

## **EXECUTIVE SUMMARY**

This report presents results from the first phase of the latest national Housing Discrimination Study (HDS2000), sponsored by the Department of Housing and Urban Development (HUD) and conducted by the Urban Institute. These results are based on 4,600 paired tests, conducted in 23 metropolitan areas nationwide during the summer and fall of 2000. In a paired test, two individuals—one minority and the other white—pose as otherwise identical homeseekers, and visit real estate or rental agents to inquire about the availability of advertised housing units. This methodology provides direct evidence of differences in the treatment minorities and whites experience when they search for housing.

## **Background**

Paired testing originated as a tool for fair housing enforcement, detecting and documenting individual instances of discrimination. Since the late 1970s, this methodology has also been used to rigorously measure the prevalence of discrimination across the housing market as a whole. When a large number of consistent and comparable tests are conducted for a representative sample of real estate and rental agents, the results control for differences between white and minority homeseekers, and directly measure patterns of adverse treatment based on a homeseeker's race or ethnicity.

HDS2000 is the third national paired-testing study sponsored by HUD to measure patterns of racial and ethnic discrimination in urban housing markets. Its predecessors, the 1977 Housing Market Practices Study (HMPS) and the 1989 Housing Discrimination Study (HDS) found significant levels of racial and ethnic discrimination in both rental and sales markets of urban areas nationwide. Enforcement tests conducted over the intervening decade have also uncovered countless instances of illegal discrimination against minority homeseekers. Housing discrimination raises the costs of the search for housing, creates barriers to homeownership and housing choice, and contributes to the perpetuation of racial and ethnic segregation.

HDS2000 will ultimately involve three phases of paired testing, in as many as 60 metropolitan areas. HUD's goals for the study include rigorous measures of change in adverse treatment against blacks and Hispanics nationwide, site-specific estimates of adverse treatment for major metropolitan areas, estimates of adverse treatment for smaller metropolitan areas and adjoining rural communities, and new measures of adverse treatment against Asians and Native Americans. Phase I (with testing conducted in 2000) was designed to provide updated national estimates of adverse treatment against blacks and Hispanics and to measure change in the incidence of differential treatment since 1989. In addition, Phase I provides estimates of adverse treatment against blacks and Hispanics in twenty individual metropolitan areas, as well

as exploratory estimates of adverse treatment against Asians (in two metro areas) and Native Americans (in one metro area).

### **The HDS2000 Methodology**

In this study, the basic testing protocols replicated those implemented in the 1989 HDS in order to yield comparable measures of differential treatment. Random samples of advertised housing units were drawn from major metropolitan newspapers on a weekly basis, and testers visited the sampled offices to inquire about the availability of these advertised units. Both minority and white partners were assigned income, assets, and debt levels to make them equally qualified to buy or rent the advertised housing unit. Test partners were also assigned comparable family circumstances, job characteristics, education levels, and housing preferences. They visited sales or rental agents, and systematically recorded the information and assistance they received about the advertised unit and/or other similar units, including location, quality and condition, rent or sales price, and other terms and conditions. Test partners did not compare their experiences with one another or record any conclusions about differences in treatment; each simply reported the details of the treatment he or she experienced as an individual homeseeker.<sup>1</sup>

The results presented here are based on a nationally representative sample of 20 metropolitan areas with populations greater than 100,000 and with significant black and/or Hispanic minorities. This sample of sites was selected from the 25-site sample of metropolitan areas covered by the 1989 Housing Discrimination Study.<sup>2</sup> Black/white testing was conducted in sixteen of the twenty sites, and Hispanic/non-Hispanic testing was conducted in ten. Results are weighted to produce nationally representative estimates.

In addition to this national sample of sites, we selected two large metropolitan areas with significant Asian minorities in which to conduct paired testing for discrimination against Asian homeseekers—Los Angeles and Minneapolis. Finally, our Phase I sample of sites includes one large metropolitan area with a significant Native American population—Phoenix, Arizona—as well as Tucson, a smaller metropolitan area in Arizona, with adjoining rural counties that are home to large populations of Native Americans.

