



IDFPR

Illinois Department of Financial and Professional Regulation

Division of Real Estate

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Governor

MARIO TRETO, JR.
Secretary

LAURIE MURPHY
Director

Illinois Department of Financial & Professional Regulation

Real Estate Valuation Task Force

OPEN Minutes

Date: July 17th, 2024

Call to Order: 11:06 a.m. –Ericka Johnson

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

Board Member(s) Present: Adrienne Suits Bailey, Jeffery Baker, Paul D. Brown, Javier Gumucio, Steven Monroy, Tito Quinones, Anthony E. Simpkins, Ashia Walker, Cassandra Halm and Ericka Johnson.

Board Member(s) Absent: Leader Marcus Evans, Deborah Fears, Dan Hofacker, 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: Lutalo McGee, John McMahon, Jim Blaydes, Danielle Stanly- NHS Chicago, Kevin Jackson-Chicago Rehab Network, Jeremy Reed-DRE Deputy Director.

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 11:06 am by Ericka Johnson
Roll Call	<p>Speaker of the House: Leader Marcus Evans- Absent</p> <p>Minority Leader of the House: Dan Hofacker- Absent</p> <p>Minority Leader of the Senate: Jeffrey Baker- Present</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 - Absent</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, Deborah Fears and Dan Hofacker were absent.
Approval of Minutes	Ericka Johnson went over last meeting's minutes and asked the task force if they had any questions, comments, or changes. Miss Johnson also informed the task force that Dr. Lopez presentation would be included in the posted minutes. Hearing none, minutes were adopted.	Paul D. Brown motioned for the approval of minutes. Adrienne Suits Bailey made the second motion

Topic	Discussion	Action
<p>Progress Report Drafting Check-in</p>	<p>Miss Johnson told the task force that before getting into the report, she wanted to take a vote from the task force on a letter being sent to the Appraiser Qualification Board (AQB) on a college degree requirement. Miss Johnson said she wanted to take a vote on if the task force should send the letter. Then, once the letter has been reviewed by the task force and IDFPF Secretary, the task force will be asked to sign the letter with their digital signature. Miss Johnson made a motion to approve sending the letter with Vice Chair Simpkins second.</p> <p>Miss Johnson then asked that if everyone is in favor, to please say aye and anyone opposed to please say nay. The motion passed and Miss Johnson said that the final version of the letter will be sent to the task force members before signing of electronic signatures which will be needed before July 26th. The letter will be made public at the next meeting.</p> <p>Moving on, Miss Johnson told the task force that each section of the report due to the GA would be discussed in today's meeting along with an update from each member working on those sections. Miss Johnson then said that VC Simpkins asked for each member to have a recommendation for their section and that members should share where they are at in their section and the task force as a group can brainstorm recommendations together.</p> <p>Miss Johnson started with the first part of the report, which is the introduction that Tito Quinones is working on. Miss Johnson said that Mr. Quinones was starting his section and let her know that he did not need any help. That Mr. Quinones plans to lay out the background of the task force. In the next section, it is the history part of race in real estate. Miss Johnson said that VC Simpkins, Aisha Walker, and Danielle from NHS are working on this section and will be doing the background on how real estate and appraisals got to this point along with redlining. Miss Johnson asked if there was status update for this section.</p> <p>Miss Walker said that right now they are still in the beginning stages of the section but wanted to confirm with Danielle and VC Simpkins that they received her google document she started.</p> <p>Danielle said that they did receive the document and that they are still drafting the history for the section. She will have something for VC Simpkins to review by the end of next week.</p> <p>Miss Johnson asked if they needed any assistance</p> <p>VC Simpkins said they did not</p> <p>Miss Johnson moved on to the next section of the report which is Current Regulatory Structure. Miss Johnson said that her and Dan</p>	<p>Ericka Johnson motioned for the approval of letter to AQB. Vice Chair Anthony Simpkins made the second motion</p>

