

Innovate Michigan!

2024 Co-Learning Plan Series

An Analysis of Appraisers in Michigan: 1980-2022

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EDA
U.S. ECONOMIC DEVELOPMENT ADMINISTRATION

An Analysis of Appraisers in Michigan: 1980-2022

*Data to Allow for Demographic and Workforce Analysis of the Appraisal
Occupation in Michigan*

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This project is supported in part pursuant to the receipt of financial assistance from the United States Department of Commerce – Economic Development Administration. The statements, findings, conclusions, and recommendations are solely those of the authors and do not necessarily reflect the view of any federal agency or Michigan State University.

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INTRODUCTION

Detroit's history of economic hardship, housing inequality, and racism is well documented. Decades before the 2013 Bankruptcy, or the 2008 Housing Crash, the steadily declining population and surmounting disinvestment due to white flight and redlining policies led to declining property values in the city.

Appraisers, as a regulated occupation, play a pivotal role in access to homeownership and access to mortgage credit to purchase residential property. They appear to be an understudied component of the workforce and the real estate marketplace.

According to the U.S. Bureau of Labor Statistics, the appraiser occupation by gender and ethnicity is 97% white men. This Co-Learning Plan will use public data, and privately purchased consumer market data, to detail what is known about licensed appraisers in Michigan in the period from 1980 to 2022. With information available and in the open, this important regulated occupation can be better studied and analyzed to determine if appraisers reflect the communities they serve and if the claims of National Fair Housing Organizations hold true for the United States, particularly in Michigan.

From a workforce planning perspective, we do not know if there are enough appraisers licensed to do the work produced in Michigan's diverse geographies, and their respective real estate marketplaces. If a market-based demand model was created, the state could better understand talent flows in and out of the appraisal occupation and could narrow in on a simple ratio of appraisers needed per volume of home sales in a region, or other specific geography. Learning from other regulated occupations and considering a broader range of professions where state regulations hinder talent will also provide further insights into the focus of this study.

The analysis and discussion that follows seeks to shed light on the more granular details of appraisers in Michigan, an important but niche occupation. With sunlight, there can be visibility, along with opportunities for conversation and growth.

THE APPRAISAL OCCUPATION

The basic criteria to become a licensed limited real estate appraiser, as set forth in Michigan Compiled Laws Section 339.2610, is to be at least 18 years old, be of good moral character, and complete the qualifying education requirements outlined by the Appraisal Qualification Board (AQB) criteria for a particular license category.

Work and education requirements must be completed under the supervision of a more experienced appraiser before receiving a Limited Real Estate Appraiser license. Trainee-level appraisers can look up approved supervisory appraisers on the Michigan Licensing and Regulatory Affairs (LARA) online database or the Appraisal Subcommittee (ASC) National Registry.

The ASC is a federal agency that oversees state appraisal regulatory programs and provides a monitoring framework for the Appraisal Foundation. The Appraisal Foundation was authorized by Congress in 1989 to set standards and qualifications for appraiser licensing and education in the U.S. The Appraisal Foundation oversees the AQB.

After obtaining a limited appraiser license, there are requirements for classroom training work experience hours, and passing an exam with each increasing grade of licensure. The National Uniform Licensing & Certification exam is required on each progressing level of licensure and is graded on a 110-point scale with a passing score of 75 points (68%). The Appraisal Foundation allows the test to be taken up to three times. Each license has a renewal cycle of 2 years. Within those two years, an appraiser must complete 28 hours of continuing education, including a 7-hour Uniform Standards of Professional Appraisal Practice (USPAP) course and a 2-hour Michigan law course.

The different grades of licensure give appraisers the ability to evaluate different kinds of property and the buildings on it. There does not appear to be a simple grid available from the LARA website that quickly explains the licensing process. Table 1 will detail the different licenses, as well as education and experience requirements. This table was compiled from a collection of sources including the State Occupational Code published by LARA, Real Estate Appraisers General Rules, and the AQB.

Table 1. Grades of Licensure

Requirements	Limited Real Estate Appraiser	State Licensed Real Estate Appraiser	Certified Residential Real Estate Appraiser	Certified General Real Estate Appraiser
<u>Coursework</u>	79	154	204	304
<u>Hours Already Completed</u>	0	79	154	79
<u>Educational Coursework</u>	4 Required Courses https://appraisalfoundation.sharefile.com/share/view/s63f99dc2b9f241e0b3fd1645f7b63680	Previous Requirements + 4 Additional Required Courses	Previous Requirements + 3 Additional Required Courses	Limited Real Estate Education Requirements + 7 Additional Required Courses (225 Hours)
<u>Minimum Work Experience</u>	None	1,000 Experience Hours in No Less than 6 Months	1,500 Experience Hours in No Less than 12 Months	3,000 Experience Hours in No Less than 18 Months A minimum of 1,500 hours of the required experience must be in non-residential appraisal work.
<u>Degree Requirement</u>	None	None	Relevant Associate's Degree (Business, Economics, Real Estate); 30 college credit hours in specified areas of study; OR be a licensed state appraiser for a minimum of 5 years in good standing, with no disciplinary actions that would affect the individual's ability to appraise	Bachelor's Degree or Higher in Any Area
<u>Exam</u>	No	Yes	Yes	Yes
<u>Appraisal Jurisdiction</u>	None	Non-complex 1-4 unit residential properties for federally related and non-federally related transactions less than \$1,000,000 Non-residential properties for federally related transactions less than \$250,000	1-4 unit residential properties in non-federally related transactions without regard to value or complexity Non-residential properties for federally related transactions less than \$250,000	All types of residential or commercial property in federally and non-federally related transactions without regard to value or complexity

LITERATURE REVIEW

INTRODUCTION

This section goes beyond a traditional literature review. The context provided herein highlights gaps in academic literature and illustrates how federal research and media outlets have contributed to a more comprehensive understanding of the occupation.

In 2022, Nathan Connolly and Shani Mott, a black couple from Baltimore, sued their appraiser and mortgage lender, citing a case of racial discrimination regarding home appraisal valuation (Kamin, 2022).

They originally purchased their home in 2017 for \$450,000 and invested \$40,000 into home renovations. In a desire to refinance their mortgage, they purchased a home appraisal, hoping to take advantage of soaring home prices and lowering interest rates. After the initial appraisal, 20/20 Valuations, a Maryland appraisal company, evaluated the home at \$472,000, only \$22,000 more than they purchased the home

for. This didn't even recoup the investments on home improvement. As a result, their refinance loan was denied by the mortgage lender, LoanDepot.

Connolly and Mott suspected that the low valuation was racially motivated. After a few months, they reapplied for another refinance loan with Swift Home Loans and purchased another home appraisal. This time, the couple removed family photos, their children's art, and cultural signifiers to remove any indication that a black family lived in the house. They also asked their white male colleague to be present for the appraisal, taking their place. During the second appraisal, the house was valued at \$750,000, marking a near \$300,000 difference. Swift Home Loans approved a new loan at a rate of 2.25%.

Regarding the appraisals themselves, the New York Times article reports some structural differences in how they were conducted that impacted the home's value. The first appraisal used three homes for comparison: a fixer-upper, a home outside their neighborhood in a majority Black area, and another with \$70,000 deducted, citing construction quality and location on a busy street. The appraiser also reported that their home hadn't received any updates in 15 years, which was untrue. The second appraisal was pulled from houses that had far higher values and reported a fraction of the location deduction found in the first appraisal.

One of the most interesting things about the Connolly story is the isolation of other factors, which forces one to reckon with the pronounced bias and discrimination they experienced. Nathan Connolly and Shani Mott were both highly educated academics who worked at John Hopkins University. They lived in a predominantly white neighborhood, with historical architecture, good public schools, and higher than average home prices. Ultimately, it took scrubbing their home of their presence— their perceivable racial identity— to obtain an equitable appraisal value. LoanDepot eventually settled with the family, while admitting no fault, for an undisclosed amount in March 2024 (Kamin, 2024).

