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-Alan V. Lowenstein, Institute Founder



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**do social justice.**

TESTIMONY OF DR. LAURA SULLIVAN  
NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE  
IN SUPPORT OF A1519

NEW JERSEY ASSEMBLY REGULATED PROFESSIONS COMMITTEE  
THURSDAY, OCTOBER 20, 2022

Good afternoon, Chairman GIBLIN, Vice-Chair Mejia, and Assembly members Kean, Moriarty, and Scharfenberger:

My name is Laura Sullivan, and I am the Director of Economic Justice at the New Jersey Institute for Social Justice (the “Institute”). On behalf of the Institute, I want to thank Chairman GIBLIN and the Assembly Committee on Regulated Professions for the opportunity to testify before you today in support of A1519, which strengthens enforcement against discrimination in real estate appraisals. We ask that you support A1519 with the amendments that align it with the current version of the Senate bill, S777. These amendments strengthen the bill.

Established in 1999 by Alan V. and Amy Lowenstein, the Institute’s cutting-edge racial and social justice advocacy seeks to empower people of color by building reparative systems that create wealth, transform justice and harness democratic power – from the ground up – in New Jersey. In May, the Institute released our report, *Black Homeownership Matters: Expanding Access to Housing Wealth for Black New Jerseyans*, which not only underscores the present-day barriers to homeownership for Black New Jerseyans, but also highlights how Black New Jerseyans benefit less financially from homeownership compared to white New Jerseyans.<sup>1</sup>

In the *Black Homeownership Matters* report, we find that ongoing barriers to homeownership access as well as persistent obstacles to building wealth for Black homeowners lead to tremendous racial disparities in both homeownership rates as well as the ability to accumulate wealth through

homeownership in New Jersey. Today, just 38.4% of Black New Jersey households own homes compared to 75.9% of white New Jersey households.<sup>2</sup>

Homes located in Black-majority municipalities have less than half the median value compared to the state overall.<sup>3</sup> Recent analysis suggests that in the Trenton area, homes in Black-majority neighborhoods are valued at 30.7% (\$36,353) less than in neighborhoods where less than 1% of residents are Black.<sup>4</sup> Similarly, in the Atlantic City-Hammonton area, home values in Black-majority neighborhoods are 13.9%, or \$23,349, lower and in the Newark-New York area they are 9.8% lower (\$47,888).<sup>5</sup> These lower home values in predominately Black communities in our highly segregated state<sup>6</sup> translate into lower wealth gains for Black families who are homeowners. Eliminating discrimination in home appraisals can combat these patterns.

Discrimination in home appraisals also limits the value of Black-owned homes in racially diverse and predominately white neighborhoods.<sup>7</sup> Overall, lower home values for Black homeowners result in less accumulated wealth through homeownership than white owners experience contributing to our state's approximately \$300,000 racial wealth gap.<sup>8</sup>

Because housing wealth is typically the largest asset for homeownership individuals and families in the U.S.,<sup>9</sup> barriers to wealth accumulation through homeownership for families of color – including discrimination in housing appraisals – contribute to the state's staggering racial wealth gap – one of the highest in the nation.<sup>10</sup> In New Jersey today, the median wealth of white families is \$322,500 compared to just \$17,700 and \$26,100 for Black and Latina/o families respectively.<sup>11</sup> To close this enormous wealth divide, we must take a multipronged approach. Eliminating discrimination in housing appraisals is one important and immediate action the state can and should take to close the racial wealth gap and promote more equitable access to our state's prosperity.

Recent national research has uncovered evidence of systematic undervaluing of homes in communities of color and of homes owned by people of color – with “substantial appraisal valuation gaps” between white communities and communities of color across the nation<sup>12</sup> suggesting that better policy tools are needed to eliminate appraisal discrimination from the housing market. Available evidence at the national level shows that homes in Black and Latina/o neighborhoods and owned by Black and Latina/o people are systematically more likely to receive appraisals below contract price in home sales,<sup>13</sup> while homes owned by white people are more likely to be overvalued relative to automated models.<sup>14</sup> Analysis of over *12 million* appraisals nationally for home purchases from 2015-2020 demonstrated that properties in Black and Latina/o census tracts<sup>15</sup> receive appraisal values lower than contract price (i.e. what a buyer is

willing to pay and a strong indicator of the true market price) substantially more than in white tracts.<sup>16</sup>