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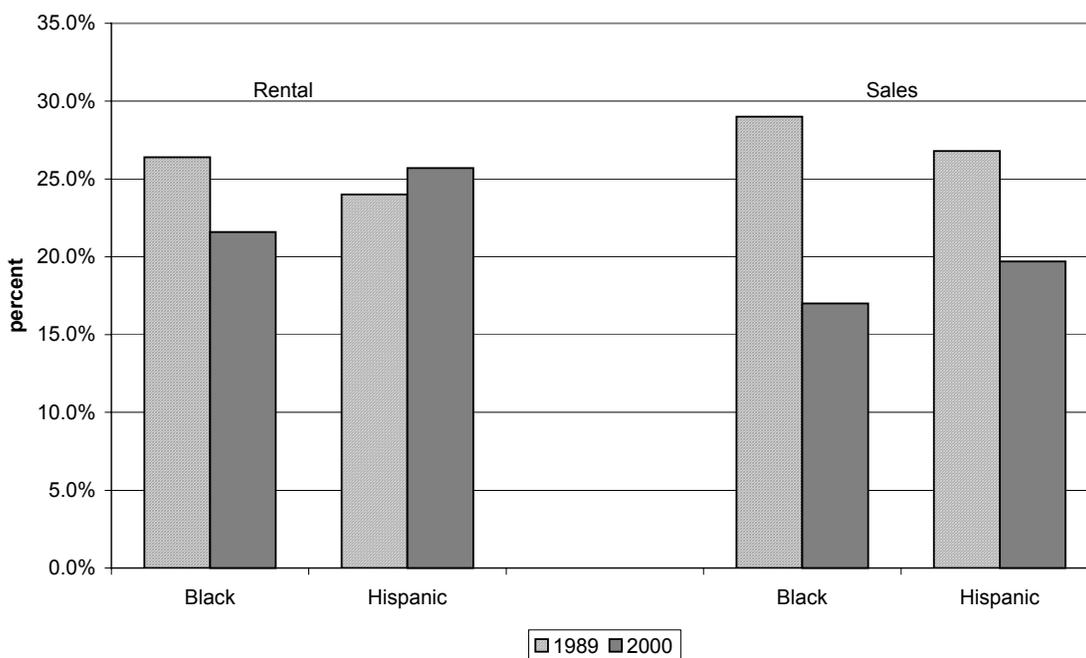
<sup>1</sup> HDS2000 is designed to measure the extent to which minority homeseekers experience adverse treatment when they look for housing in urban areas nationwide. The tests conducted for this study were not designed to assemble evidence of discrimination in individual cases. The question of when differential treatment warrants prosecution and the related question of whether sufficient evidence is available to prevail in court can only be resolved on a case-by-case basis, which might also consider other indicators of treatment than those reported here.

<sup>2</sup> Selecting the phase I sites from the 1989 sample dramatically improves the precision of national estimates of changes in differential treatment between 1989 and 2000.

### Summary of Findings

HDS2000 finds that discrimination still persists in both rental and sales markets of large metropolitan areas nationwide, but that its incidence has generally declined since 1989 (see Exhibit ES-1). Only Hispanic renters face essentially the same incidence of discrimination today that they did in 1989. Otherwise, the incidence of consistent adverse treatment against minority homeseekers has declined over the last decade.<sup>3</sup>

**Exhibit ES-1: Consistent Adverse Treatment Against Blacks and Hispanics, 1989 and 2000**



**Metropolitan Rental Markets.** African Americans still face discrimination when they search for rental housing in metropolitan markets nationwide. Whites were consistently favored over blacks in 21.6 percent of tests. In particular, whites were more likely to receive information

<sup>3</sup> Note that the 1989 results presented here are not exactly the same as those that were reported in 1989. Comparable measures have been constructed from both years, but these are not exactly the same treatment measures as reported in 1989. Some 1989 indicators could not be replicated because of changes in testing protocols. Other measures have been more precisely defined or revised for greater clarity. See Annex 5 for a complete discussion of changes in the 1989 treatment measures.

about available housing units, and had more opportunities to inspect available units. Discrimination against African American renters declined between 1989 and 2000, but was not eliminated. The overall incidence of consistent white-favored treatment dropped by 4.8 percentage points, from 26.4 percent in 1989 to 21.6 percent in 2000.