Even though this story is anecdotal, it is consistent with what we know about the history of housing discrimination in America, and how it has impacted the lives and financial outcomes of people of color for generations.

ACADEMIC LITERATURE

Academic literature examining the appraisal occupation appears to be scarce. The authors were not able to identify literature pertaining to workforce analysis, ratios of appraisers necessary to ensure a well-functioning marketplace, nor substantial investments in understanding local market dynamics in Michigan.

In *Is the Real Estate Appraiser's Role Too Much to Expect*, Smolen & Hambleton (1997), investigate the challenges to appraiser independence. It highlights widespread client pressure on appraisers— especially from mortgage lenders and commercial bankers— due to the market power of lenders, ultimately diminishing appraiser autonomy. A survey conducted among appraisers revealed substantial client pressure instances: 78.8% of clients aggressively pressured appraisers to alter values, with 31.3% observing increased pressure from 1995 to 1996, and 48.5% reporting consistent pressure levels. Notably, over 33% of respondents reported encountering clients who recently insisted on modifying valuations. Commercial banks received 40.6% of "yes" responses regarding client pressure, while mortgage bankers, constituting 63% of responses, emerged as the primary source of pressure.

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Alarmingly, 81.5% of respondents suspected local appraisers of complying with unrealistic valuation demands, indicating potential shortcuts in compliance with USPAP standards and integrity compromises.

In addition, the article *Appraisers and Valuation Bias; An Empirical Analysis* (Tzioumis, 2017) delves into appraisal bias within the real estate sector, examining factors like work volume influence on valuation patterns, high occupational turnover rates among appraisers, and the impact of lenders' internal review processes on navigating inflated appraisals. The study uses appraisals from a mortgage lender spanning 2005-06 to 2013 and provides insight into appraisal bias and occupational turnover among appraisers. These findings highlight complexities in appraisal practices and their implications for industry standards and regulatory measures.

The challenges noted in the articles above contributed to the causes of the Great Recession in 2008. In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act significantly reformed how lenders and appraisers communicate and interact.

In *Are Minorities Still Paying Higher Mortgage Interest Rates?* (Baek & Cho, 2023), an analysis of racial disparities in mortgage interest rates using the Survey of Consumer Finance dataset addresses the issue of ethnic/racial discrimination in credit markets, impacting wealth distribution among racial demographics. The results of the study reveal that Black borrowers initially paid rates 0.5% higher than White borrowers, but this gap decreased by 6.6 bp (basis points) per year, almost disappearing by the end of the sample period. Similarly, Hispanic borrowers faced rates 0.3% higher than White borrowers, with minimal change over time.

FEDERAL RESEARCH

In recent years, the issue of real and perceived residential appraisal bias and housing inequality has gained significant attention in the United States. The Biden administration has set out to address this issue by establishing the Property Appraisal and Valuation Equity (PAVE) Interagency Task Force. PAVE is co-chaired by the US Department of Housing and Urban Development (HUD) Secretary Marcia L. Fudge and White House Domestic Policy Advisor Neera Tanden (HUD Public Affairs, 2023).

PAVE aims to tackle the structural disparities in home appraisals that have contributed to housing inequality across the nation. In 2022, the Biden administration released the PAVE Action Plan that aims to eliminate algorithmic biases in home valuation, remove obstacles to consumers directly addressing and correcting appraisal bias, and promote and increase entry into the appraisal occupation. PAVE provided transaction level analysis and transparency by utilizing federal data for policy making, enforcement, and research on appraisal biases (HUD Public Affairs, 2023).

The creation of PAVE also closely coincided with the national release of eight years of residential appraisal data by the national Federal Housing Finance Agency (FHFA). While this data does not call out individual appraisers, their unique identifiers, or locations, it does reveal residential appraisal data on a previously unreleased national scale. As a result, new research utilizing this governmental data has been published by Howell and Krover-Glenn.

Dr. Junia Howell and Dr. Elizabeth Korver-Glenn conducted a study analyzing the 2022 Uniform Appraisal Dataset (UAD) released by the FHFA. This study utilized the comprehensive UAD encompassing 32 million appraisals across 105 metropolitan areas with a focus on neighborhoods' characteristics like housing stock, socioeconomic status, and amenities to isolate the role of racial composition in home appraisal values. The study revealed that homes in white neighborhoods are appraised at twice the value of comparable homes in communities of color, with homes in white neighborhoods evaluated at \$371,000 more on average. This racial inequality in appraised values has increased by 75% over the last decade. During the pandemic, homes in white neighborhoods increased in value by \$136,000, compared to \$60,000 for comparable homes in communities of color. The study further confirms persistent discriminatory biases in home appraisal practices based on appraisal data submitted to Fannie Mae and Freddie Mac between 2013 and 2021. Their published report is: *Appraised: The Persistent Evaluation of White Neighborhoods as More Valuable Than Communities of Color*.

It revealed that homes in white neighborhoods are appraised at double the value of comparable homes in communities of color, with homes in white neighborhoods being appraised as worth \$371,000 more on average. This racial inequality in appraised values has increased by 75% over the last decade, and during the pandemic, homes in white neighborhoods increased in value by \$136,000 compared to \$60,000 for comparable homes in communities of color.

LOCAL & OTHER RELATED RESEARCH

A 2023 housing analysis conducted by Axios, utilizing Zillow transactional sales data (not appraised values), highlighted significant numerical disparities in home values between Black and White homeowners across metropolitan areas in the US. As of December 2023, Black-owned homes are typically valued at \$291,000—a stark difference compared to the \$354,000 valuation for white-owned homes, marking an 18% difference nationwide (Crane, 2024). Those differences become even more pronounced in metropolitan areas in the Midwest. In Detroit, the average value of Black owned homes is \$138,700, while White owned homes are valued at \$254,000. This produces a 45.4% disparity between comparable home values between races in the City of Detroit, creating the second largest regional disparity in the nation.

Detroit's housing market sits at an even more precarious intersection of the appraisal and mortgage market. Lenders order appraisals as a requirement for buyers using a mortgage to finance a home purchase. As a result, the appraisal occupation is dependent on mortgage viability in a given area. Referencing *Detroit Dreams Deferred*, conducted in partnership between Kite and Key Partners, the University of Michigan, and Southwest Solutions: in the City of Detroit, mortgages play a limited role in housing transactions. As of 2019, over two-thirds of the city had less than 20% of property transfers utilizing a mortgage. In other words, two-thirds of the city is a cash-only marketplace. The only neighborhoods with substantial mortgage activity are more predominately White and wealthier than the rest of the city.

Because Detroit doesn't have a well-functioning mortgage market, this means that few appraisals are conducted in the City of Detroit, yielding few comparable sales and low valuations. Thus, the structural challenge is self-reinforcing.

An analysis of the Uniform Appraisal Dataset Aggregate Statistics portal, released by the Federal Housing Finance Agency, shows that Wayne County, the most populous county in Michigan, accounted for 17.4% of the purchase appraisals conducted in Michigan in 2023, the highest number in the state. However, when broken down by census tracts in the county, most of Detroit accounts for 0.0% of the purchase appraisals conducted in any year over a 10-year period (2013-2023). The data shows that zero purchase appraisals occurred from 2013 to 2023 in these Census tracts, consistent with analysis performed in *Detroit Dreams Deferred* that used city assessor and Home Mortgage Disclosure Act data in its analysis.

The existing literature verifies this data and shows that this has been the case for at least 30 years. *Community Lending and Appraisal Standards* (Sands, 1994) examines the debate surrounding the appraisal process as a barrier in mortgage lending in the City of Detroit. The perspectives of community-lending advocates are contrasted with data on loan denials and property values. The 1994 study concluded that low appraisals were cited in under 2% of all loan denials in the Detroit metropolitan area during the latter half of the 1980s, with property-related reasons for loan denials remaining relatively low.

