

## **The Persistence of Discrimination in U.S. Housing Markets**

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When Congress passed the Fair Housing Act in 1968, America's neighborhoods were starkly segregated by race and black families were routinely – and explicitly – denied homes and apartments in white neighborhoods. In the four decades since, we have made significant progress in combating housing discrimination, and the racial landscape of our cities and suburbs has changed dramatically. But blacks, Latinos, Asians, and Native Americans still face discrimination when they search for homes and apartments.

### **Detecting Discrimination in the Private Housing Market**

Since the 1960s, advocates for fair and open housing have used a technique called paired testing to reveal discrimination by real estate and rental agents. In a paired test, two individuals – one white and the other minority – pose as equally qualified homeseekers. Both testers are carefully trained to make the same inquiries, express the same preferences, and offer the same qualifications and needs. From the perspective of the landlord or real estate agent they visit, the only difference between the two is their race or ethnicity, and they should therefore receive the same information and assistance. Systematic differences in treatment – telling the minority customer that an apartment is no longer available when the white is told he could move in next month, for example – provide powerful evidence of discrimination.

When a large number of consistent and comparable tests are conducted for a representative sample of real estate or rental agents, the results control for differences between white and minority customers, and directly measure the prevalence of discrimination across the housing market as a whole.<sup>1</sup> The Department of Housing and Urban Development (HUD) recognized the potential of the paired testing methodology as a research tool and has used it to monitor the incidence of housing discrimination nationwide at roughly ten year intervals. The 1977 Housing Market Practices Study provided the first solid estimates of the prevalence of discrimination against African American homeseekers.<sup>2</sup> The 1989 Housing Discrimination Study extended those initial national estimates to cover Hispanics and concluded that overall levels of adverse treatment against African Americans had remained essentially unchanged since 1977.<sup>3</sup> And most recently, the 2000 Housing Discrimination Study (HDS2000) reported the change since 1989 in discrimination against African Americans and Hispanics, and produced the first national estimates of discrimination against Asians and the first rigorous estimates of discrimination against Native Americans searching for housing outside of Native Lands.<sup>4</sup>

### **Evidence of Progress (Through 2000)**

Between 1989 and 2000, the incidence of discrimination against African Americans declined significantly in both rental and sales markets nationwide. The incidence of discrimination against Hispanic homebuyers also declined, but no significant change occurred for Hispanic

renters.<sup>5</sup> More specifically, the incidence of discrimination against African American renters declined from 26 percent in 1989 to 22 percent in 2000, while discrimination against Hispanic renters stayed essentially unchanged at 26 percent. In metropolitan sales markets, both African Americans and Hispanics experienced quite dramatic declines in discrimination between 1989 and 2000. Specifically, the incidence of discrimination dropped from 29 percent in 1989 to 17 percent in 2000 for African American homebuyers and from 27 percent to 20 percent for Hispanic homebuyers.

However, these overall reductions in sales market discrimination reflect more complex changes in patterns of discrimination on individual treatment measures. In 2000, sales agents were more likely than in 1989 to tell black and white homebuyers about the same number of available homes. But black homebuyers were more likely to be steered to racially mixed neighborhoods (while whites were steered to predominantly white neighborhoods) compared to 1989. In other words, blacks may have learned about about just as many homes as comparable whites, but not necessarily in the same neighborhoods. In 2000, sales agents were also more likely than in 1989 to tell Hispanic homebuyers about the same number of available homes as non-Hispanic whites. However, over the course of 1990s, agents appear to have expanded their assistance to white customers with the mortgage financing process, leaving Hispanics at a significant disadvantage with respect to information and guidance.

### **Persistence of Discrimination**

Despite the significant progress since 1989, levels of discrimination against African American and Hispanic homeseekers remained unacceptably high as of 2000. Moreover, HDS2000 shows (for the first time) that Asians also face significant levels of adverse treatment nationwide, and that Native American renters may face even higher rates of discrimination than other groups (based on evidence from three states).<sup>6</sup> In the rental market, estimates of discrimination ranged from 29 percent for Native Americans to 20 percent for blacks. In the sales market, levels of discrimination were somewhat lower, but still significant -- ranging from 17 percent for African Americans to 20 percent for Asians (no tests were conducted for Native American homebuyers).

