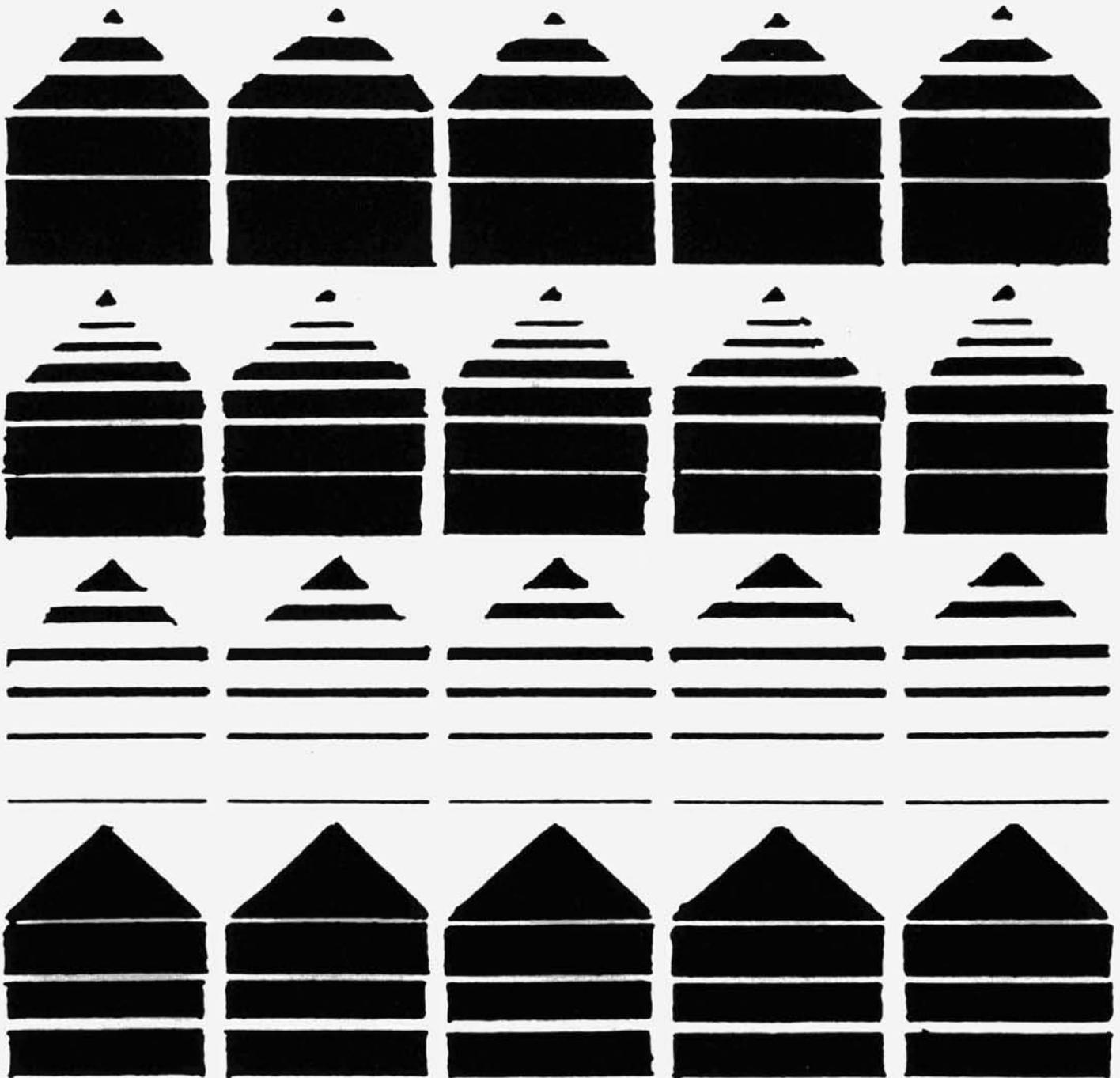


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ORIGINAL

The Role of the Real Estate Sector in Neighborhood Change



FILE COPY

THE ROLE OF THE REAL ESTATE SECTOR
IN
NEIGHBORHOOD CHANGE

PREPARED BY

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in association with

Westat, Inc.

and

University City Science Center

Contract # H-2234R

FOR

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE OFFICE OF POLICY DEVELOPMENT AND RESEARCH

JANUARY 1979

FOREWORD

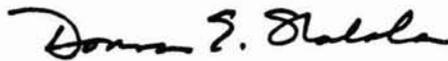
Interest in neighborhood preservation has increased considerably in recent years. While revitalization of declining inner-city neighborhoods is not a panacea for all the ills afflicting our large cities, it can help in many ways. There is the potential for conserving energy and reducing our dependence on the automobile by shortening the distances travelled to jobs and entertainment. Land and other resources can be conserved by attracting people back to the city, and the social and cultural vitality of the central city can be restored. Particularly in the case of low-income residents, maintaining an adequate quality of life in the central city is an important concern of public policy.