Another challenge that adds to the complexity of this issue is forced sales. In *Forced Sales and House Prices* (Campbell, 2011), the study examines the impact of forced sales, particularly foreclosures, on house prices, highlighting vulnerabilities, discounts, and spillover effects in neighborhood pricing dynamics. The study found that forced sales, including death-related sales, bankruptcies, and foreclosures, occurred at price discounts of about 3-7% for death-related sales and 27% for foreclosures, with death-related discounts being larger for older sellers and houses where the structure accounts for a larger fraction of value. Additionally, foreclosures within 0.25 miles, and particularly within 0.1 miles, of a house transaction were found to lower the price at which a house could be sold.

Estimating the Effect of Mortgage Foreclosures on Nearby Property Values (Frame, 2010), evaluates the economic repercussions of residential mortgage foreclosures, assessing their impact on property values and the broader housing market. Research indicates that foreclosed properties generally sell at a discount ranging from 10% to 50%, with most studies pointing to a discount around 20-25%. Additionally, there are negative spillover effects on nearby non-distressed properties, with estimates of the effect ranging from 0.5% to 8.7% per nearby foreclosure, an effect that is exacerbated in proximity but decreases with distance. The study employs usage repeat-sales approach and hedonic regressions in studying foreclosure discounts and spillover effects. It also notes the variation in estimates across studies due to data limitations and model specification issues. These findings underscore the consequences of foreclosure impacts on property values and adjacent properties and begin to convey how property values in impoverished and underinvested areas can create a domino-effect.

METHODOLOGY

DATA

The data analyzed in this Co-Learning Plan was obtained through the Freedom of Information Act (FOIA) made of LARA in 2022. LARA's response included 21,626 records of appraisers who were

licensed in Michigan between 1980-2022. As is often the case with government data sets, the data must be qualified as the “best available” information available.

The data was received in a .CSV file format. On initial review there were numerous inconsistencies regarding formatting and overall data hygiene. These challenges were noted, updated and in some cases excluded from analysis. Data challenges included:

- Potential inconsistencies with license status assigned license status (suspended, inactive, closed, superseded, retired, deceased, and null and void);
- Over 4,000 license records were classed as Null and Void;
- Records showed many licenses included bulk placeholder dates, which were issued on 1/1/1900 or expired 12/30/1900.

LARA later clarified that these discrepancies were a result of a migration between data systems. The old licensing database contained records that were empty, and the new database required all licensing fields to be populated. As a result, LARA staff updated these records with an easily identifiable ‘filler’ date. LARA acknowledged that the records probably still existed in paper form and were never fully updated digitally due to time and staffing limitations.

Licenses issued before 1990 also had numerous data discrepancies relating to license status and duplication or records that were impossible to reconcile with the rest of the data. In addition, roughly 40 Canadian addresses were excluded from the analysis. Removing these incomplete or corrupted entries, from 1980 to 1990, reduced the number of records from 21,672, to 17,372.

Addresses of appraisal licensees are self-reported. The data showed that these addresses could be associated with either a home or business and were prone to data entry error. Whenever possible, when businesses names were identified within the address field, those company names were isolated as such.

The data received from LARA included:

- License type (limited real estate appraiser, state licensed real estate appraiser, certified residential real estate appraiser, certified general real estate appraiser, temporary practice permit license);
- License number;
- License issuing date;
- License expiration date;
- License status as of 2022 (active, expired, suspended, etc.);
- License holder name;
- License holder address;
- License renewal count (number of renewals);
- Email address;
- Phone number.

MAPPING

While conducting this research, the authors received technical assistance from Eastern Michigan University Geographical Information Systems (GIS) faculty advisors who provided feedback on data

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management and ArcGIS. Thus, over 99 percent of all the locations in the data set were successfully mapped.

Shapefiles were constructed for different geographical areas and scales. This data was expressed in the form of graduated and dot density maps. The geographies analyzed include:

- US States;
- Michigan counties;
- Municipalities in the Detroit metropolitan region;
- Zip codes in the City of Detroit. These spatial shapefiles serve to cartographically represent the appraiser data relative to a given area. The data granularity also increases as the scale of geography decreases;
- Formerly redlined communities in Michigan.

SPATIAL ANALYSIS

A block-script query was used to identify appraisers based on license columns that contained the names of states, cities, and zip codes. A block-script query is a programming method that allows the user to isolate defined subsets of data from a much larger block of data.

Additionally, location selection was used to select appraisers based on physical location on map intersected with the area extent of a reference shapefile.

All data sorting for mapping purposes was conducted through manual column separation. Through attribute and location selection, there was a manual process of separating all the address data into different columns corresponding to different maps. Given the large volume of records, appraisers were only separated as needed depending on the map or data table being produced.

PURCHASED DATA

LARA does not require or request demographic, gender or racial information to be self-reported by appraisers as part of their licensing application - nor for any other licensed occupation in Michigan.

Claritas, a private consumer marketing data company, was retained to append the license data with personally identifiable missing data. All data used in this report will be presented in aggregate only, no personally identifiable information will be made available to the public or any third party. Not all Claritas obtained data has been disclosed in this report, as the authors seek to focus on the gender and racial diversity dynamics, without introducing unnecessary political and income discourse into an already complicated discussion landscape. Personally identifiable data purchased included:

- Gender
- Ethnicity
- Race
- Household income range
- Political donation propensity

There are 3191 “active” appraisers as of 2022, for all license types contained in the LARA data set. Claritas was able to match:

- Gender: 1970 of 3191
- Ethnicity: 1903 of 3191

This level of match provides a statistically significant sample of active appraisers at a confidence rate of 99%, with a 2% margin of error.

Two other vendors were utilized to support this research. Donna Siebert, PhD, and Aaron Deakins provided support to the authors processing and visualizing some of the data presented in this report.

NARRATIVE

Utilizing LARA data, the authors were able to construct a wide range of maps that uncover concentrations of appraisers, and their numbers over time.

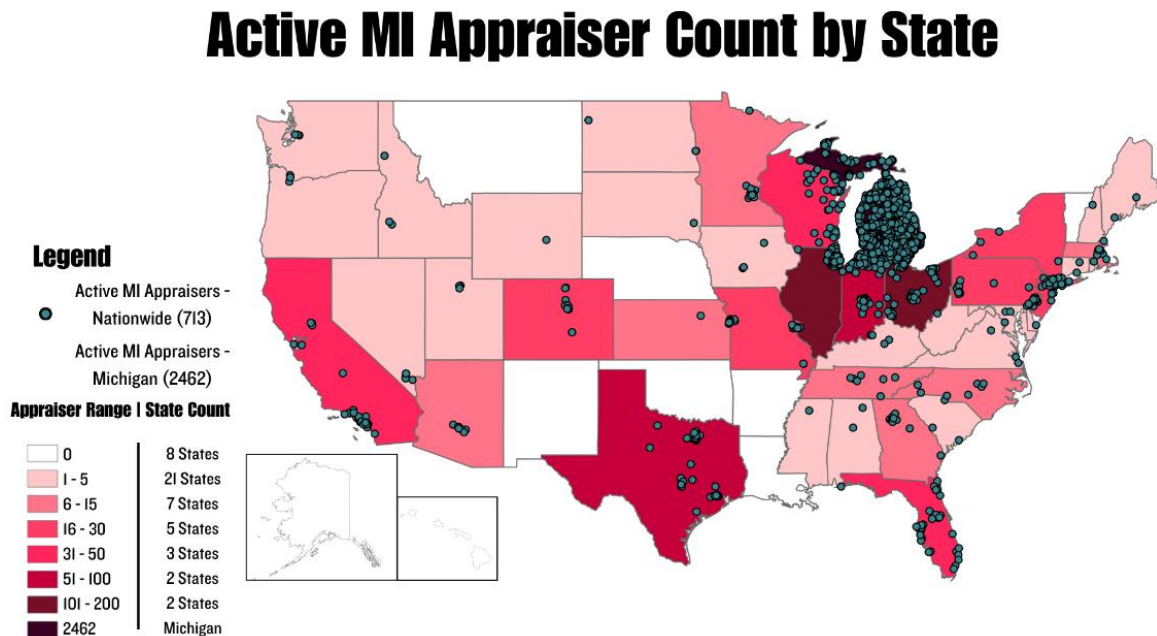
Once the LARA data was appended with Claritas data, analysis was possible of the demographic makeup of the occupation, perhaps for the first time.