Although these results provide an essential window on patterns of housing market discrimination nationwide, they do not capture all the discrimination that may occur in the process of housing search. HDS2000, like most paired testing studies, focused on the initial, in-person encounter between a homeseeker and a rental or sales agent. But minorities may experience discrimination before this encounter can even occur if they are unable to make an appointment to meet with the real estate or rental agent. A growing body of exploratory research suggests that most people's race or ethnicity can be identified over the telephone with a fairly high degree of accuracy.<sup>7</sup> If this is the case, some real estate and rental agents may use telephone screening to avoid minority customers altogether. Additional incidents of adverse treatment may also occur later in the housing transaction, when a renter submits an application or negotiates lease terms, or when a homebuyer makes an offer on a particular unit or applies

for mortgage financing. Thus, the HDS2000 estimates should be seen as lower-bound estimates of the discrimination minorities faced in metropolitan rental and sales markets as of 2000. And no national data are yet available about patterns of discrimination in the years since 2000.

### **Mortgage Lending Discrimination**

In addition to the national estimates of discrimination by real estate and rental agents, a pilot paired testing study in two metropolitan areas -- Los Angeles and Chicago -- revealed serious problems of discrimination against blacks and Hispanics by mortgage lending institutions. Testers posing as first-time homebuyers visited mortgage lending institutions in person to inquire about how much they could qualify to borrow and what types of products might be available to them.<sup>8</sup>

In both metropolitan areas, African American and Hispanic homeseekers faced a significant risk of being denied information that comparable white customers receive. Minority homeseekers were denied basic information about how much they could afford to borrow, told about fewer loan products, offered less “coaching” about how to qualify for mortgage financing, and given less aggressive follow-up from loan officers. The incidence of unfavorable treatment varied considerably across indicators, ranging from 10 to 15 percent of tests in which minorities were denied basic information that their white partners received to as high as 50 percent of tests in which whites received more coaching or follow-up.

### **Discrimination Against People with Disabilities**

A pilot study using paired testing to rigorously measure discrimination against disabled people seeking rental housing also revealed unacceptably high levels discrimination.<sup>9</sup> The Disability Discrimination Study (DDS) found high levels of disparate treatment in the Chicago metro area against deaf people inquiring about rental housing over the telephone and against physically disabled people inquiring about rental housing in-person. Specifically, in almost half of all inquiries (using TTY/TTD devices), deaf people received less information about advertised rentals than their non-disabled partners. And in one out of every four calls, deaf testers were refused information altogether. Physically disabled people received unfavorable treatment in up to one-third of their visits to rental agents, were often not told about all units that were available, and were refused the opportunity to inspect units.

### **Acting on Our Fair Housing Rights**

The Federal Fair Housing Act prohibits all of the discriminatory practices that paired testing has revealed in metropolitan housing markets today. But enforcement of federal fair housing protections depends primarily on complaints from victims of discrimination. In other words, minority homeseekers have to know their fair housing rights, recognize when those rights may have been violated, and take action. Unfortunately, the evidence suggests that very few people actually do take action when they experience discrimination.

Recent surveys of fair housing attitudes, conducted for a national sample of adults in the U.S., found quite widespread knowledge of most federal fair housing protections, particularly those relating to race and ethnicity. And a majority of Americans also express support for federal fair housing protections.<sup>10</sup> But despite their basic knowledge of and agreement with federal fair housing protections, few people who experience discrimination do anything about it.

One reason is that people may not know that they have been victims of discrimination. The paired testing research shows that housing discrimination today is rarely overt; minority homeseekers are almost always treated courteously and are often told about some available houses or apartments. White testers sometimes report that they were discouraged from considering particular neighborhoods because they were racially mixed, or that agents expressed a preference for renting or selling to a white customer. But minority testers almost never hear such commentary. When discrimination takes the form of politely steering minority customers away from white neighborhoods, showing some but not all of the available apartments, or providing less assistance in resolving credit problems, victims are unlikely to know that comparable white customers receive better treatment.

Although many instances of housing discrimination almost certainly go undetected, one of every five African American adults and 6 percent of Hispanic adults report having experienced discrimination based on their race or ethnicity at some time in their life.<sup>11</sup> But only about 20 percent took any action. And among the few who did something, the most common response to perceived discrimination was to complain to the person discriminating. Only 1 percent of the people who believe that they experienced discrimination went to a fair housing group to seek help or file a complaint, 1 percent filed a complaint with a government agency, and 2 percent talked to a lawyer. Two thirds of the people who took no action in response to perceived discrimination thought that it would not have been worth the effort or that it would not have helped. A much smaller share (11 percent) said that they did not know how to complain.

### **Americans Want to Live in More Diverse Neighborhoods**

Research strongly suggests that Americans want more residential integration than we are getting.<sup>12</sup> Why then does residential segregation remain at such stubbornly high levels? Certainly, the persistence of illegal discrimination – and especially the growing practice of racial steering – plays a role. But the story is more complicated. Today, neighborhoods that are predominantly white or predominantly minority tend to stay that way because multiple factors – including discrimination -- combine to sustain segregation and undermine the stability of the mixed neighborhoods many Americans would prefer.