Combatting discrimination in appraisals is a priority for the Biden administration, whose Interagency Task Force on Property Appraisal and Valuation Equity (PAVE) recently released a report on this issue and has committed to an action plan to address appraisal discrimination.<sup>17</sup> In addition to the federal government, other states are moving to address the problem of appraisal discrimination – California<sup>18</sup> and Minnesota<sup>19</sup> recently passed bills that aim to curb discrimination and bias in appraisals. Despite these actions, however, appraisal discrimination remains underreported and can be difficult for community members to identify.<sup>20</sup>

While we know from anecdotal evidence that appraisal discrimination is happening in New Jersey, the state does not currently collect data that would provide adequate evidence to understand the full scope of the problem here. Better enforcement and data collection relating to appraisal discrimination in the state, as one of the amendments we support requires, would help address both the problem of appraisal discrimination and enhance our understanding of the pervasiveness of the problem in the Garden State.

New Jersey must root out biased appraisals to help homeowners of color, particularly Black and Latina/o homeowners, equitably accumulate wealth through homeownership. New Jersey should make combatting discrimination in home appraisals a priority and pass this important legislation in the strongest form possible. We are grateful A1519 is being amended to strengthen the bill. This bill, particularly with the amendments, is a key step towards making the housing market more equitable for families of color, particularly Black and Latina/o families, and ensuring that they are able to see their housing wealth grow.

We thank you for consideration of the bill today and urge you to vote in favor.

Thank you.

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<sup>1</sup> NICHOLE NELSON ET AL., N.J. INST. FOR SOC. JUST., BLACK HOMEOWNERSHIP MATTERS: (2022), [https://assets.nationbuilder.com/njisi/pages/689/attachments/original/1651592853/Black\\_Homeownership\\_Matters\\_Report\\_5.3.22\\_web.pdf?1651592853](https://assets.nationbuilder.com/njisi/pages/689/attachments/original/1651592853/Black_Homeownership_Matters_Report_5.3.22_web.pdf?1651592853).

<sup>2</sup> U.S. Census Bureau. *Table B25003H: Tenure (White Alone, Not Hispanic or Latino Householder), 2019: ACS 1-Year Estimates Detailed Tables, New Jersey*, <https://data.census.gov/cedsci/table?text=B25003H%3A%20TENURE%20%28WHITE%20ALONE%20NOT%20HISPANIC%20OR%20LATINO%20HOUSEHOLDER%29&g=0400000US34&tid=ACSDT1Y2019.B25003H&hidePreview=true>

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(last visited March 18, 2022); U.S. Census Bureau. *Table B25003B: Tenure (Black or African American Alone Householder)*, 2019: ACS 1-Year Estimates Detailed Tables, New Jersey, <https://data.census.gov/cedsci/table?q=ACSDT1Y2019.B25003B&g=0400000US34&tid=ACSDT1Y2019.B25003B&hidePreview=true> (last visited March 18, 2021). The Census reports that 1,485,028 households out of 1,969,897 households with a white, not Hispanic or Latino householder are owner occupied. This is 75.9%. The Census reports that 171,255 households out of 446,487 households with a Black householder are owner occupied. This is 38.4%.

<sup>3</sup> NELSON ET AL., *supra* note 1, at 14.

<sup>4</sup> Andre Perry et al., BROOKINGS INSTITUTE, THE DEVALUATION OF ASSETS IN BLACK NEIGHBORHOODS: THE CASE OF RESIDENTIAL PROPERTY, <https://www.brookings.edu/research/devaluation-of-assets-in-black-neighborhoods/>. Scroll down to the interactive map of the United States, “Devaluation of Black Homes,” and let the mouse hover over different states to view the devaluation or appreciation of homes in Black neighborhoods by metropolitan area.