The maps in the following pages, Figures 1 to 11, visualize the best available data on Michigan licensed appraisers, first by geographic concentration. Appraisers are also analyzed over decades of licensure. The analysis ends with the discussion of the appended Claritas data.

Starting with a national perspective on Michigan licensed appraisers, it was found that 713 out of 3175, or 22% of active appraisers self-reported license addresses outside of Michigan. However, the state data provides little insight into these individuals. Are there really appraisers conducting work in Michigan remotely from cities like Austin, Denver, Miami and Los Angeles?

Further research should be organized to determine the actual impact of out-of-state appraisers on Michigan’s housing markets.

Figure 1. Active Appraiser by State



The map above shows licensed appraisers in the State of Michigan, with an “Active” license as of 2022. The data is scaled nationwide, separated by states. Each Appraiser represents a blue dot, as a coordinate on the map. Besides Michigan, the following five states with the most MI-licensed appraisers are: Illinois - 144; Ohio - 106; Texas - 73; Indiana - 58; Wisconsin - 48. Within the non-Michigan states, it is easy to see a concentration of appraisers in certain cities. Los Angeles, Dallas, Austin, Columbus, New York and Chicago are some prominent examples.

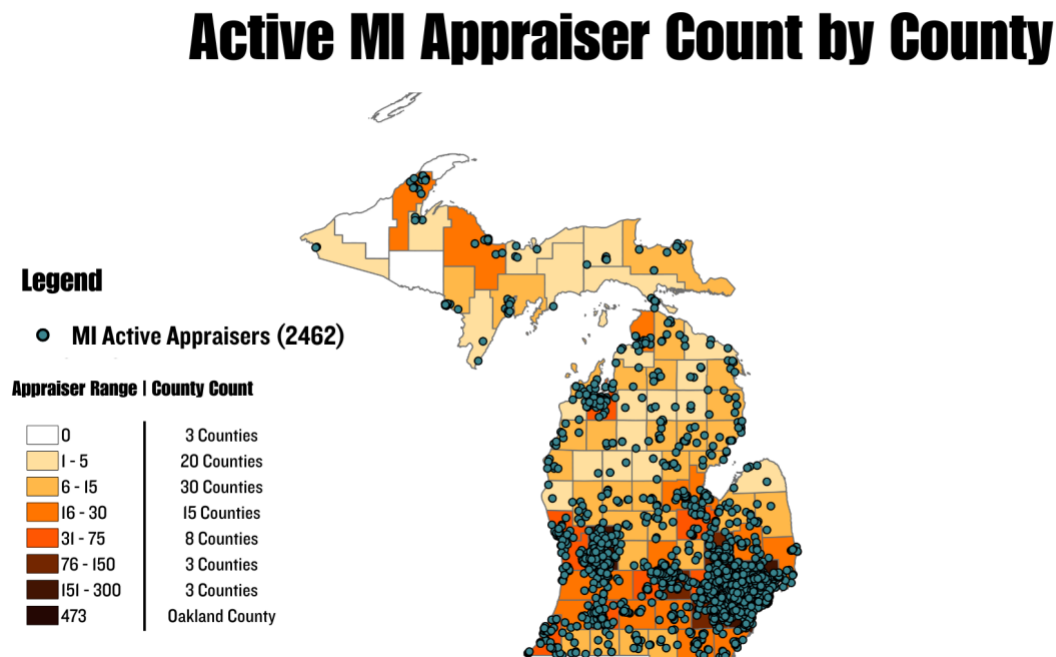
The next map, Figure 2, shows the active appraiser count, by county, within the State of Michigan.

As of 2022, there were 2,462 active appraisers within the state of Michigan. The county reporting the highest number of active appraisers is Oakland County, with 473 appraisers. The following five counties with the next highest numbers of active appraisers are: Wayne County - 289; Macomb County - 224, Kent County - 192, Ingham County - 120, and Washtenaw County - 80.

The appraiser count appears to roughly correlate to population, with the top five counties also being part of the most populous counties in Michigan, with variation. Notably, there is a 63% difference between the appraiser count in Wayne and Oakland County, with Oakland County having nearly 200 more appraisers, despite having a population of 1.27 million people as compared to Wayne County’s 1.79. Figure 2 more clearly illustrates the concentration of appraisers in the southern half of the state, with scarcer populations of appraisers in the north of the central Lower Peninsula and into the Upper Peninsula.

Of note, there are no appraisers in three of the counties in the Upper Peninsula, with a sparse distribution of those who are available. Thoughtful workforce planning is especially important in this geography.

Figure 2. Active MI Appraiser Count by County



From a workforce planning perspective, policy makers should be interested to know if there are enough appraisers to serve the needs of both rural populations and more densely populated geographies.

The workforce development lens is a legitimate means of seeking better understanding of the occupation. Neither the Appraisal Foundation nor the state have defined a method of showing the number of licensed appraisers needed.

Looking at other regulated occupations, we can speculate that there are ways to make this determination by analyzing the total number of appraisers and how their licensure status allows them to engage in the marketplace. Geographies and regions across Michigan have different volumes of real estate sales, which can be quickly verified by analyzing state and county real estate transfer tax data. Some subset of those transactions require appraisals. From a simple and high-level perspective, how many appraisers are necessary in a particular geography to meet the market demand for appraisals? How many new appraisers do we need to replace those aging out of the workforce?

These questions can and should be considered by policy makers, and ideally answered by academics and experts in the field.