One of these factors is the disparity between whites and minorities in incomes and wealth. But economic differences do not account for most of the residential segregation that remains today; if households were distributed across neighborhoods entirely on the basis of income rather than race or ethnicity, levels of segregation would be dramatically lower.<sup>13</sup>

Considerable evidence suggests that the fears of white people perpetuate neighborhood segregation, despite the fact that a majority of whites say they want to live in more mixed neighborhoods than they do. Specifically, many white people fear that an influx of minorities into their neighborhood will inevitably lead to a downward spiral of declining property values, rising crime, and white flight. These fears cause them to flee – precipitating exactly the downward spiral they feared and reinforcing a self-fulfilling prophecy about racial tipping. Similarly, whites avoid moving into neighborhoods that they perceive are becoming increasingly mixed, because they fear an influx of more minorities, declining property values, and rising crime. This avoidance by whites of neighborhoods that probably look especially attractive to minority homeseekers leads to resegregation and reinforces expectations about racial tipping.<sup>14</sup>

### **Next Steps Toward Open and Inclusive Neighborhoods**

Given the complexity – and subtlety – of the processes sustaining residential segregation in urban America today, how should policymakers respond? The evidence argues for a three-pronged strategy: 1) enforcement – to combat persistent discrimination; 2) education – about the availability and desirability of diverse neighborhoods; and 3) incentives – to encourage and nurture residential diversity. Each of these three components is essential to achieving the full potential of the other two.

The vigor of federal fair housing enforcement has waxed and waned over the last four decades, but consistently relies far too heavily on complaints from victims of discrimination as the trigger for investigation and action. The federal government should provide more funding to support pro-active paired testing of real estate agents, rental housing providers, lending institutions, mortgage brokers, and insurance companies in city and suburban communities across the country. This kind of testing does not have to meet the scientific standards of research studies, but it should be thoughtfully designed and targeted, and responsibly implemented. Pro-active testing can reveal discriminatory practices that would otherwise go unpunished, and when housing providers know that testing is ongoing, they are more likely to comply with the law.

But enforcement alone is not enough. In most metropolitan areas today, a growing number of neighborhoods – at a range of income levels – are racially and ethnically diverse. But many homeseekers – both minority and white – are likely to be more familiar with neighborhoods where their race predominates, and may be doubtful about the viability or openness of more diverse communities. A public education campaign, possibly in conjunction with an easily accessible information clearinghouse, highlighting the existence and assets of racially diverse neighborhoods could help overcome fears and stereotypes among both minority and white homeseekers. This kind of public information effort could be conducted by a local fair housing organization or by a metropolitan housing counseling center, using local Community Development Block Grant (CDBG) or supplemental Fair Housing Initiatives Program (FHIP) funding.

The third essential prong in a meaningful fair housing strategy would offer explicit incentives that encourage both minority and white homeseekers to make pro-integrative moves and nurture the viability and stability of diverse neighborhoods. Examples of such incentives include enhanced downpayment assistance or low-interest mortgage loans for homebuyers who move to neighborhoods where their race or ethnicity does not predominate, equity insurance programs that guarantee homeowners in diversifying neighborhoods a reasonable sales price in the future if they remain in their homes today, preservation of affordable housing options in gentrifying neighborhoods, and targeted enhancements to school quality, police protection, streetscapes, or parks and recreational facilities in neighborhoods that are racially or ethnically mixed. These types of incentives and investments are needed to short-circuit the fears and self-fulfilling prophecies that undermine the stability of diverse neighborhoods today.<sup>15</sup>

### **Conclusion**

The last four decades have witnessed substantial victories in the battle against housing discrimination and residential segregation. But discrimination still limits choice for people of color. And too many of us live in neighborhoods that are less diverse and inclusive than we would prefer. Because the dynamics that sustain segregation today are complex and subtle, our strategies for overcoming them must become more nuanced and comprehensive, including continuous monitoring and stepped-up enforcement to detect and penalize discrimination, expanded information and education about the availability and vitality of inclusive neighborhoods, and explicit incentives to counteract prevailing fears and stereotypes about the instability of racially and ethnically mixed communities. The federal government should take the lead in making this three-pronged strategy a reality, providing money and leadership to support initiatives by local governments and nonprofit organizations, so that we can achieve the vision of free and fair housing choice.

