



# IDFPR

## Illinois Department of Financial and Professional Regulation

Division of Real Estate

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**JB PRITZKER**  
Governor

**MARIO TRETO, JR.**  
Secretary

**LAURIE MURPHY**  
Director

Illinois Department of Financial & Professional Regulation  
Real Estate Valuation Task Force  
OPEN Minutes

Date: May 15th, 2024

Call to Order: 11:03 a.m. – Ericka Johnson

Location: IDFPR - Division of Real Estate ("DRE")  
555 West Monroe Street 4<sup>th</sup> Floor, Chicago Room  
Chicago, IL 60661  
And  
Via Interactive Video Conference at IDFPR  
320 West Washington Street, 2<sup>nd</sup> Floor, Conference Room 258  
Springfield, IL 62786

Board Member(s) Present: Adrienne Suits Bailey, Paul D. Brown, Deborah Fears, Javier Gumucio, Dan Hofacker, Steven Monroy, Tito Quinones, Anthony E. Simpkins, Ashia Walker, Cassandra Halm.

Board Member(s) Absent: Leader Marcus Evans, Jeffery Baker, and Jamie Cumbie

Division Staff Present: Gabriela Nicolau- DRE Deputy General Counsel, Jennifer Rossiter Moreno- DRE Operations Manager, Tia Davis- Legislative Liaison

Guest(s) Present: Jeremy Reed- DRE Deputy Director, Dr. Peter Rosenblatt - Department of Sociology Chair at Loyola University Chicago, Jim Blaydes- Appraiser, Jennie Fronczak - City of Chicago, Richard DeVerdier, Scott DiBiasio, Sofia Papoutsis, Lutalo McGee- Chicago Association Realtors, Kevin Jackson- Chicago Rehab Network, Herbert Meyer

Topic	Discussion	Action
Call to Order	With no Chair or Vice Chair Present, Deputy Secretary Ericka Johnson opened the meeting. (The VC arrived later)	The meeting was called to order at 11:03 am by Ericka Johnson
Roll Call	<p>Speaker of the House: Leader Marcus Evans- Absent</p> <p>Minority Leader of the House: Dan Hofacker- Present</p> <p>Minority Leader of the Senate: Jeffrey Baker- Absent</p> <p>Director of the Department of Commerce and Economic Opportunity or Designee: Tito G. Quinones - Present</p> <p>Director of Department of Human Rights or Designee: Steven Monroy - Present</p> <p>Director of Department of Revenue or Designee: Adrienne Suits Bailey - Present</p> <p>Executive Director of the Illinois Housing Development or Designee: Javier Gumucio - Present</p> <p>Representative of Statewide Banking Association Representing banks of all asset size: Ashia Walker - Present</p> <p>Representative of Statewide Banking Association exclusively representing banks with assets below \$20,000,000,000: Jamie Cumbie - Absent</p> <p>Representative of a Statewide Association representing Credit Unions: Deborah Fears - Present</p> <p>Representative of an Agency, Organization, or Association advocating for Fair Housing: Anthony E. Simpkins - Present</p> <p>Representative of an Agency, Organization, or Association for Consumer Protection: Cassandra Halm - Present</p> <p>Representative of a Statewide Appraisal Organization: Paul D. Brown - Present</p> <p>Secretary of Department of Financial and Professional Regulation or Designee: Ericka D. Johnson- Present</p>	Members Leader Marcus Evans, Jamie Cumbie, and Jeffery Baker were absent
Approval of Minutes	Ericka Johnson went over the last meeting's minutes and asked task force if they had any questions, comments or changes. Miss Johnson then said hearing none, all in favor say aye and any opposed say nay. Hearing none, minutes were adopted	Paul D. Brown motioned for the approval of minutes. Vice Chair Anthony Simpkins made the second motion