Figure 3. License Type

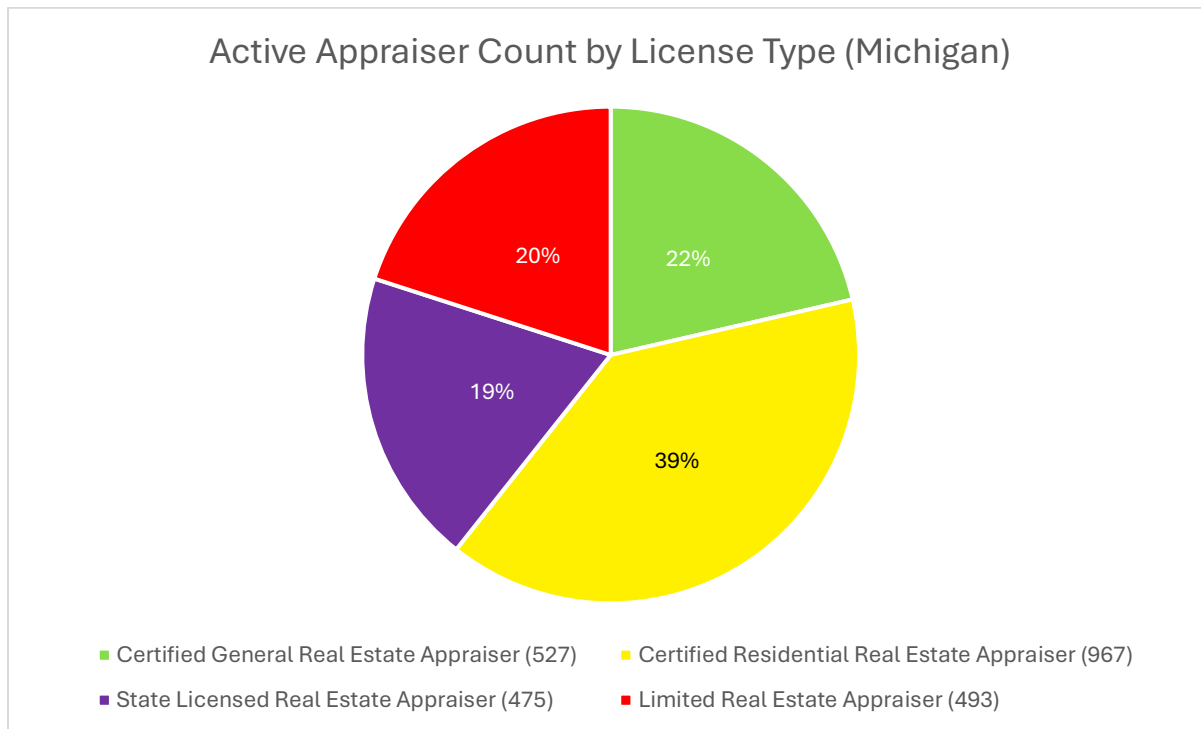
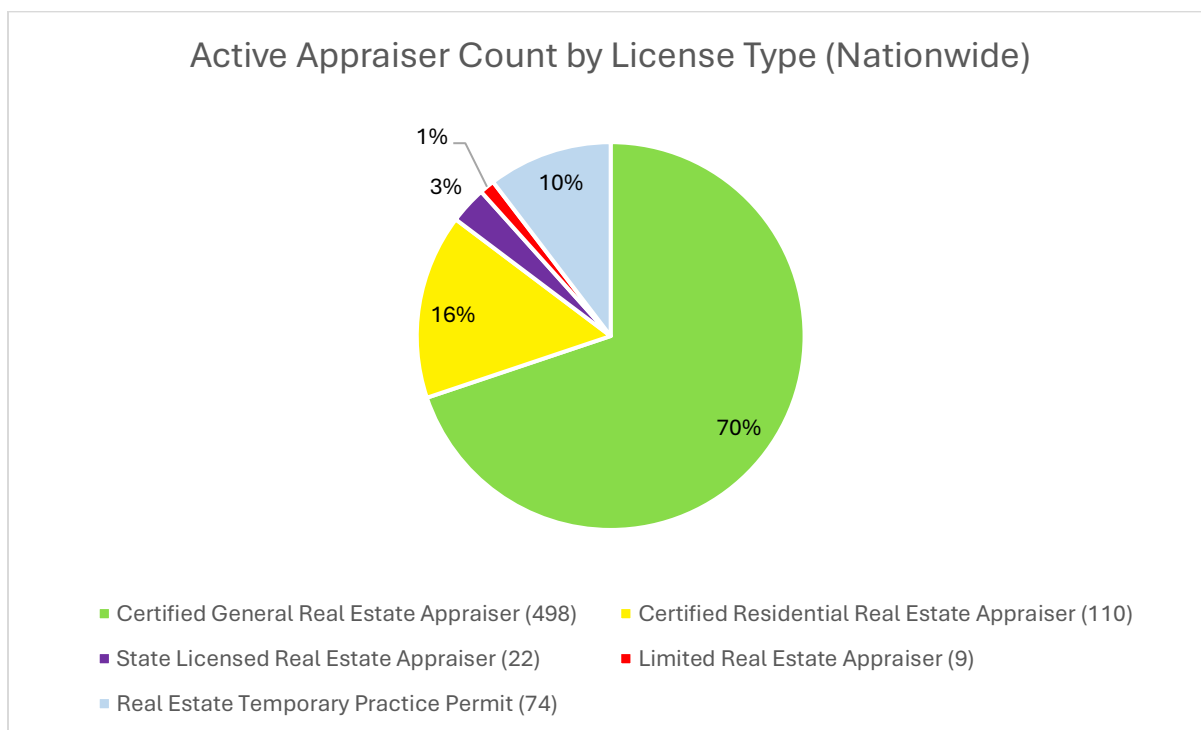


Figure 4. License Type



Figures 3 and 4 represent the different types of licenses that are currently held by active appraisers. As previously mentioned, these different licenses correspond to different levels of transactional ability. The most common type of appraiser license in the State of Michigan is the Certified Residential Real Estate Appraiser, accounting for 39% of the current 2462 active appraisers. The most common type of appraiser license outside of Michigan is Certified General Real Estate Appraisers, which accounts for 70% of the 713 currently active appraisers located outside of Michigan. The number is not far below Michigan’s count of Certified General licenses, nearly 30% of Michigan’s appraiser count, and 22% of the combined 3175 active appraisers.

This raises the question of whether it is useful to have such a significant proportion of certified appraisers, who have none of the restrictions on appraisable properties that the other grades of licensure have, be located outside of the state, without access to place, neighborhood, property condition, or overall housing context.

Figure 5 illustrates the timeline of active appraisers in Michigan over the last four decades. Active Appraisers are defined as all licensees who were issued a license within or before the decade in question. The number of active appraisers ballooned in the 2000’s before sharply dropping in the 2010’s, post-recession. The ratio of Internal-Michigan Appraisers to External-Michigan Appraisers also changes over time. In the 2010’s, the appraisers active outside of Michigan was over half the number of those active within the state.

Figure 5. Michigan Active Appraiser Timeline

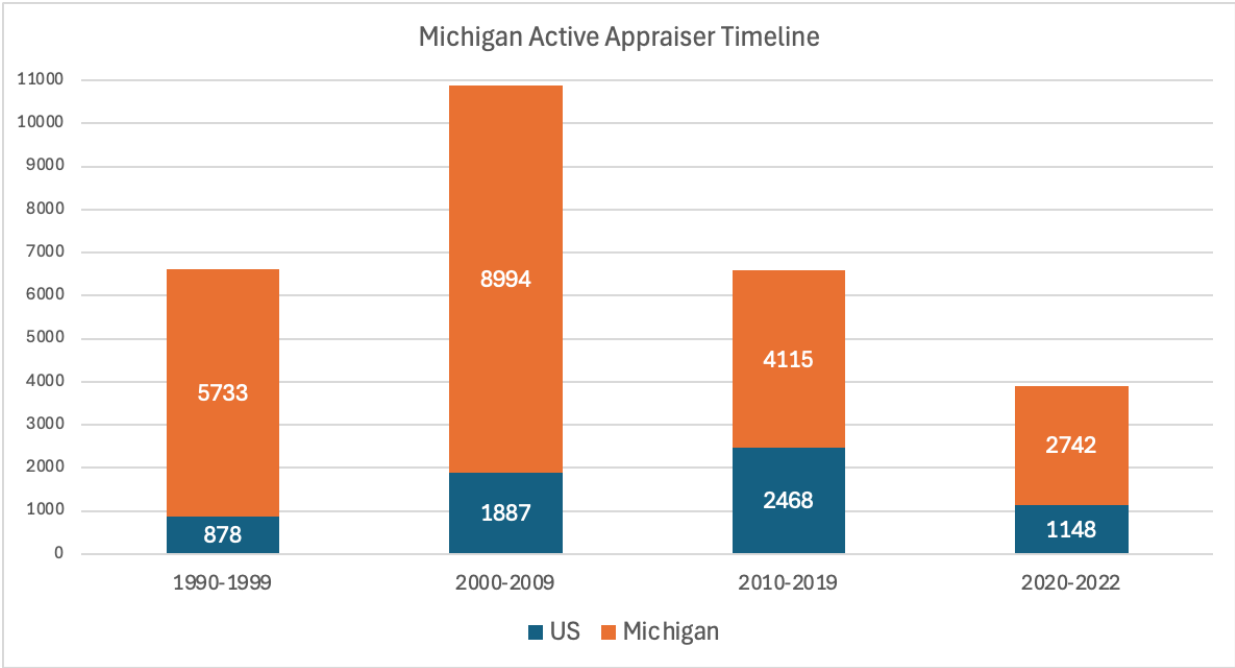


Figure 6 illustrates the timeline of active appraisers in Metro-Detroit, highlighting the City of Detroit over the last four decades. The metropolitan appraiser count displays a similar trend of soaring in the 2000’s and falling dramatically by the 2010’s. Detroit, as a city, has an even more drastic decline in terms of active appraisers. From the 2000’s to the 2010’s the appraiser count fell in the entire Tri-

County from 4,524 appraisers to 1,743 appraisers, a 61% decrease. However, in the City of Detroit, the appraiser count fell from 634 to 101 appraisers, an 84% decrease.