Topic	Discussion	Action
	<p>Hofacker have been working on it and have a draft completed. Mr. Hofacker is going to go back and look at FFIEC for federal regulatory structure. Miss Johnson said she also talked to Steven Monroy about including current law as well as state and federal protections in regard to appraisal bias and discrimination.</p> <p>Mr. Monroy said that he will have a draft by the end of next week on the 26th.</p> <p>Miss Johnson said that the section would be more introductory, so no recommendations are needed. Miss Johnson then moved on to the next section, Guidance and Standards. Miss Johnson called on Paul Brown to give an update of the section.</p> <p>Mr. Brown said that he has produced a draft and that he is close to finishing it, but has some revisions and notes to add. His section is in good shape.</p> <p>Miss Johnson said that section will benefit everyone because it will discuss different methods of evaluation, appraisal stands and guidance.</p> <p>Mr. Brown said that he has no recommendations to make for changes in evaluation methods.</p> <p>Miss Johnson asked the task force if the section needs recommendations because it is a introductory section on how appraisers do their job currently. Miss Johnson moved on to the next section and asked if there were any recommendations for Collateral Underwriting Standards/ Challenges. Miss Johnson said she sees VC Simpkins on the call but not Jamie Cumbie. Miss Johnson stated that this topic has not been covered in presentations and asked if VC Simpkins had any thoughts or concerns.</p> <p>VC Simpkins said that he does not have any concerns and has some drafts started for this section.</p> <p>Miss Johnson said that she will see if she can help contribute to the section as it is a tough topic and thinks that input from the lender community will be needed. Miss Johnson said she talked to Mr. Monroy for his input and will circle back with VC Simpkins and Miss Cumbie next week to start putting ideas out there for them.</p> <p>VC Simpkins then said that a credit office input would also help</p> <p>Miss Johnson then moved on to the next section, Limited and Inactive Markets. Miss Johnson said that her and Jeff Baker have been working on this section and have a draft. The section will explain what limited and inactive markets mean along with the meaning of appraisals. That Miss Johnson used the Tate-Austin case as an example in their draft and have two recommendations. The first recommendation is that the appraisal foundation and board could incorporate standards or guidance on how to use a broader range of comparison variables. Miss Johnson said that people mentioned how</p>	

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	<p>there isn't a firm guide on home comparisons besides a one mile radiance of similar homes. Miss Johnson asked if there were any thoughts about the recommendation.</p> <p>Mr. Brown said that in a metro area, one mile radius might be sufficient for comparison but in a rural area, he uses a 15 to 25 mile radius. An appraiser should not go beyond 25 miles for an assignment even though in special cases, appraisers have to go beyond 25 miles. Therefore, the recommendation might be tough.</p> <p>Miss Johnson asked Mr. Brown what the average appraiser has to do when they are working an assignment in a limited and inactive market.</p> <p>Mr. Brown said that an appraiser would have to expand their search radius and in some cases, it's more appropriate to extend the sale guidelines. For example, in a metro area, it is standard for an appraiser to look at 3 closed sales in the last 90 days and alternatively an appraiser may extend the time frame they are looking at sales.</p> <p>Miss Johnson asked where the guidelines are for appraisers who are working in limited and active markets?</p> <p>Mr. Brown said that Fannie Mae and Freddie Mac have some guidelines in terms of requirement of sales, i.e. the 3 closed sales. Mr. Brown said that he always looks at the last 12 months but that timeline is probably less for metro areas. So appraisers use this method at their discretion as well as some lenders.</p> <p>Gabriela Nicolau asked if there was a shift in guidelines when it comes to rural verses metro area?</p> <p>Mr. Brown said that an appraiser would have to document what they do. For example, with a single family property in a typical city, an appraiser could choose to use a comparable home from up to 10 miles away which would in turn create a high risk score for the property appraisal. The appraiser has to provide a good explanation as to why they are using a comparable from that far way. In some cases, it is acceptable to compare a home from that distance if the property is unique and there are no close comparables.</p> <p>VC Simpkins said that with regard to what Mr. Brown said, maybe for some of the GSE underwriting platforms, there is a way to flag inactive or slow markets. So that when an appraiser puts in their findings, their comparables doesn't get rejected but the appraiser would still need to give a justification. VC Simpkins then had a question for the appraisers and asked if there are any lessons or practices that could be learned from industrial properties?</p> <p>Mr. Brown said that he would refer to Jim Blaydes to answer that question.</p> <p>Mr. Blaydes said that when dealing with a single family home, there</p>	