Topic	Discussion	Action
<p>Report Drafting: Historical Background</p>	<p>Miss Johnson told the task force that today's discussion would be centered on the topic of history and historical background. That VC Simpkins discussed similar history in 3rd meeting where redlining was discussed. Miss Johnson said that Peter Rosenblatt PhD an associate profession of Sociology at Loyal University Chicago, came to present on a lesser known piece of history, contract selling. Miss Johnson thanked Ashia Walker for introducing Dr. Rosenblatt to the task force because Miss Walker was his student. Even so, not everyone knows about contract selling and it would be useful to learn about it and after Dr. Rosenblatt's presentation, the discussion will be open for the report.</p> <p>Dr. Rosenblatt thanked Miss Johnson for the introduction and shared his screen for his presentation on Contract selling and its impacts in Chicago.</p> <p>Dr. Rosenblatt started the presentation by sharing a diagram by Jack Macnamara, who was involved in a group that fought against predatory effects of contract sales. That Macnamara's diagram gives an overview of the phenomena of contract selling. Dr. Rosenblatt also recommended to the task force to look at the documentary Shame of Chicago: Shame of the Nation that mentions contract selling.</p> <p>Dr. Rosenblatt moved on and discussed how a larger context of redlining and segregation of Chicago during the 40's, 50's, and 60's was due to companies refusing to give loans to black and brown families. That FHA had underwriting policies in it's manual that institutionalized not selling homes in white neighborhoods to Black Americans who were also discouraged in the lending process. This gave way to the emergence of suburban neighborhoods, middle class and wealth building.</p> <p>Dr. Rosenblatt then discussed the secondary housing market that Black families were pushed into because these families were looking to be homeowners but were restricted. Families were unable to get loans and therefore turned to the secondary housing market. The secondary housing market is where speculators would buy homes from white families who were looking to flee neighborhoods Black families were moving into. These speculators would encourage white families to sale their home and would then buy the home for under market value. Speculators would then flip the homes and sale to black families at an inflated price. The homes would be marked up two to three times the cost. For example, a speculator would buy a home for \$12,000 and then sell the home for \$20,000 in order to take advantage of Black home seekers. These speculators would sell homes on contract and go to institutions that refused to give a loan to Black families, for money. These banks would give money to speculators over Black families.</p> <p>Dr. Rosenblatt then discussed contracts and how speculators would make a sale that looked like a mortgage but took away the advantages of a mortgage, such as equity. The seller, speculators, would retain the title and equity while the buyer was responsible for the rest, such as property taxes, insurance, maintenance and repair.</p>	

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	<p>Dr. Rosenblatt went on to explain that contract sales were unregulated and there was no rule of having an appraisal or inspection prior to purchase. Therefore, families would often buy homes without an inspection or being aware of the high value mark up of the house. Sellers would also often evict families from their home if they missed a single payment under a contract sale. The contract sale incentive was to evict buyers because, if a seller can evict a buyer, the seller can keep payments, equity, and resale the home on contract again.</p> <p>Dr. Rosenblatt discussed the consequences of these contract sales to families. Families would often work multiple jobs to afford payment on the home and would be estranged from their family members and children. These families would then have little money left after making payments and were thus locked out of wealth building. When it came to the consequences of the neighborhoods, estimates show that 75-90% of home purchased by Black families were sold under contract during these times. This would then lead to families subletting their contract home and not being able to reinvest into their neighborhood and buildings because of lack of funds. Dr. Rosenblatt said that while people help to create the ghetto because of structural failings of buildings in these neighborhoods was not produced by the people living there, but by the situation people were forced into with contract selling and segregation.</p> <p>Dr. Rosenblatt went on to discuss the cost of contract selling and that people started to become aware that it was not just them dealing with contract sales but their whole neighborhood. Therefore people started to organize and created the contract buyers league. The documentary, Shame of Chicago goes into detail about this organization but these people were able to organize rent strikes and renegotiate a number of contract sales and federal lawsuits. Dr. Rosenblatt goes on to explain that there was some resistance to contract selling. Even so, the league looked into the dollar amount of what was being called the race tax which is the price the speculator paid, compared to the price paid once the home was flipped and resold. In 2015, Jack Macnamara looked into the extent of contract selling and the overall cost to Black Chicago families in the 50's and 60's. Once everything was added up, the amount was eye opening in the sense that Black families were paying the equivalent of 587 dollars extra in 2019 dollars for inflation. This put the entire estimate range of the race tax anywhere from 3.2 billion to 4 billion. This money was illegally stolen from Blacks in the 50's and 60's. This money then went into white neighborhoods and white professionals because speculators got their money from banks that wouldn't loan to Black families.</p> <p>Miss Johnson said thank you to Dr. Rosenblatt for his presentation and asked if there were any questions</p> <p>Richard DeVerdier said that Dr. Rosenblatt presentation was eye opening and he plans to look more into contract selling. He said that Dr. Rosenblatt mentioned people were buying lands at inflated prices and an appraisal wasn't required. What would happen if an appraiser came in on a land contracted? Would inflated values be more realistic to market value.</p> <p>Dr. Rosenblatt said that would be hard to speculate because there were</p>	