The analysis of the Detroit region begs the workforce planning questions noted previously; are there enough appraisers to meet the demand of the current residential and commercial marketplace?

The City of Detroit lost 93% of appraisers that had a license address in the city between 2000-2022. The city lost about one third of its population in that time span. Why is there such a sharp decline in this particular occupation?

Figure 6. Active Appraiser Timeline

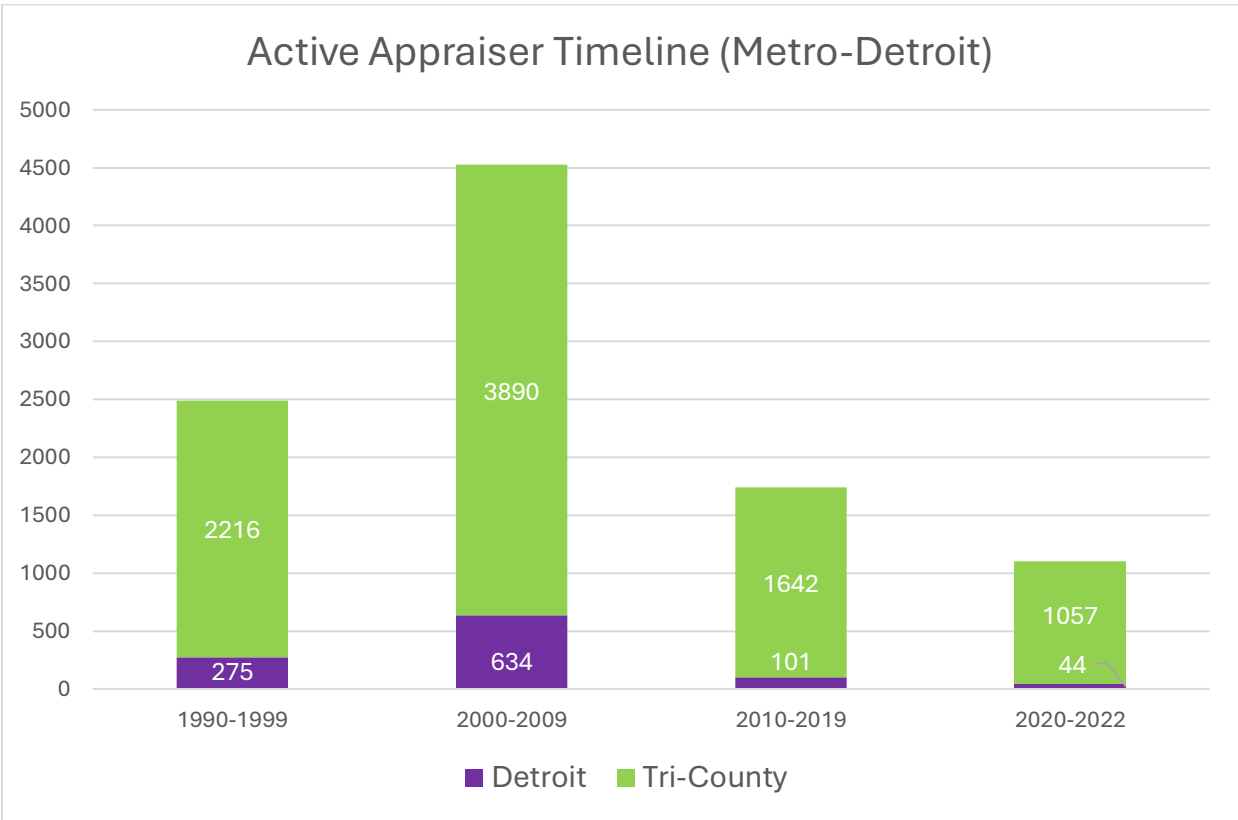


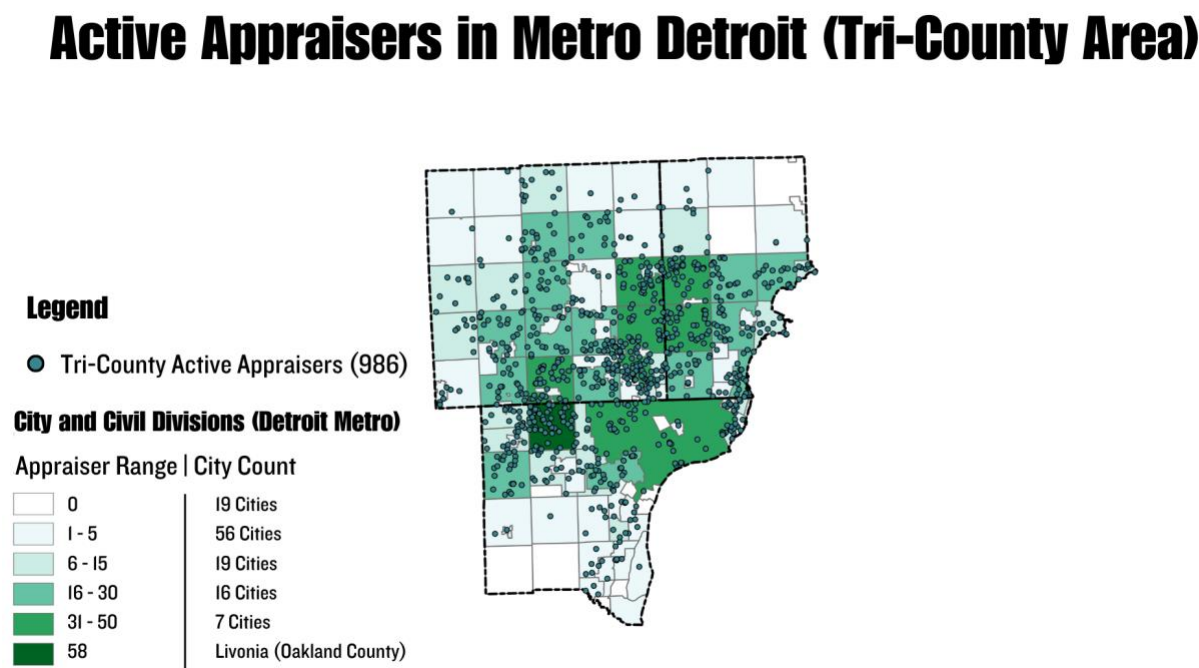
Figure 7, below, shows the active appraiser count mapped on a municipal level within the Detroit Metropolitan Statistical Area (MSA). The MSA is a commonly utilized geographic proxy for regional economic activity and related wealth representations.

For example, down payment assistance programs are often tied to the buyer’s relationship to the Area Median Income (AMI). A buyer will qualify for a specific program if their household income is, say, 120% of the Area Median Income (AMI) or lower. AMI is a function of the median person’s wealth within the MSA geography. According to the US Census Bureau, the median household income for the Detroit MSA is \$71,265. The Census Bureau estimates median household income in the City of Detroit, by contrast, is \$36,453.

The Detroit-Metro regional boundary presented here includes three counties: Wayne, Oakland, and Macomb, which are also the most populous counties in the state.

