

UNITED STATES OF AMERICA
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF HEARINGS AND APPEALS

The Secretary, United States Department of Housing and Urban Development, on behalf of NAME REDACTED ,)	
)	
Charging Party)	HUDOHA No.
)	
v.)	FHEO No. 08-21-3530-8
)	
Maksym Mykhailyna, Maverick Appraisal Group, Solidifi U.S. Inc., and Rocket Mortgage f/k/a Quicken Loans, LLC)	
)	
Respondents)	

CHARGE OF DISCRIMINATION

I. JURISDICTION

Complainant **NAME REDACTED**, who is Black, alleges that Respondents Maksym Mykhailyna; Maverick Appraisal Group; Solidifi U.S., Inc. (“Solidifi”); and Rocket Mortgage, LLC f/k/a Quicken Loans, LLC (“Rocket Mortgage”) discriminated against her on the basis of race and color in violation of the Fair Housing Act (“the Act”), 42 U.S.C. §§ 3601-3619. Specifically, **NAME REDACTED** alleges that Mr. Mykhailyna undervalued her property when he appraised it because she is Black and that Maverick Appraisal Group, Solidifi, and Rocket Mortgage bear responsibility for the discriminatory appraisal for bringing it about and giving it effect, in violation of subsection 804(b) and section 805 of the Act. She also alleges that Rocket Mortgage violated section 818 of the Act by terminating her refinance loan application after insisting she could only proceed with it based on the appraised value that she alleged was discriminatory.

On April 27, 2021, **NAME REDACTED** filed a timely complaint with the Colorado Civil Rights Division alleging that Respondents discriminated against her on the basis of race and color in an appraisal of her property and that Rocket Mortgage retaliated against her for raising concerns that this had occurred. On June 8, 2021, the U.S. Department of Housing and Urban Development (“Department”) reactivated the complaint with the consent of the Colorado Civil Rights Division.¹ On June 16, 2021, the complaint was amended to list Subsections 804(b) and

¹ The Department may reactivate a complaint that is referred to a substantially equivalent agency for processing by the Department, if the agency consents to the reactivation. 24 C.F.R. § 103.110(a). HUD made the administrative determination to investigate this case and requested Colorado Civil Rights Division’s consent to reactivate.

Sections 805 and 818 of the Fair Housing Act as the provisions alleged to have been violated. On October 12, 2021, the complaint was amended for a second time to add Solidifi U.S., Inc. as a Respondent.

The Act authorizes the Secretary of HUD to issue a Charge of Discrimination on behalf of aggrieved persons following an investigation and determination that reasonable cause exists to believe that a discriminatory housing practice has occurred. 42 U.S.C. §3610(g)(1)-(2). The Secretary has delegated that authority to the General Counsel (24 C.F.R. §103.400 and 103.405), who has delegated that authority to the Associate General Counsel for Fair Housing and the Assistant General Counsel for Fair Housing Enforcement. 76 Fed. Reg. 42463, 42465 (July 18, 2011).

By a Determination of Reasonable Cause and No Reasonable Cause issued contemporaneously with this Charge of Discrimination, the Director of the Office of Systemic Investigations, has determined that reasonable cause exists to believe that a discriminatory housing practice has occurred and has authorized and directed the issuance of this Charge. 42 U.S.C. § 3610(g)(2).

II. SUMMARY OF FINDINGS IN SUPPORT OF THIS CHARGE

Based on HUD's investigation of the allegations contained in the aforementioned complaint and Determination of Reasonable Cause and No Reasonable Cause, Respondents are hereby charged with violating the Act as follows:

A. Legal Authority

1. It is unlawful to discriminate against any person in the terms, conditions, or privileges of sale or rental of a dwelling, or in the provision of services or facilities in connection therewith, because of race or color. 42 U.S.C. § 3604(b); 24 C.F.R. §§ 100.50(b)(2); 100.65(a).
2. It is unlawful for any person or entity whose business includes engaging in residential real estate-related transactions to discriminate against any person in making available such a transaction, or in the terms or conditions of such a transaction, because of race or color. 42 U.S.C. § 3605; 24 C.F.R. §§ 100.110(b); 100.120(a), (b)(2); 100.130(a); 100.135(a), (b), (d)(1).
3. A "residential real estate-related transaction" includes the appraising of residential real property and the making or purchasing of loans or providing other financial assistance for purchasing, constructing, improving, repairing, or maintaining a dwelling or secured by residential real estate. 42 U.S.C. § 3605(b); 24 C.F.R. § 100.115.
4. It is unlawful to coerce, intimidate, threaten, or interfere with any person in the exercise or enjoyment of, or on account of his having exercised or enjoyed, any right granted or protected by sections 804 or 805 of the Act. This includes retaliating against a person who has reported a discriminatory housing practice. 42 U.S.C. § 3617; 24 C.F.R. §§ 100.400(a), (b), (c)(6).