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	<p>other issues with the appraisal process during that time and bias would have been factored into the appraisal. Even so, one of the issues with the contract market being unregulated was that people didn't have a sense of how much they were overpaying and there was a lack of information and knowledge for buyers. That for contract sales, there could be a bill to limit damages because as of right now, contract sales have not been declared illegal and a part of giving people that knowledge would be to make appraisal a part of the process and provide more information about the possibilities of exploitation.</p> <p>DeVerdier said that an appraisal would be helpful in that situation</p> <p>Gabriela Nicolau then said that appraisals are an option and that it needs to be clear to the buyer that they are able to get an appraisal but it is not required.</p> <p>Jim Blaydes spoke and said that in contract sales, the home represents a value to the real estate because the buyer is buying two things. An appraisal process is important in identifying what makes up the purchase price</p> <p>Vice Chair Anthony Simpkins said that in reference to contract sales and them still occurring, there is legislation now that helps to regulate them. VC Simpkins then said to the task force to keep in mind when discussing appraisals, the task force is talking about the history of appraisals. During the era these contract sales were happening, the culture of that time has to be thought about because federal agencies were having racist underwriting terms. That even appraisers during the 50's and 60's, were a part of a racist system. VC Simpkins then said his question is, has Dr. Rosenblatt done research on the long term effect on value in certain neighborhoods as a result of redlining? That Dr. Rosenblatt discussed secondary housing market for black home buyers and how these families were paying twice the value of property. Over time, the value of the neighborhoods there families were in remained low and under valued. When it comes to appraisers, they use the market to determine value. Therefore, is there a recommendation the task force can make to off set this fact?</p> <p>Dr. Rosenblatt said he appreciates VC Simpkins point and question. First, the point raised about appraisal history and now, the book Race for profit talks about the predatory practices that emerged to provide families with home ownership in black neighborhoods which opened up expletive process of segregation. During the 50's and 60's, the appraisal system went along with the practices of that time. In terms of the cost of redlining, there are some studies that have looked at long term impacts of housing values in from redlining/yellow lined areas but that Dr. Rosenblatt would have to go back and review those findings but can forward them to the task force. Even so, the continued effects can be seen in the issue of not having money to invest in neighborhoods which played a role int he sustained value of buildings over time. Buildings sold on contract in the 70's were falling a part and speculators wouldn't be able to find a buyer.</p>	