The city with the highest appraiser count in the metropolitan area is Livonia, with 58 Active Appraisers. This is followed by: Detroit - 42; Royal Oak - 40; Sterling Heights, Shelby Township and Farmington Hills - 37. The appraisers are concentrated broadly in the center, which generally maps on the urban/rural divide, with the cities and townships on the edges having a significantly less population than all of the cities located centrally. However, there is clearly a less proportional distribution of appraisers geographically compared within each county. Wayne County has only four cities with over 16 appraisers. Macomb has seven, and Oakland has 13. Additionally, Livonia has 28% more active appraisers than Detroit, while Detroit has over six and a half times the population and nearly four times the land area.

Figure 7. Active Appraisers by City (Detroit Metropolitan)

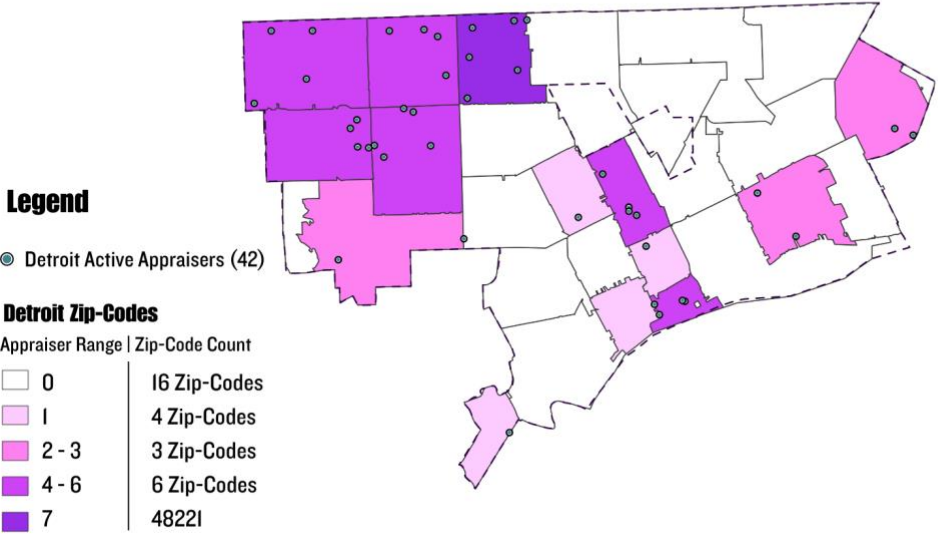


Moving deeper still, the analysis of appraisers by address within the City of Detroit highlights how the occupation is concentrated in wealthier areas of the city.

Figure 8 illustrates the number of active appraisers in Detroit organized by zip code. Out of 30 zip codes, 16 of them have zero active appraisers. The only zip code that has more than six currently active appraisers is 48221, which is home to some of Detroit’s wealthiest neighborhoods, such as Sherwood Forest, Palmer Woods, and the University District. The other zip codes that have appraisers are either within proximity to downtown, where the business district is located, or are sitting on border communities next to comparatively wealthier suburbs, such as Grosse Pointe, Southfield, Dearborn and Warren. In reference to *Detroit Dreams Deferred*, the areas with active appraisers also map onto the areas where Mortgage Sales are more frequently included as a part of a property sale transaction.

Figure 8. Active Appraisers by Zip Code

Active MI Appraisers by Zip-Code (Detroit)

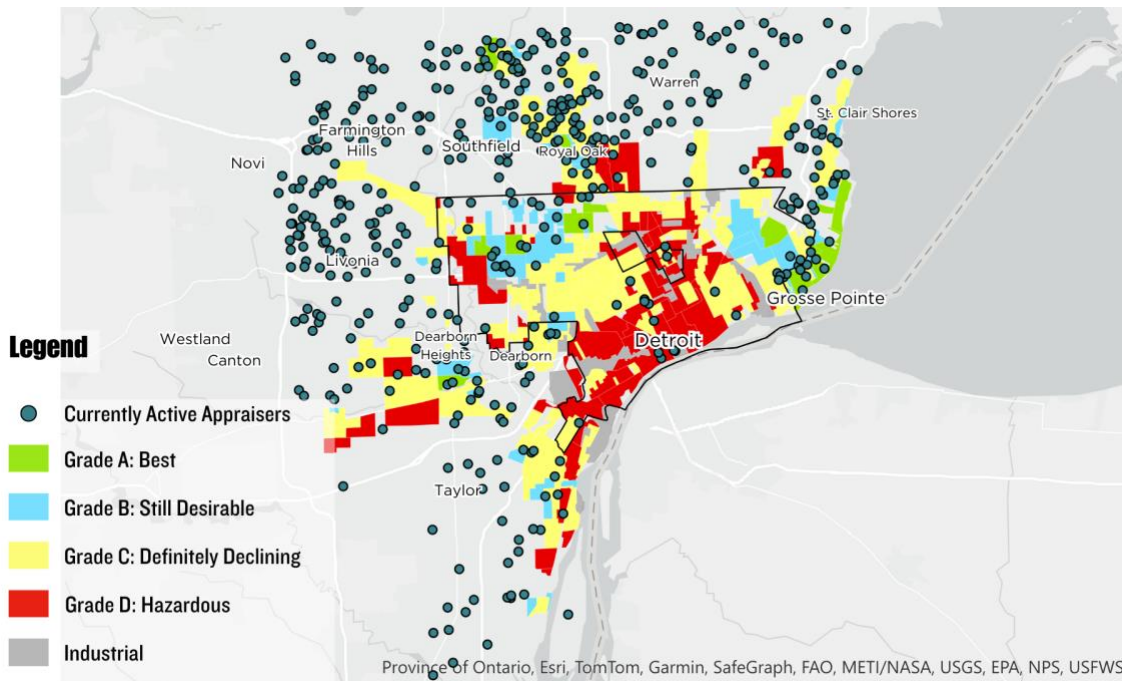


When mapped on to former Home Owner’s Loan Corporation (HOLC) redlining maps, one can clearly see the concentration of Detroit appraisers outside of the city’s borders (Figure 9). HOLC maps were created in 1933 and were utilized for development and lending purposes under the National Housing Act of 1934. The existing appraiser population within the city is largely segmented to areas that were previously classed as “best” and “still desirable”. The exception being appraisers that are located closer to Detroit’s current midtown and downtown neighborhoods, the most economically productive and subsidized areas of the city for commercial acquisition and investment.

The appendix includes maps of all formerly redlined communities in Michigan. There are fewer than 20 appraisers whose self-reported state license address is within a formerly redlined neighborhood in the entire state of Michigan.

These maps may be helpful in convening conversations with lenders required to be compliant under the Community Reinvestment Act. They could braid investments they are required to make to support communities impacted by redlining.

Figure 9. Detroit HOLC Redlining Map



The redlining maps end the analysis of the LARA provided license data. To dig deeper into the make-up of active licensees, third party, private consumer data, was purchased from Claritas. No personally identifiable data will be released in conjunction with this report. That said, almost anyone with financial resources can purchase such data on the open market with ease.

Claritas was able to match the LARA data with statistical significance. The Claritas findings are 99% representative of Michigan appraisers as a whole, with a 2% margin of error.

Claritas appended LARA data shows that appraisers in Michigan are slightly more diverse by gender than the Bureau of Labor Statistics (BLS) suggests, is the case, nationally. Figure 10 shows 70% of appraisers in Michigan are believed to be men, with about 30% believed to be female.

The national BLS data, which comingles assessor and appraiser data, suggests that the occupation is 97% white and male.