<sup>5</sup> *Id.*

<sup>6</sup> Colleen O’Dea, Interactive Map: Segregation Continues to be NJ’s State of the State, NJ Spotlight News, (Dec. 2, 2016), <https://www.njspotlightnews.org/2016/12/16-12-01-interactive-map-segregation-continues-to-be-nj-s-state-of-the-state/>.

<sup>7</sup> Debra Kamin, *Black Homeowners Face Discrimination in Appraisals*, N.Y. TIMES, <https://www.nytimes.com/2020/08/25/realestate/blacks-minorities-appraisals-discrimination.html> (updated Aug. 17, 2020).

<sup>8</sup> LAURA SULLIVAN ET AL., N.J. INST. FOR SOC. JUST., MAKING THE TWO N.J.S ONE: CLOSING THE \$300,000 RACIAL WEALTH GAP IN THE GARDEN STATE (2022), [https://assets.nationbuilder.com/njisi/pages/689/attachments/original/1645217098/Making\\_the\\_Two\\_New\\_Jersey\\_One\\_2.15.22-compressed.pdf?1645217098](https://assets.nationbuilder.com/njisi/pages/689/attachments/original/1645217098/Making_the_Two_New_Jersey_One_2.15.22-compressed.pdf?1645217098).

<sup>9</sup> PEW RESEARCH CENTER, *Chapter 5: What Assets are Most Important?*, <https://www.pewresearch.org/social-trends/2011/07/26/chapter-5-which-assets-are-most-important/> (last visited October 4, 2021).

<sup>10</sup> SULLIVAN ET AL., *supra* note 8, at 7-8, 11-13.

<sup>11</sup> *Id.* at 8.

<sup>12</sup> Freddie Mac, *Research Note: Racial and Ethnic Valuation Gaps in Home Purchase Appraisals*, FREDDIE MAC: RESEARCH NOTE, <https://www.freddiemac.com/research/insight/20210920-home-appraisals> (last visited May 9, 2022).

<sup>13</sup> *Id.*

<sup>14</sup> JAKE WILLIAMSON & MARK PALIM, FANNIE MAE, APPRAISING THE APPRAISAL: A CLOSER LOOK AT DIVERGENT APPRAISAL VALUES FOR BLACK AND WHITE BORROWERS REFINANCING THEIR HOME, <https://www.fanniemae.com/media/42541/display> (last visited May 9, 2022).

<sup>15</sup> FREDDIE MAC, *supra* note 12. Census tracts are small subdivisions within counties. As described and utilized in the Freddie Mac study, census tracts usually have between 1,200 and 8,000 residents.

<sup>16</sup> *Id.*

<sup>17</sup> INTERAGENCY TASK FORCE ON PROPERTY APPRAISAL AND VALUATION EQUITY (PAVE), *Research Action Plan to Advance Property Appraisal and Valuation Equity: Closing the Racial Wealth Gap by Addressing Mis-valuations for Families and Communities of Color*, <https://pave.hud.gov/sites/pave.hud.gov/files/documents/PAVEActionPlan.pdf> (last visited May 9, 2022).

<sup>18</sup> Cal. Leg., A.B. 948, 2021-2022 Leg. Reg. Sess. (Cal. 2021), [https://leginfo.ca.gov/faces/billTextClient.xhtml?bill\\_id=202120220AB948](https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=202120220AB948).

<sup>19</sup> Tim Walker, *House Passes Bill Aiming to Combat ‘Appraisal Bias’ in Real Estate Valuations*, MINNESOTA HOUSE OF REPRESENTATIVES (April 29, 2021), <https://www.house.leg.state.mn.us/SessionDaily/Story/15937>; S.F. 1020, 92<sup>nd</sup> Leg. Reg. Sess. (2021-2022).

<sup>20</sup> Troy McMullen, *For Black Homeowners, A Common Conundrum with Appraisals*, WASHINGTON POST, January 21, 2021, [https://www.washingtonpost.com/realestate/for-black-homeowners-a-common-conundrum-with-appraisals/2021/01/20/80fbfb50-543c-11eb-a817-e5e7f8a406d6\\_story.html](https://www.washingtonpost.com/realestate/for-black-homeowners-a-common-conundrum-with-appraisals/2021/01/20/80fbfb50-543c-11eb-a817-e5e7f8a406d6_story.html).