

Op-Ed: Combatting Discrimination in the Real Estate Industry

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Real estate represents an incredible opportunity to build and pass down generational wealth but remains disproportionately out of reach for many people. Hurdles to property ownership go far beyond the individual and into the systemic, with archaic rules and discriminatory practices still prevalent today.

I take a specialized interest in advocating for industry-wide awareness and education on these critical issues, especially in California. Real estate professionals play a vital role in tackling the roadblocks that prevent all people from accessing and leveraging real estate possibilities.

The Federal Fair Housing Act was enacted in 1968—100 years after the 14th Amendment granted citizenship to all persons born or naturalized in the United States—and guaranteed “equal protection of the laws.” It was enacted to eradicate housing discrimination and housing segregation. However, housing discrimination is deeply embedded, despite legislation.

The National Fair Housing Alliance, headquartered in Washington, D.C., was founded in 1988. It is the only national organization dedicated to ending housing discrimination.

According to a 26-page 2021 report by the National Fair Housing Alliance, there were 31,216 fair housing complaints received by private nonprofit appropriate housing organizations, HUD, FHAP agencies and the DOJ, which are a fraction of the estimated millions of incidents of housing discrimination that occur that go undetected or unreported because it is difficult to identify or document.

Complaints alleging discrimination because of disability continue to account for the most significant number of complaints, at almost 54%. Race-based complaints constituted 16.79% and familial status discrimination accounted for 7.93%.

Even though it's been 150 years since the 14th Amendment and over 50 years since the Fair Housing Act, these issues still

plague the industry. Educating yourself is vital to enacting change, but action is essential to moving the needle on these issues.

A groundbreaking case was filed against Redfin alleging that the company's minimum home price policy discriminates against sellers and buyers of homes in communities of color—redlining. Redlining is the racist depression-era housing policy that government maps outlined where Black residents lived.

Discriminatory Appraisal Practices Stand in the Way of Equitable Housing

It's not only home value that hinges on an appraisal; it's ultimately the homeowner's financial standing. There have been many documented cases of wide swings in appraisal numbers based on the homeowner's race, a trend that threatens home equity and, more importantly, home equality.

In a recent Maryland case, Dr. Connolly and Dr. Mott, who are a Black couple, were trying to refinance their home. Their lender hired an appraiser who appraised their home at \$472,000, well below similar homes. They then redid their home as if a white person lived there, effectively whitewashing the house (switching any of their family photos on the wall with pictures of a white family) and it appraised at \$750,000, a staggering 59% more.

According to the U.S. Bureau of Labor Statistics, 97% of property appraisers are white, which gives it the dubious distinction of being the most non-diverse occupation in the country.

When I first heard that statistic, it surprised me. The lack of diversity in this field contributes to inequities across the board. Not only does it impact individual transactions, but it also has broader implications for the appraisal industry.

Suppose your appraiser's background doesn't reflect your community's experience. In that case, there will be an inherent bias in the industry, where so much of this discrimination stems.

California has taken some small steps. The California Fair

Appraisal Act, which became effective January 1, 2022, requires the licensee to complete one hour of cultural competency.

The notice states that any property appraisal must be unbiased, objective and not influenced by improper considerations. If a buyer or seller believes that any of the above factors has influenced the appraisal, the seller or buyer can report this information to the lender or mortgage broker that retained the appraiser and may also file a complaint with the Bureau of Real Estate Appraisers.

The History Behind Restrictive Covenants

Small print can have a considerable impact. Seeing discriminatory language for the first time in writing on real estate documents is shocking.

The term for this type of language is restrictive covenants, which were put in place to “prevent properties from being bought or sold by a non-Caucasian person.” While restrictive covenants are no longer legal, the language still exists in many recorded documents in Los Angeles, throughout all counties in California and across the country.

In September 2021, Governor Gavin Newsom signed AB-1466 into law, requiring every California County Recorder to review and remove restrictive covenants, then create a redacted version of those documents and re-record them. Homeowners also can redact and re-record their documents containing restrictive covenants.

Meaningful Steps Toward Actionable Change

While tackling system-wide injustices can feel overwhelming, it's important to remember that every action can create positive momentum.

Awareness was the first step. I knew discrimination existed, but I didn't realize its prevalence. That's the jumping-off point—becoming more aware of the issues that affect the industry today.

The California Association of Realtors, the state's largest real estate trade group, formally

apologized on October 21, 2022, on behalf of the California Real Estate Association (its predecessor) for housing segregation. They also had a long history of excluding women and people of color from membership.

Previously in 2020, the National Association of Realtors apologized for its long history of past discrimination.

Education is vital to understanding the nuances of these complex issues. The National Fair Housing Alliance is an excellent resource for trends, statistics and in-depth, actionable information. State housing and real estate associations are raising awareness about housing issues in their communities, so deeper involvement with those organizations is a powerful way to amplify your voice.

My agents and I need to surround ourselves with diverse people and voices. I built my company, Amalfi Estates, on the Side platform, which means I'm part of a nationwide network of 700 boutique real estate companies.

I am proud to say 50% of those real estate companies are owned by women and 32% are owned by minorities—which are very high statistics for our industry. It was vital for me to be part of a diverse network, and I'm aiming to ensure the makeup of my company reflects that diversity as well.

Homeownership is the most significant predictor of wealth and, more importantly, generational wealth. As real estate professionals, we have the power to put homeownership within reach for more people and create a ripple effect for generations to come.

Anthony Marguleas, the founder of Amalfi Estates, has sold \$2 billion in properties and was selected by Wall Street Journal as one of the top 10 teams in the country out of two million agents and teams. They have also given \$2 million to charity, helping 50,000 families through their 10% of each commission to charity initiative. If you are thinking of buying or selling, contact Anthony Marguleas at 310-293-9280 or anthony@amalfiestates.com.