Figure 10. Active Appraisers by Gender

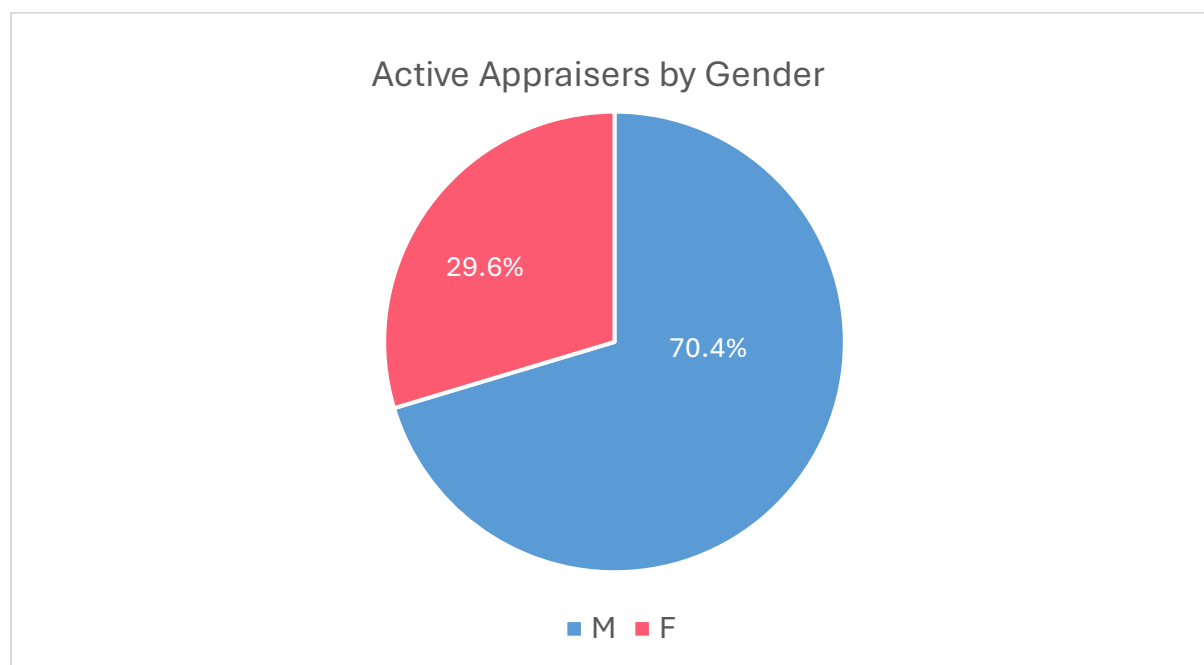
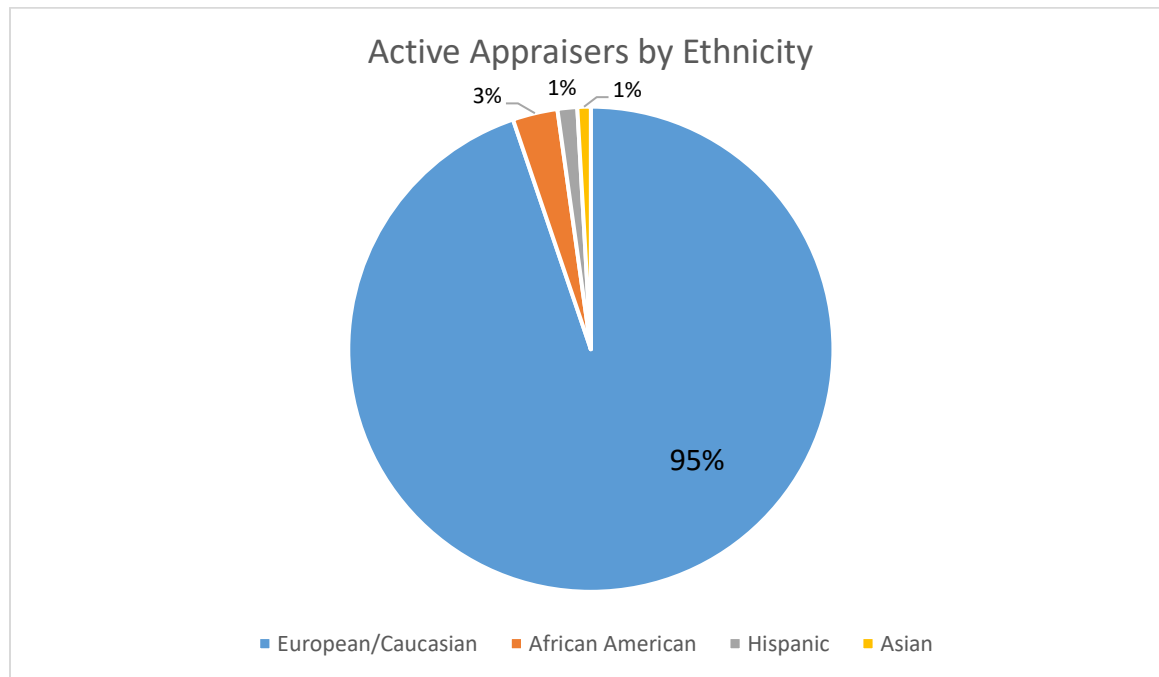


Figure 11 follows the national data more closely mirrored by race and ethnicity than it does by gender. 95% of Michigan appraisers are considered white, 3% black, and 2% comprising all other races. Because the Claritas data is more detailed than Census categories for race, some groups were combined to be consistent with federal characterizations on race for public reporting. It may go without saying, but there are obvious under-representations for all people of color within the current make-up of the appraiser population.

Figure 11. Active Appraisers by Ethnicity



CONCLUSION

This paper has provided a detailed analysis of licensure data for Michigan licensed real estate appraisers from 1980-2022. The analysis was focused first on visualization and mapping of self-reported addresses, and state license activity as was detailed in data provided by LARA.

When questions regarding the demographic make-up of appraisers could not be answered with the available public data, privately sourced consumer data was purchased from a reputable third party to append the public data file. Utilizing this information, the gender and racial identifiers of Michigan's appraisers can be assumed with 99% accuracy with the number of records that were matched.

RECOMMENDATIONS

Policy makers and legal experts should look at this report and ask:

- Are there enough licensed appraisers in Michigan to serve the wide and diverse geographic markets across the state?
- Should there be a ratio identified of the number of appraisers needed in the state to reasonably manage market demand for their services?
- Appraisers receive a state-wide license, but are expected to be competent in the specific markets in which they work, how can the state support well-functioning markets in such large geographies?
- Should a state have any responsibility to ensure that regulated occupations in any way reflect the communities that they regulate?

- When a given regulated occupation is made up of a virtually homogenous racial community, should a state encourage diversification of the occupation when disparate impact is clearly demonstrated for protected classes?

Regulated occupations should be thought of fundamentally as a state-led workforce planning exercise. Where the state determines qualifications, and the rules and regulations related to the work activity, the state should also understand the supply and demand required to meet well-functioning markets. In real terms, this process can be observed as it relates to airline pilots, fire fighters and nurses.

Appraisers are a regulated occupation vital to a well-functioning real estate marketplace. With the information contained in this paper, policy makers now have at their disposal better tools to ask questions and seek improvements for rural, suburban and urban geographies in Michigan.

ACKNOWLEDGEMENTS

This research would not have been possible without an award from the Michigan State University EDA University Center for Regional Economic Innovation (REI).

Those reading this paper who may also be seeking opportunities to invest focused time on rigorous research should consider becoming acquainted with the staff at MSU REI and apply for future Co-Learning Plan research.

Thanks, should also be extended to Willyne Smith, a student at Eastern Michigan University, who learned how to do GIS mapping in a workplace setting and earned a co-author acknowledgement with the publication of this report; Aaron Deakins, for supporting first round data analysis; Donna Seibert, for supporting data visualization; Patrick Meehan, at the University of Michigan Center for Equitable Community and Family Well-Being, for being a long-time collaborator and thought partner; and Alex B. Hill, at Wayne State University, for supporting a robust conversation in Detroit for storytelling through the prolific creation of maps.

It is also necessary to acknowledge the staff at the State of Michigan Licensing and Regulatory Affairs, and the Appraisal Subcommittee for access to data and for their willingness to answer questions on a rolling basis.

Likewise, it should be noted that the Appraisal Foundation did not respond to requests for information during the research phase of this report.

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