B. Parties and Subject Property

5. Complainant **NAME REDACTED**, who is Black, is an aggrieved person, as defined by the Act. 42 U.S.C. § 3602(i); 24 C.F.R. § 100.20. Complainant owns a duplex property located at **ADDRESS REDACTED**, Denver, Colorado (“Subject Property”). Complainant lives in one of the duplex’s units and rents out the other unit. The Subject Property is a dwelling within the meaning of the Act. 42 U.S.C. § 3602(b); 24 C.F.R. § 100.20.
6. Respondent Rocket Mortgage, LLC f/k/a Quicken Loans, LLC, is a mortgage lender. In January 2021, Complainant applied to refinance the Subject Property’s mortgage with Rocket Mortgage.
7. Respondent Solidifi U.S., Inc., is an appraisal management company. In January 2021, Rocket Mortgage contracted with Solidifi for an appraisal of the Subject Property.
8. At all times relevant to this Charge, Solidifi was Rocket Mortgage’s agent for the January 2021 appraisal of the Subject Property.
9. Respondent Maksym Mykhailyna is an appraiser and the CEO of Respondent Maverick Appraisal Group (“Maverick”). In January 2021, Solidifi entered into an agreement with Mr. Mykhailyna and Maverick Appraisal Group for an appraisal of the Subject Property.
10. At all times relevant to this Charge, Mr. Mykhailyna was an agent for Solidifi and Rocket Mortgage for the January 2021 appraisal of the Subject Property.

C. Factual Allegations

a. *Sequence of Events*

11. In January 2021, **NAME REDACTED** contacted Rocket Mortgage to refinance the mortgage for the Subject Property, which is a duplex in which each unit has two levels, three bedrooms, and two bathrooms. The Subject Property is located in a predominantly White area.
12. On January 14, 2021, Rocket Mortgage ordered an appraisal of the Subject Property from Solidifi. Solidifi, in turn, selected Mr. Mykhailyna of Maverick Appraisal Group to conduct the appraisal and provided him with Rocket Mortgage and Solidifi’s extensive guidelines and instructions for the appraisal.
13. On January 20, 2021, Mr. Mykhailyna met **NAME REDACTED** and her adult daughter, who is also Black, and conducted the appraisal inspection for the Subject Property, which had photographs of Black people displayed inside and two Black Lives Matter signs displayed in the yard.
14. On January 21, 2021, Mr. Mykhailyna submitted his appraisal report to Solidifi with an appraised value of \$640,000 – a significantly lower amount than the value for which the Subject Property had been appraised eight months prior. Solidifi reviewed the appraisal for completeness, quality, valuation risk, and compliance with appraisal guidelines. That

same day, after its review and approval, Solidifi transmitted the Subject Appraisal to Rocket Mortgage and [NAME REDACTED] was notified that she could view it.

15. After reviewing the Subject Appraisal, [NAME REDACTED] spoke to several employees of Rocket Mortgage about the Subject Appraisal's factual inaccuracies, problematic comparable properties, and low appraised value, noting that she believed it was discriminatory. [NAME REDACTED] emphasized that housing prices in her area had been increasing over the past year, so it was not credible that her property's value could have dropped by about 25% in the eight months since she last had it appraised, particularly given updates she had recently made.
16. Rocket Mortgage responded by presenting [NAME REDACTED] with a choice – she could proceed with her loan application using the appraised value she complained was discriminatory or she could have her loan application cancelled or denied and her discrimination complaint referred to Rocket Mortgage's Client Relations Department.
17. On January 26, 2021, Rocket Mortgage requested a minor revision to the appraisal from Solidifi that was unrelated to [NAME REDACTED] concerns and did not affect the appraised value, and Solidifi forwarded the request to Mr. Mykhailyna, who made the requested change. Mr. Mykhailyna returned the updated report to Solidifi who reviewed the report again and sent it back to Rocket Mortgage.
18. [NAME REDACTED] made clear to Rocket Mortgage that she did not want her loan application terminated while she attempted to pursue her discrimination complaint. Nevertheless, Rocket Mortgage employees noted in their internal system after speaking with her that her loan application was “cancelled” and “denied,” and [NAME REDACTED] was sent a letter stating that Rocket Mortgage was “unable to offer” her “financing at this time.”

b. The Low Appraised Value of the Subject Property

19. The Subject Property's appraised value was insupportably low. Mr. Mykhailyna appraised the Subject Property at a significantly lower value than other appraisals of it requested by Rocket Mortgage a few years beforehand (\$640,000 in 2021, compared to \$860,000 in 2020 and \$750,000 in 2018). Property values in the area were generally increasing around the time of the Subject Appraisal, which was the only appraisal of the Subject Property out of seven conducted over nine years that indicated a drop in the property's value.
20. The Subject Appraisal's relatively low valuation was driven primarily by Mr. Mykhailyna's choice of comparables and the adjustments he made to their values. Mr. Mykhailyna only used comparables to the east of the Subject Property, even though he had found closer duplexes with relevant similarities to the west that had higher sales prices. Mr. Mykhailyna also made inexplicably large adjustments for site size and used an incorrect measure of interior square footage that also drove down his valuation. Several of his adjustments were so large they exceeded standards set by Solidifi and Rocket Mortgage but were not caught on review.