Hispanic renters nationwide also face significant levels of discrimination. Non-Hispanic whites were consistently favored in 25.7 percent of tests. Specifically, non-Hispanic white renters were more likely to receive information about available housing and to inspect available units than were Hispanic renters. Discrimination against Hispanic renters appears to have remained essentially unchanged since 1989. Although the incidence of adverse treatment dropped for some forms of agent behavior, the overall incidence of consistent adverse treatment was not significantly different in 1989 than in 2000. Hispanic renters now appear to face a higher incidence of discrimination than African American renters.

Patterns of differential treatment for both African American and Hispanic renters vary across metropolitan areas. The incidence of consistent adverse treatment against black renters significantly exceeds the national average in Atlanta, while Chicago and Detroit rental markets had rates below the national average. None of the metropolitan-level estimates of consistent adverse treatment for Hispanic renters significantly exceeded the national average, but in Denver, the incidence of consistent adverse treatment against Hispanics was significantly less than the national average.

**Metropolitan Sales Markets.** African American homebuyers—like renters—continue to face discrimination in metropolitan housing markets nationwide. White homebuyers were consistently favored over blacks in 17.0 percent of tests. Specifically, white homebuyers were more likely to be able to inspect available homes and to be shown homes in more predominantly white neighborhoods than comparable blacks. Whites also received more information and assistance with financing as well as more encouragement than comparable black homebuyers. Discrimination against African American homebuyers declined quite substantially between 1989 and 2000, but was not eliminated. The overall incidence of consistent white-favored treatment dropped by 12.0 percentage points, from 29.0 percent in 1989 to 17.0 percent in 2000. However, geographic steering rose, suggesting that whites and blacks are increasingly likely to be recommended and shown homes in different neighborhoods.

Hispanic homebuyers also face significant levels of discrimination. Non-Hispanic whites were consistently favored in 19.7 percent of tests. In particular, non-Hispanic whites were more likely to receive information and assistance with financing, and to be shown homes in non-Hispanic neighborhoods than comparable Hispanic homebuyers. Discrimination against Hispanic homebuyers declined since 1989. Specifically, the overall consistency measure dropped by 7.1 percentage points—from 26.8 percent in 1989 to 19.7 percent in 2000.

Patterns of differential treatment for both African American and Hispanic homebuyers vary across metropolitan areas. Metro areas where the incidence of consistent white-favored treatment in the sales market significantly exceeds the national average include Birmingham, and Austin, while white-favored treatment falls below average in the sales market of Atlanta and Macon. Consistent adverse treatment of Hispanic homebuyers significantly exceeded the national average in Austin and New York, and fell significantly below the national average in Pueblo and Tucson.

### **Measurement Issues**

A paired test can result in any one of three basic outcomes for any measure of treatment: 1) the white tester is favored over the minority; 2) the minority tester is favored over the white; or 3) both testers receive the same treatment (which may be either favorable or unfavorable). The simplest measure of adverse treatment is the share of all tests in which the white tester is favored over the minority. Because there are also tests in which minority testers receive better treatment than their white partners, we report both the incidence of white-favored treatment and the incidence of minority-favored treatment.

**Gross and Net Measures.** Although these simple *gross measures* of white-favored and minority-favored treatment are straightforward and easily understandable, they almost certainly overstate the frequency of systematic discrimination.<sup>4</sup> Specifically, differential treatment may occur during a test not only because of differences in race or ethnicity, but also because of random differences in the circumstances of their visits to the real estate agency. For example, in the time between two testers' visits, an apartment might have been rented, or the agent may have been distracted by personal matters and forgotten about an available unit. Gross measures of white-favored and minority-favored treatment include both random and systematic elements (see Exhibit ES-2), and therefore provide *upper-bound estimates* of systematic discrimination.<sup>5</sup>