### **Notes**

<sup>1</sup> In 2002, a methodological workshop convened by the National Research Council confirmed the potential of rigorous paired testing research, reviewed issues of statistical significance and generalizability, and identified ways in which paired testing studies could be strengthened. See National Research Council, *Measuring Housing Discrimination in a National Study: Reprint of a Workshop* (Washington, DC: National Academies Press, 2002).

<sup>2</sup> Wienk, Ron, Cliff Reid, John Simonson, and Fred Eggers. 1979. *Measuring Racial Discrimination in Housing Markets: The Housing Market Practices Study*. Washington, D.C.: U.S. Department of Housing and Urban Development.

<sup>3</sup> Turner, Margery, Raymond Struyk, and John Yinger. 1991. *Housing Discrimination Study: Synthesis*. Washington, D.C.: U.S. Department of Housing and Urban Development.

<sup>4</sup> Turner, Margery, Stephen Ross, George Galster, and John Yinger. 2002. *Discrimination in Metropolitan Housing Markets: National Results from Phase I of HDS2000*. Washington, D.C.: U.S. Department of Housing and Urban Development. Turner, Margery and Stephen Ross. 2003. *Discrimination in Metropolitan Housing Markets: Phase 2 – Asians and Pacific Islanders*. Washington, D.C.: U.S. Department of Housing and Urban Development. Turner, Margery and Stephen Ross. 2003.

<sup>5</sup> The discrimination estimates reported here are based on the share of tests in which the white tester was *consistently* favored over his or her minority partner. For a detailed discussion of how measures of discrimination are constructed and how their statistical significance is determined, see Turner, Margery, Stephen Ross, George Galster, and John Yinger. 2002. *Discrimination in Metropolitan Housing Markets: National Results from Phase I of HDS2000*. Washington, D.C.: U.S. Department of Housing and Urban Development.

<sup>6</sup> Turner, Margery and Stephen Ross. 2003. *Discrimination in Metropolitan Housing Markets: Phase 2 – Asians and Pacific Islanders*. Washington, D.C.: U.S. Department of Housing and Urban Development. Turner, Margery and Stephen Ross. 2003. *Discrimination in Metropolitan Housing Markets: Phase 3 – Native Americans*. Washington, D.C.: U.S. Department of Housing and Urban Development.

<sup>7</sup> Massey, Douglas S. and Garvey Lundy. 1998. *Use of Black English and Racial Discrimination in Urban Housing Markets*. Philadelphia, PA: University of Pennsylvania, Population Studies Center.

<sup>8</sup> Turner, Margery Austin, Fred Freiberg, Erin Godfrey, Diane Levy, and Robin Smith. *Other Things Being Equal: Testing for Discrimination in Mortgage Lending* (Washington, DC: U.S. Department of Housing and Urban Development, 2002).

<sup>9</sup> MA Turner, et al, *Discrimination Against Persons with Disabilities: Barriers at Every Step*. (Washington, DC: U.S. Department of Housing and Urban Development, 2005).

<sup>10</sup> Abravanel, Martin D. *Do We Know More Now? Trends in Public Knowledge, Support and Use of Fair Housing Law*. (Washington, DC: U.S. Department of Housing and Urban Development, 2006).

<sup>11</sup> Abravanel, Martin D. *Do We Know More Now? Trends in Public Knowledge, Support and Use of Fair Housing Law*. (Washington, DC: U.S. Department of Housing and Urban Development, 2006).

<sup>12</sup> Farley, Reynolds, Elaine L. Fielding, and Maria Krysan. "The Residential Preferences of Blacks and Whites: A Four-Metropolis Analysis" *Housing Policy Debate* Volume 8 Issue 4. 1997.

<sup>13</sup> Charles, Camille Zubrinsky. "The Dynamics of Racial Residential Segregation." *Annual Review of Sociology*. 2003, 29:167-207.

<sup>14</sup> Charles, Camille Zubrinsky. "The Dynamics of Racial Residential Segregation." *Annual Review of Sociology*. 2003, 29:167-207. Charles, Camille Zubrinsky, "Can We Live Together? Racial Preferences and Neighborhood Outcomes," in Xavier de Souza Briggs, ed., *The Geography of Opportunity: Race and Housing Choice in Metropolitan America*. Washington, D.C.: Brookings Institution Press, 2005. Farley, Reynolds, Charlotte Steeh, and Maria Krysan. "Stereotypes and Segregation: Neighborhoods in the Detroit Area." *American Journal of Sociology* volume 100 number 3 (November 1994): 750-80.

<sup>15</sup> Strategies of this kind must be carefully framed to make it clear that no homeseeker is required to make a pro-integrative move, and that whites and minorities alike can qualify for a "bonus" if and when they choose diversity.