c. Inaccuracies in the Subject Appraisal

21. The Subject Appraisal also contained numerous inaccuracies and inappropriate comparisons. For example, Mr. Mykhailyna's adjustments for unit breakdown did not consistently account for rooms below grade. A lack of detail in describing the basement led to positive adjustments being missed. One of the comparables was incorrectly rated as being in better condition than it in fact was, causing a smaller positive adjustment than warranted, and recent renovations to the Subject Property were ignored.
22. Neither Solidifi nor Rocket Mortgage caught any of these inaccuracies upon review. Rocket Mortgage dismissed **NAME REDACTED** concern that the extent of the inaccuracies coupled with the low appraised value could indicate discrimination.

d. Associating the Subject Property with Areas That Have Higher Concentrations of Black Residents

23. On several occasions and for a variety of purposes, Mr. Mykhailyna needed to identify the geographic area most relevant to the Subject Property. In each instance, Mr. Mykhailyna did so by focusing on areas with relatively high concentrations of Black residents, ignoring closer, more predominantly White areas. For example, he defined market area by ZIP Code and considered the Subject Property's marketability tied to that of two ZIP Codes with higher concentrations of Black residents but not to two closer ZIP Codes with lower concentrations of Black residents.
24. In selecting comparables, Mr. Mykhailyna chose properties only to the east of the Subject Property, in areas with higher concentrations of Black residents, ignoring several closer duplexes to the west in a more predominantly White area. In contrast, Mr. Mykhailyna used comparables from that area when appraising a property with a White owner in the same neighborhood as the Subject Property. Five other appraisals of the Subject Property relied heavily on comparables to the west of the Subject Property in more predominately White areas. Mr. Mykhailyna's purported justifications for not using any comparables from these areas are belied by his practices when appraising nearby properties with White owners, as well as by the characteristics of the comparables he did use.
25. Mr. Mykhailyna was more willing to view the Subject Property's neighborhood favorably when appraising nearby properties with White owners. For example, he made area adjustments reflecting a more favorable view of the neighborhood, and he described the area's access to amenities more favorably. He also incorrectly associated the Subject Property, but not a White homeowner's nearby property, with a local school that had a higher concentration of Black students.

e. Harm to Complainant

26. As a result of Respondents' discriminatory conduct, **NAME REDACTED** was unable to obtain a lower interest rate, shorter-term refinance loan with lower monthly payments that

would have saved her thousands of dollars over the life of the loan. She also suffered other actual damages, including emotional distress.

D. Legal Allegations

27. Respondents Rocket Mortgage, Solidifi, Maverick, and Mykhailyna violated subsection 804(b) of the Act by discriminating against Complainant in the provision of services or facilities in connection with the sale of a dwelling because of race and color. 42 U.S.C. § 3604(b); 24 C.F.R. §§ 100.50(b)(2); 100.65(a).
28. Respondents Rocket Mortgage, Solidifi, Maverick, and Mykhailyna violated Section 805 of the Act by discriminating against Complainant in making available or in the terms or conditions of a residential real estate-related transaction because of race and color. 42 U.S.C. § 3605; 24 C.F.R. §§ 110.110(b); 100.135(a), (d)(1).
29. Respondent Rocket Mortgage violated section 805 of the Act by discriminating in making available a residential real estate-related transaction because of race and color. 42 U.S.C. § 3605; 24 C.F.R. §§ 100.110(b); 100.120(a), (b)(2); 100.130(a); 100.135(a), (d)(1).
30. Respondent Rocket Mortgage violated section 818 of the Act by coercing, intimidating, threatening, or interfering with Complainant by retaliating against her because she reported a discriminatory housing practice. 42 U.S.C. § 3617; 24 C.F.R. §§ 100.400(a), (b), (c)(6).

III. CONCLUSION

WHEREFORE, the Secretary of the U.S. Department of Housing and Urban Development, pursuant to 42 U.S.C. § 3610(g)(2)(A) of the Act, hereby charges Respondents with engaging in discriminatory housing practices in violation of 42 U.S.C. §§ 3604(b), 3605, and 3617 and requests that an order be issued that:

1. Declares that Respondents' discriminatory housing practices, as set forth above, violate the Act, 42 U.S.C. §§ 3604(b), 3605, and 3617;
2. Enjoins Respondents, their agents, employees, and successors, and all persons in active concert or participation with them from discriminating against any person because of race and color in any aspect of the sale or rental of a dwelling;
3. Mandates Respondents, their agents, employees, successors, and all other persons in active concert or participation with them, take all affirmative steps necessary to remedy the effects of the illegal, discriminatory conduct described herein and to prevent similar occurrences in the future;
4. Awards such damages as will fully compensate Complainant for any and all damages caused by Respondents' discriminatory conduct;

5. Assesses a civil penalty against each Respondent for each separate and distinct discriminatory housing practice that Respondents are found to have committed, pursuant to 42 U.S.C. § 3612(g)(3) and 24 C.F.R. § 180.671.
6. Awards any additional relief as may be appropriate, pursuant to 42 U.S.C. § 3612(g)(3).

Respectfully submitted on this 15th day of July 2024.

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