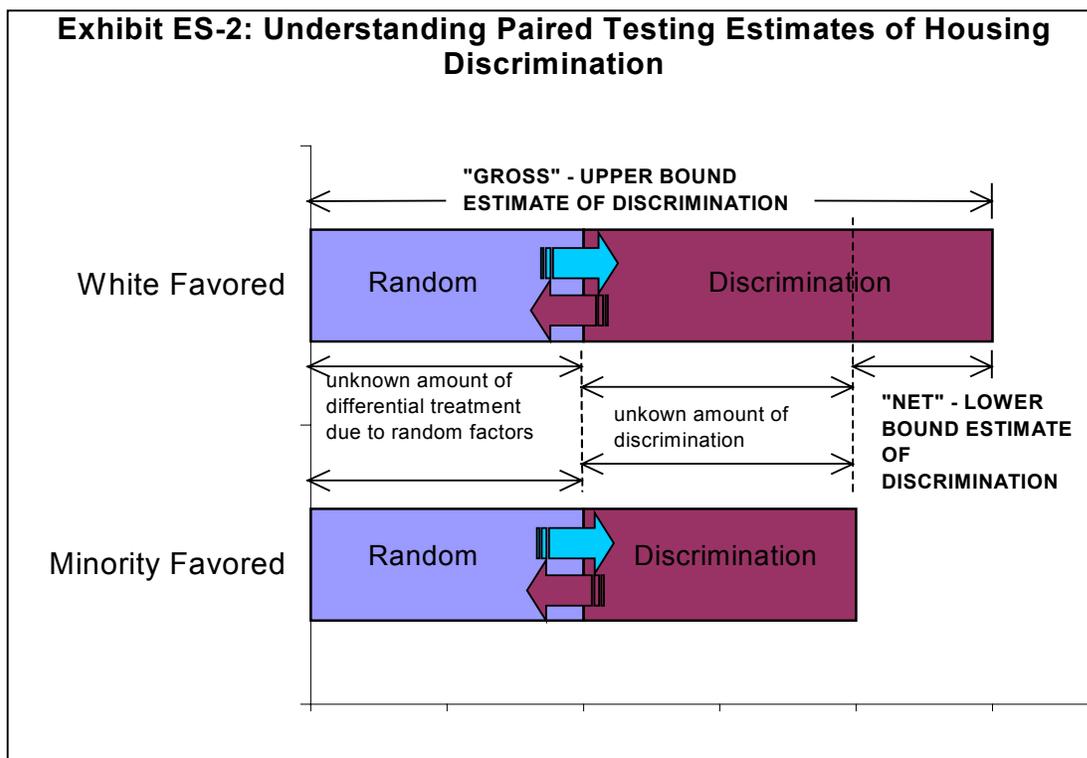
One strategy for estimating systematic discrimination, that is, to remove the cases where non-discriminatory random events are responsible for differences in treatment, is to subtract the incidence of minority-favored treatment from the incidence of white-favored treatment to

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<sup>4</sup> We use the term "systematic discrimination" to mean differences in treatment that are attributable to a customer's race or ethnicity, rather than to any other differences in tester characteristics or test circumstances. This term is not the same as "intentional" discrimination, nor is it intended to mean that these differences would necessarily be ruled as violations of federal fair housing law.

<sup>5</sup> Note that it is conceivable that random factors might *reduce* the observed incidence of white-favored or minority-favored treatment, so that the gross-incidence measure is technically not an absolute upper-bound for systematic discrimination.

produce a *net measure*. This approach essentially assumes that all cases of minority-favored treatment are attributable to random factors—that systematic discrimination never favors minorities—and that random white-favored treatment occurs just as frequently as random minority-favored treatment. Based on these assumptions, the net measure subtracts differences due to random factors from the total incidence white-favored treatment (again, see Exhibit ES-2). However, it seems unlikely that all minority-favored treatment is the result of random factors; sometimes minorities may be systematically favored on the basis of their race or ethnicity. Therefore, the net measure subtracts not only random differences but some systematic differences, and therefore probably understates the frequency of systematic discrimination. Nevertheless, the net measure reflects the extent to which the differential treatment that occurs (some systematically and some randomly) is more likely to favor whites than minorities. Thus, net measures provide *lower-bound estimates* of systematic



discrimination.<sup>6</sup>

<sup>6</sup> Even when no statistical pattern of race-based differential treatment is observed, individual cases of discrimination may occur. Specifically, even if the gross incidence of white favored treatment is statistically insignificant, this does not mean that discrimination never occurred, but only that the number of cases was too small to draw any conclusions about systematic patterns across the sample as a whole. Similarly, for variables where the

The body of this report presents both gross and net measures, because in combination, they indicate not only how often whites are favored over comparable minority homeseekers, but the extent to which white-favored treatment systematically exceeds minority-favored treatment. These two measures provide upper- and lower-bound estimates of systematic discrimination against minority homeseekers.