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	<p>are qualifications that need to be met but in industrial, appraisers have to be careful because it is the appraiser that develops the report which can frustrate the appraiser. Therefore, the task force has to keep in mind who is developing and signing reports. The task force should be careful in developing hard and fast guidelines.</p> <p>Miss Johnson said that Mr. Blaydes has a good point since there is a lot of discretion for individual appraisers. However, a concern is, what are other appraisers doing and should similar situations be handled the same way?</p> <p>Mr. Blaydes said that every office is different. For him, he likes to see local sales in the neighborhood the home is in but he doesn't know if there is a rule for specific mile radius. Some lenders do implement guidelines in underwriting.</p> <p>VC Simpkins said that the task force has to be careful in providing recommendations for rules and best practices because in a limited and in active market, there could a time where an appraiser cant find a recent sale to do a comparable. In the Woodline case, the home that was selling, was the first to be done in 40 years. So in this section, the task force is trying to tackle that issue.</p> <p>Mr. Blaydes said that in those cases, the appraiser would have to go back in time and ask about market conditions. In some cases, the appraiser goes back as far as 24 months and have to ask if the home will sell the same in the current market because a home sold then, does not account for market conditions now.</p> <p>John McMachon said that usually guideline are established by GSE's and lenders. That Lenders have their own guidelines and GSE's have seen where these guidelines have unintended consequences and can be harmful. Mr. McMachon asked the task force to be careful on establishing any type of guidelines.</p> <p>Jeff Baker asked if there could be training earlier in the process for appraisers, along with education on how to start the appraiser process.</p> <p>Mr. Brown said that one of the things talked about in another section is training and education. Mr. Brown asked Mr. Blaydes to correct him if he is wrong but in the pre licensure process, a lot of information is covered. However, for residential, it doesn't cover a lot on what an appraiser is doing on a daily basis but is instead covered through the supervision requirement which is 2 years long and 1500 hours. Mr. Brown said that there could be education geared towards appropriate comparable selection.</p> <p>Miss Johnson said that she agreed and that Mr. Baker had a good idea. Miss Johnson then said she was not familiar with pre-license training and wanted to know if Mr. Bakers idea could be built into supervisor training.</p>	

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	<p>Mr. Brown said he did not know because he has a limited perspective since he is a residential appraiser and does not work in agriculture or rural housing. Even so, appraisers mostly take qualified education courses for certified licensure and some classes on the coast approach and comparables. But a lot of training and knowledge comes from working with a supervisor.</p> <p>Miss Johnson said she can explore the topic further on her own. The second recommendation has more to do with the mortgage loan originator and training them. Miss Johnson then mentioned Cecelia Marlow presentation on reconsideration of value (ROV) and how the loan originator has to decide if the comps used were appropriate. Therefore, it would be good if they had some training as well. Miss Johnson asked if there were any thoughts on the recommendations. Hearing none, Miss Johnson said she would continue to work on the section and asked for an update on the next section, Reconsideration of Value, that Mr. Hofacker, Mr. Brown, VC Simpkins and Cassandra Halm are working on.</p> <p>VC Simpkins said that they have a preliminary draft.</p> <p>Miss Halm said that they have a draft that gives an overview of the ROV process and adding language to make it clear that ROV is helpful for refinancing. That ROV is less helpful in the home purchase process because rights of ROV is with the lender and borrower. Even so, the group does not have any real recommendations to make.</p> <p>Miss Johnson asked if the group has any thought on consumer education because she isn't sure if Illinois has helpful consumer education.</p> <p>VC Simpkins said they have not included that in their section yet</p> <p>Miss Johnson asked if there were any thoughts on the ROV section. Hearing none, Miss Johnson moved on to Evaluations of Barriers to Entry. Miss Johnson said that Mr. Hofacker and Mr. Brown were working on these sections and asked Mr. Brown if there was an update.</p> <p>Mr. Brown said that him and Mr. Hofacker have been working through the section and have a plan to meet again in order to progress forward but are off to a good start.</p> <p>Miss Johnson said that even though Mr. Hofacker isn't at the meeting, he did have recommendations that he will add to the section and will discuss them at the next meeting. Miss Johnson then moved on to the next section, Racial Disparities that Mr. Hofacker and Mr. Baker are working on.</p> <p>Mr. Baker said that he talked with Miss Johnson online and discussed going back and looking at research that displays disparities and data used to reach the conclusion that there is racial disparities in real estate valuation. That recommendations will be data driven and point out where there is missing data. They would be able to draw better</p>	