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	<p>VC Simpkins said that the book was Pause of Segregation</p> <p>Miss Johnson said thank you to VC Simpkins and that next month the task force can look at target reports and statistics</p> <p>Paul Brown then said that under the assumptions that for studies during the 50's and 60's, contract sales may not have allowed buyers to get conventional loans. Contracts may not have allowed for buyers to have the option of getting an appraisal.</p> <p>Dr. Rosenblatt said that contract selling is significant because buyers were under contract and didn't have another option. That their are stories where Black home buyers would sit down with a seller who will make a pitch on how the seller would support the buyer though the process and the buyer would then say they want a lawyer to look at the contract. A seller would then not want to sell to the buyer, and would move on to another buyer, who would not have a lawyer look at the contract and would sign.</p> <p>Miss Johnson said to the task force that while Dr. Rosenblatt is here, she wanted to open the floor to VC Simpkins and Ashia Walker to ask questions since they are writing the section discussing history. That history would first discuss the great depression, then move onto redlining and housing act in 1934 and move into the present with the PAVE report.</p> <p>VC Simpkins said that the Great Depression is to far back in history and would start with the advent of FHA and 30 year mortgage</p> <p>Miss Johnson agreed that much does not need to be covered from the Great Depression because a lot of policies were put into place after that era.</p> <p>Miss Walker said she agreed and that the report didn't need to go as far back</p> <p>VC Simpkins said that Jennie Fronczak is online from the City of Chicago Housing Truest and would have some material on appraiser bias as well.</p> <p>Miss Nicolau suggested looking at bias in banks and how these banks were able to move pass the issues happening in the 50's and 60's and the remedy banks came up with.</p> <p>VC Simpkins mentioned looking at the background issues with banks such as CRA and Mortgage disclosure act. Then, to look at racial based disparities on who is approved for a mortgage credit and who is not. The task force can look at statistics on racial disparities because there is a 2 to 3 time difference between White, Black and Hispanic families.</p> <p>Herbert Meyer said that he gets the impression racial disparities is still happening in Chicago. Mr. Meyer said he works in commercial real</p>	

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	<p>estate. Mr. Meyer asked, how would an appraiser find contract sales to them in a appraisal in the current appraisal market where sales are prevalent?</p> <p>Mr. Brown said that it depends on the terms of the contract and if it is recorded. Mr. Brown said he had a case where the appraiser had to dig deeper into a case in order to access certain information. In the markets Mr. Brown serves, it would be acceptable to use a sale for comparison if the appraiser has a reliable data source on the condition of the property. Even so, with no information about the interior condition of the property, the appraiser would have reservations about using the property in a sale. Regulation requires an appraisers to know about the condition of the property.</p> <p>Miss Johnson asked Dr. Rosenblatt if he has any data on sales outside of Chicago?</p> <p>Dr. Rosenblatt said that the conditions are there but he is not aware of other documentation of it. That studies have been able to document in Chicago because people were organized for the extent of it and class action law suits. That today, people continue to deal with segregation and the way it plays forward for others. That there was a market of people who were being steered toward contract sales and in the last decade, there has been a reemergence of contract sales. These sellers are buying foreclosed homes at low prices, inflating the price, and then selling the homes. This is a part of a larger cycle of segregation and the lack of recording of contract sales make it hard to track them. Even so, Illinois can make a law that make it so these contract sales have to be recorded.</p> <p>Miss Johnson told the task force that she will make Dr. Rosenblatt's presentation available and attach it to next months minutes for the public. Miss Johnson then thanked Dr. Rosenblatt for his presentation because it was eye opening and informing.</p>	
<p>Progress of Report Drafting</p>	<p>Miss Johnson said that it would be helpful to start checking in on the progress of the report drafting every month. Miss Johnson said that she made a tracker and shared it with everyone. One the tracker, is the topic, owner of the topic, date topic was discussed and a link to the minutes. Also, a deadline for drafts.</p> <p>Dan Hofacker said he agreed with the tracker and is about 50% done with current regulatory structure.</p> <p>Miss Johnson said that Paul Brown is about 90% done with guidance and standards section. Miss Johnson asked if there were any comments</p> <p>Mr. Brown said he has no comments and is still looking at some things for his section.</p> <p>Miss Johnson said that collateral underwriting has not been covered,</p>	