**Summary Measures.** A visit with a rental or sales agent is a complex transaction, and may include many forms of favorable or unfavorable treatment. This report presents results for a series of fourteen individual treatment indicators, but also combines these individual indicators to create *composite measures* for categories of treatment (such as housing availability or housing costs) as well as for the transaction as a whole. For rental tests, treatment measures include the availability of advertised and similar units, opportunities to inspect units, housing costs, and the encouragement and assistance from rental agents. For sales tests, measures include the availability of advertised and similar homes, opportunities to inspect homes, the neighborhood characteristics of recommended and inspected homes, assistance with mortgage financing, and encouragement and assistance from the sales agent.

Two types of composite measures have been constructed. *Consistency measures* (presented in Exhibit ES-1) reflect the extent to which the different forms of treatment that occur in a visit consistently favor one tester over the other. Specifically, tests are classified as white-favored if the white tester received favorable treatment on one or more individual items, while his or her partner received *no* favorable treatment. Tests were classified as “neutral” if one tester was favored on some individual treatment items and his or her partner was favored on even one item. Consistency measures were used in 1989 to summarize testing results across individual treatment indicators. In HDS2000, however, we also developed *hierarchical measures* by considering the relative importance of individual treatment measures to determine whether one tester was favored over the other. For each category of treatment measures and for the full set of measures, a hierarchy of importance was established *independently* of the testing results, to provide an objective set of decision rules for comparing treatment across indicators.<sup>7</sup>

The body of this report presents both consistency measures and hierarchical measures. These alternative measures (including both lower-bound and upper-bound estimates of systematic discrimination) tell a consistent story about the existence of discrimination and trends

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net measure is close to zero, there may in fact be instances of race-based discrimination, even though the overall pattern does not systematically favor one group.

<sup>7</sup> Again, it is important to emphasize the difference between methods used for the statistical analysis of paired testing results and methods used to assemble or assess evidence of unlawful conduct in an individual case. No pre-determined set of decision criteria can substitute for case-by-case judgements about test results.

since 1989. Like the “best estimates” discussed earlier, they indicate that discrimination generally declined during the 1990s, but still occurs at statistically significant levels. Therefore, in this summary, we focus on a single measure—the gross incidence of consistent white-favored treatment across all treatment indicators. The share of tests in which the white was consistently favored over his or her minority partner (and the minority was favored on no treatment items) provides a conservative estimate of the overall incidence of discrimination, and is the same approach that was implemented in the 1989 Housing Discrimination Study.<sup>8</sup>

### **Strengths and Limitations of This Research**

Paired testing is a powerful tool for directly observing differences in the treatment that minority and white homeseekers experience when they inquire about the availability of advertised housing units. The results presented here provide strong evidence that discrimination persists in metropolitan housing markets, but that it has declined significantly over the past decade for African American renters and homebuyers and for Hispanic homebuyers.

Despite the strengths of this methodology, HDS2000, like previous national paired testing studies, is limited in its coverage of metropolitan housing markets and the experience of minority homeseekers. The sample of real estate and rental agents to be tested was drawn from newspaper advertisements, and the economic characteristics of tester teams were matched to the characteristics of the advertised units. However, not all housing units for sale or rent are advertised in major metropolitan newspapers, not all real estate and rental agents use newspaper advertising to attract customers, and not all homeseekers rely upon newspaper advertisements in their housing search. Therefore, results presented here do not necessarily reflect the experience of the typical minority homeseeker, but rather of homeseekers qualified to rent or buy the average housing unit advertised in a major metropolitan newspaper.

Moreover, the results presented here do not encompass all phases of the housing market transaction. HDS2000, like most paired testing studies, focuses on the initial encounter between a homeseeker and a rental or sales agent. Additional incidents of adverse treatment may 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. In spite of these important limitations, HDS2000 provides the most complete and up-to-date information available about the persistence of housing market discrimination against African American and Hispanic homeseekers in large urban areas of the United States today and about the progress we have made in combating discrimination over the last decade.

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<sup>8</sup> Although consistent minority-favored treatment also occurs in some instances, the definition of the consistency measure makes it unlikely that this reflects random differences in treatment. Therefore, we do not report net measures for the consistency composite.