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	<p>better conclusion if there was access to more data sets.</p> <p>Miss Johnson reminded Mr. Baker that Dr. Luis Lopez agreed to continue to work with the task force for information and will circle back with him this week. Miss Johnson reminded the task force to think about what the General Assembly (GA) is looking for because the GA will want to see the data as well. The task force is answering what the section is looking for. That the Realtors did their study that focused on Illinois, while Dr. Lopez's study was done nationally. When the conclusions and findings for both studies are put together, it clearly shows that a problem exists and therefore the task force has to paint a picture of the problem to the GA. There needs to be more transparency for data to the public so that people can see what's going on. Miss Johnson asked the task force if they had any comments.</p> <p>Mr. Brown said that he isn't sure if Mr. Baker has an update on the IL Realtors</p> <p>the task force will be together for some time and therefore the initial report should be broad. But that additional information can be added later, especially information from Dr. Lopez's ongoing study with HUD and the task force can take a deep dive into different topics.</p> <p>Mr. Brown clarified that he was speaking about the Marshall Jean Report and if it's been a couple of years since the study has been done?</p> <p>Mr. Baker said it has been some years and most studies the task force will look at were done within 5 to 10 years.</p> <p>Mr. Brown said that he will reach out to Marshall and ask for an update to the study because Dr. Jean said he was planning on expanding his research. However, Mr. Brown has not followed up with Dr. Jean in years and there may be some new data.</p> <p>Miss Johnson said that was great and thanked Mr. Brown for doing the outreach. Miss Johnson then asked Mr. Quinones and Javier Gumucio if they had an update for their section.</p> <p>Mr. Quinones said that he plans on quoting statute and providing an overview of task force members in the introduction of the report. Also, he will be pushing forward with policy recommendations.</p> <p>Miss Johnson said that she did not mean to put Mr. Gumucio on the spot, but thought that he could provide input on collateral underwriting section. That Miss Johnson would like to connect Mr. Gumucio with VC Simpkins and Jamie Cumbie for the section. Miss Johnson then asked Mr. Gumucio what his initial thoughts were.</p> <p>Mr. Gumucio apologized for being late and said he would be happy to connect with VC Simpkins and Miss Cumbie to provide the lending perspective. From Mr. Gumucio perspective, he doesn't</p>	

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	<p>often see blatant appraiser bias but that doesn't mean it doesn't exist. Mr. Gumucio would like to see how to eliminate bias from the general process and look at how the task force can separate the borrower race and ethnicity from the process of getting a mortgage and why that information has been provided to any GSE.</p> <p>Miss Johnson said she will for sure connect Mr. Gumucio with Miss Cumbie and VC Simpkins on their respective sections. Miss Johnson then asked the task force if anyone had anything to share or think is missing from the report. With no response, Miss Johnson acknowledged that it is still early for when the report is due but wants to build up the report and so far things are going in a good direction. Miss Johnson then passed it over to Miss Nicolau</p> <p>Miss Nicolau reminded everyone to go back through their sections and quote and/or use citation marks for where they are getting their information.</p> <p>Miss Johnson told the task force that many people will be looking for the initial report and the task force does not want to plagiarize anything. Beryl is the law clerk that will be looking over the report and checking for citations.</p>	
Open Discussion	Miss Johnson asked if there were any comments for open discussion. Hearing none, Miss Johnson moved on to public comments	
Public Comments	Miss Johnson asked if anyone from the public would like to make a comment and thanked Mr. Blaydes for his comments earlier. Miss Johnson told everyone in the meeting if they did not feel comfortable making a comment, to send an email to Tia Davis and let the task force know what they could be doing.	
New Business	Miss Johnson asked if there was any new business anyone would like to discuss. Hearing none, Miss Johnson updated those who joined the meeting late by informing them that the task force agreed to send a letter to the Appraiser Qualification Board (AQB) on degree requirement. Miss Johnson that she will email the task force a consent form in order to use the task force members digital signature and therefore members need to look out for that email.	
Adjournment	The next meeting is scheduled for August 28th, 2024.	There being no further business to discuss, motion to adjourn was made by Adrienne Suits Bailey and seconded by Ashia Walker at 11:56am. Motion carried unanimously.