Although middle- and upper-income families have shown renewed interest in central-city living, gentrification is not the major problem faced by low-income city residents. Recent research indicates that disinvestment remains the single most important factor leading to the displacement of the urban poor. The issue of race, too, threads through the discussions of both forms of neighborhood change.

This in-depth report on the role of the real estate sector in the early stages of racial change and neighborhood decline is particularly timely, as it attempts to unravel the complexities of the neighborhood change dynamic. While firm conclusions are hard to reach, the study does offer useful new insights into the operations of real estate brokers, appraisers, and loan officers.

Some of the conclusions reached may be controversial, but the controversy is one we welcome. It is vitally important that there be public discussion of the issues involved in neighborhood change if we are to increase our understanding of the market and non-market processes that affect so many lives.

I am pleased to make this report available.



Donna E. Shalala
Assistant Secretary for Policy
Development and Research

PREFACE

This study began as an attempt to analyze the activities of the real estate industry as they relate to the precipitation of neighborhood decline. For reasons which are discussed below, a conscious decision was made to include racial change as a key element in the study design. This crucial decision implicitly changed the focus of the research and led to a considerable alteration in the issues which were analyzed. Not only does the report examine the formal actions of the real estate sector and the informal attitudes of the buyers and sellers of homes, but it deals with the more basic issue of racial change as a presumed factor in the decline of neighborhoods. This reorientation of the research effort contributed both to the strength and to the weakness of the report.

The study analyzes neighborhood change in six pairs of neighborhoods located in three cities (Norfolk, Virginia, Dayton, Ohio, and Rochester, New York). The study and control neighborhoods were matched along a series of neighborhood condition indicators so that change from 1970 to 1975 in the study areas could be gauged against changes in the corresponding control area. The study took approximately two years, and was completed in August 1976.

The report begins with the presentation of scenarios of racial change which summarize and highlight the subtle and complex issues examined in the body of the report. The second chapter discusses the methodology employed and presents detailed case studies of neighborhood change organized around a set of common factors. Chapter three explicitly examines the practices of the real estate sectors in an effort to determine whether brokers respond to market forces, reinforce existing trends or actually precipitate change in otherwise stable areas. If nothing else, this discussion makes clear the difficulty of sorting out the complexities of the problem. In trying to understand fully the dynamics of neighborhood change, one cannot simply rely on the cliches of the conventional wisdom regarding the real estate industry.

The fourth chapter focuses on the problems of mortgage financing and on how the availability of long term credit is affected by the perceptions of brokers, loan officers and appraisers, as well as by the self-interest of the broker in arranging the loans. The preceding issues are brought together in the final chapter, which pieces together the subtle interactions of friendships, information flow and shared perceptions. These factors create the environment within which the future of the neighborhood is at least partly determined.

As was noted earlier, the research design raises a number of methodological issues to which the reader should be alerted. While some controversy over the techniques employed may be stimulated, at least this will generate discussion centered around issues critical to our understanding of neighborhood dynamics. Moreover, it should be emphasized that, despite the shortcomings that are noted here, overall the research was conducted in a highly professional manner that more than meets minimum technical standards.

The major methodological concern relates to the criteria used to select study neighborhoods. The study team was confronted with the dilemma of having to identify neighborhoods which had experienced early decline before it had yet collected the data necessary for making that kind of judgment. The solution to the problem was to adopt as the primary condition for neighborhood selection evidence of racial change over the preceding 5 year period. The experience of racial turnover during this period is the only characteristic that clearly distinguishes the study and control neighborhoods.

While this approach assured that the neighborhoods had undergone some change over the relatively short study period, it might also suggest superficially that racial change is defined a priori as the principal factor leading to neighborhood decline. Such an assertion would be abhorrent to most researchers and would cause some to dismiss the study results out of hand. It is important to stress, however, that the relationship of decline and racial change serves as a basis for an important hypothesis which was tested by the study. In particular, at least one of the neighborhoods evidenced no clear indications of decline, despite the substantial racial change that occurred over the study period. Thus, while this neighborhood selection criterion had the potential for distorting the research, in fact it led to a broadening of the focus of the study into an area of great interest for public policy.

