

Acting Comptroller of the Currency Michael J. Hsu
Remarks at the Appraisal Subcommittee
Hearing on Appraisal Bias
February 13, 2024

Good morning and thank you Chair Martinez. I am honored to host this important event sponsored by the Appraisal Subcommittee (ASC). It is fantastic to see so many key players who are vested in addressing bias in the appraisal system.

This is the fourth in a series of public hearings of the ASC to better understand the challenges and potential solutions related to appraisal bias. The first hearing in January 2023 focused on understanding the home appraisal system and the root causes of appraisal bias. The second hearing, held in May 2023, focused on appraisal standards, appraiser qualification criteria, barriers to entry into the profession, and appraisal practices. The third hearing was held last November to discuss how residential appraisals are developed and reviewed, the process for reconsiderations of value for residential real estate valuations, and the development of rural appraisals. Today's hearing will build on what the ASC has learned from the three previous hearings, working towards finding solutions to eliminate appraisal bias within the financial industry.

Together, I firmly believe that by addressing appraisal bias we can build a more equitable housing finance system for all Americans.

Homeownership Can Promote Economic Equality

Homeownership is a major determinant of wealth in America, and key to a host of economic opportunities. Home equity can finance college or other post-secondary education, small businesses, or medical and other emergencies. Persistent racial wealth inequality, however, has prevented many potential homebuyers, particularly minorities, from owning homes.

Economic inequality in the United States has been rising steadily for decades.¹ The COVID-19 pandemic – with its disproportionate impact on minority communities – made matters worse. Thanks to a housing shortage and soaring home prices, Americans who own their homes have seen a nearly \$12 trillion increase in housing wealth since 2020.² While these homeowners may rejoice, many minority homebuyers still face daunting hurdles and endure a widening racial wealth gap.³

Expanding access to homeownership means addressing bias in the appraisal of home values. The OCC recognizes the value of our collective efforts to increase the diversity of appraisers, reduce barriers to entry into the appraisal profession, and address challenges within existing standards for appraisal reports.

OCC Actions to Improve Access to Homeownership

A component of the OCC’s commitment to elevating fairness and addressing inequality is supporting efforts to increase access to homeownership. We are taking steps that include working to improve supervisory methods for identifying potential discrimination in lending activities and property valuations, and supporting research that may lead to new ways to address the undervaluation of housing in communities of color.

The OCC is encouraging banks to expand their financing of affordable housing and other community needs, especially in low- and moderate-income (LMI) areas. Expanded access to

¹ “Trust in America: How do Americans view economic inequality?” Pew Research Center, January 5, 2022.

² Board of Governors of the Federal Reserve System (US), “Households; Owners’ Equity in Real Estate, Level (OEHRENWBSHNO),” retrieved from FRED, Federal Reserve Bank of St. Louis, February 8, 2024.

³ “How the Racial Wealth Gap Has Evolved—and Why It Persists,” Federal Reserve Bank of Minneapolis, October 3, 2022. The White homeownership rate is nearly 30 percentage points higher than that of Black households. U.S. Census Bureau, “Homeownership Rates by Race and Ethnicity: Non-Hispanic White Alone in the United States (NHWAHORUSQ156N),” and “Homeownership Rates by Race and Ethnicity: Black Alone in the United States (BOAAAHORUSQ156N),” both retrieved from FRED, Federal Reserve Bank of St. Louis, February 8, 2024.

credit is also a key element of the Community Reinvestment Act (CRA) and its core purpose of encouraging banks to help meet the credit needs of the entire communities they serve, including LMI areas.

The OCC has long encouraged banks to ensure their boards of directors and workforces reflect the diverse communities they are chartered to serve. Without diverse leadership and staffing, including internal and external appraisers, banks risk developing blind spots or miss red flags that might threaten safety and soundness or impede fair access.

The OCC is also working to reduce barriers to minority homeownership through Project REACH, which stands for Roundtable for Economic Access and Change. As the convening authority for Project REACH, the OCC is harnessing the energy and ideas of concerned civil rights, community, banking, business, and other industry leaders across the nation to address this challenge.

I want to invite everyone attending this hearing to consider learning more about Project REACH and local Project REACH initiatives. In doing so, you can help expand diversity and inclusion and minority homeownership in the communities where you live and work. More information about Project REACH is on our website at occ.gov.

Conclusion

In closing, I want to offer a few words of thanks. Thank you to our expert witnesses. I know many of you have traveled long distances to be here and taken time away from your busy schedules.

Thank you to our fellow regulators who along with the OCC represent the organizations that compose the ASC Board of Directors: the Board of Governors of the Federal Reserve System, CFPB, FDIC, NCUA, Federal Housing Finance Agency, and U.S. Department of

Housing and Urban Development. I also want to recognize the collaborative efforts by the ASC board member organizations, appraisal profession representatives, state regulatory licensing agencies, and those with boots on the ground, the appraisers.

Finally, I want to express my gratitude to the ASC staff, the interagency ASC public hearing working group, and the OCC staff for making today happen. I know organizing an event like this requires countless hours of hard work.

Appraisals are integral to underwriting residential real estate lending: they are the “value” part of the “loan-to-value” measure. By rooting out bias in the appraisal system, we can expand homeownership and wealth creation opportunities to all Americans. Thank you.