics of Ms. Trent's neighborhood in East Oakland, based on a number of factors, for example his unreasonably low valuation of her home and his unreasonable adjustments of comparable sales resulting in a significantly lower valuation.

The complaint alleged that as a result of the discrimination she experienced, Ms. Trent lost a financing opportunity, suffered economic losses, including the cost of the appraisal and increased cost of renovations due to the delay, as well as emotional distress. "The worst was the emotional distress," said Ms. Trent. "I was relying on being approved for the loan to in order to make improvements to my heating and bathroom going into the winter. As a respiratory therapist working during the COVID-19 pandemic, my stress levels were already high, and this just pushed me to the brink. After getting this low appraisal that I knew was off the mark and being denied the loan and then not having my concerns taken seriously, I felt humiliated, angry, and depressed and my blood pressure went up. When I see a news story about discrimination, I start feeling these emotions all over again."

The settlement agreement included monetary damages and significant injunctive relief from both the appraiser and the lender. The lender agreed to provide appraisal and lending discrimination training for its employees; require appraisers to certify that they will not consider the race or ethnicity of the borrower or the racial or ethnic demographics of the neighborhood of the property being appraised; periodically evaluate their contract appraisers for evidence of discrimination, with consequences for those appraisers found to indicate discrimination; maintain a Consumer Complaint System for tracking and responding to consumer complaints of racial or ethnic bias against the lender or its appraisers; publicize on its website and in cover letters accompanying appraisal reports a phone number and email address for borrowers to contact if they suspect appraisal discrimination; conduct an internal review by an appraiser other than the original appraiser of any appraisal where the borrower requests a reconsideration of value and alleges that discrimination or bias may have affected the valuation, and order a new appraisal where an internal review indicates that the appraiser's valuation was discriminatory or otherwise materially deficient; to participate in the Appraiser Diversity Initiative to recruit a more diverse appraiser workforce; and preserve records showing compliance with the agreement and provide them to FHANC upon request.

Mr. Ustick agreed not to discriminate in the future; watch the ABC documentary "*Our America: Lowballed*"; attend a training session regarding the history of segregation and real estate-related discrimination in the Bay Area provided by FHANC; and continue to abide by the Bureau of Real Estate Appraisers' continuing education requirements, including those outlined in California's AB 948.

"I'm happy to close the chapter on this," said Ms. Trent. "Having to experience everything that came with receiving the lowballed appraisal was really difficult and stressful. Being able to tell my story and feeling as though I had people at FHANC in my corner really helped. I want people to know that if they experience discrimination, they can get help from an agency like FHANC, to investigate their case and help them file a complaint if that's what they decide they want to do."

Ms. Trent was represented by FHANC Staff Attorney Savannah Wheeler and FHANC was represented by Supervising Attorney Julia Howard-Gibbon of FHANC.

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 (FHANC) is a non-profit organization serving several Bay Area counties that provides free counseling, enforcement, intervention, and legal or administrative referrals to

persons experiencing housing discrimination. FHANC 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. FHANC is a HUD-Certified Housing Counseling Agency. Please call FHANC at (415) 457-5025 or TDD: (800) 735-2922 for more information. Note: This material is based on work supported by the Department of Housing and Urban Development (HUD) under FHIP PEI Grant FPEI220095. Any opinion, findings, and conclusions or recommendations expressed in this material are those of the author(s) and do not necessarily reflect the views of HUD.