A second methodological problem relates to the potential for bias in the homeowner survey conducted to ascertain consumer confidence levels in the study and control areas. A total of about 8 percent of all recent home buyers and 4 percent of recent home sellers were interviewed. Despite the importance of the perceptions of recent buyers and sellers regarding the future of a neighborhood, the behavior and perceptions of the sitting population are equally critical. There is also a potential bias in the seller sample itself given that long-distance movers, who were more difficult to locate, are less likely than short-distance movers to have moved because of dissatisfaction with their neighborhoods. To the extent that these biases exist, interpretations of the interview data relating to future decline in the study neighborhoods may be unwarranted. In fairness to the research team, it should be stressed that the structure of the homeowner samples was dictated by the original request for proposals and by the amount of resources the Department was willing to devote to this phase of the work. The design specified explicitly that only a small number of interviews be conducted, and that they be done only with in-migrants to and out-migrants from the study areas. Given those constraints, the research team did a credible job of eliciting and examining households' perceptions about the neighborhoods.

Despite these weaknesses, this is a valuable report. It explores issues of considerable concern to HUD and, at the very least, uses a case study research design to lay the foundation for future research and to provide a backdrop for other research projects currently

underway. These related projects include a systematic study of racial discrimination in housing markets through the technique of "testing" by matched pairs of black and white consumers as well as examinations of neighborhood change being conducted in HUD's evaluations of the urban homesteading demonstration, the Neighborhood Housing Services program, and the Community Development Block Grant program. All told, this is a significant contribution to our understanding of the dynamics of neighborhood change and the role played by the real estate sector.

The project manager and author of the report was John Chapman of Hammer, Siler George Associates.

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Chapter I. INTRODUCTION AND SUMMARY

Chapter I. INTRODUCTION AND SUMMARY

Section A. Introduction

Issues

At the outset, the overall objective of this study was to determine the role and impact of real estate brokers, appraisers, lending institutions and government mortgage insurance programs in the early stages of neighborhood decline:

- Do these actors and institutions precipitate, reinforce or simply respond to market dynamics and the consumer decision-making process?
- On what basis do these actors and institutions make their decisions in dealing with such neighborhoods and in what ways are their decisions manifested?
- Are their perceptions of neighborhood conditions accurate or do they exaggerate negative aspects?
- In what ways do these actors and institutions interact with each other and how do their perceptions of the neighborhood affect stability or decline?

Among the specific issues identified were those centering on real estate brokers, agents and marketing practices. To what extent did they precipitate turnover through "solicitation" and "canvassing" activity playing on resident anxieties. To what extent did they reinforce the process of change by "steering" otherwise suitable households away from early declining neighborhoods, thus contributing to the erosion in consumer support.

Other real estate practices were also at issue. To what extent and under what circumstances did real estate operators profit through

speculative buying and selling; at what point did opportunities for investor conversion to rental status ripen. Moreover, a host of considerations involving long-term financing were addressed.

At what point and on what basis did depository institution officials decide that conventional mortgage lending in early decline neighborhoods was "risky." Were these perceptions of risk reflected in more stringent mortgage underwriting policies and the constricted availability of conventional financing. To what extent did FHA and VA mortgage programs of the federal government substitute for conventional mortgage financing. What were the implications of these various mortgage types for residential financing in the neighborhood and its future prospects.

Most nettlesome of all were issues hinging on the perceptions and interactions of actors and institutions in the real estate sector. Did they exaggerate the signals of decline and base their decisions on deleterious distortions of actual neighborhood conditions. To what extent did they interact and exchange information concerning neighborhood decline. These and other more specific issues set the context for the research effort.

The Approach

Reflecting the subtleties of early neighborhood decline and the interactions of the real estate sector in this process, there are few reliable benchmarks for distinguishing the normal from the abnormal or stability from decline. To provide such benchmarks in analyzing the process of neighborhood change and the basic research issues noted above, a case study approach involving three medium-sized central cities was adopted.

The central analytic concept involved paired study and control neighborhoods, both of which were stable and very much alike in 1970 but in one of which early decline was since evident. The control neighborhoods could then provide benchmarks of stability against which changes in the study neighborhoods over the 1970-1974 research period could be measured and compared. Moreover, the control neighborhoods were to be a comparative reference point in probing the perceptions and attitudes of the real estate sector.

Because of the difficulties in clearly ascertaining early neighborhood decline before all the data was collected and analyzed, racial change became an increasingly important study neighborhood selection criterion. It assumed importance for two reasons: (1) racial change promised more dynamic qualities for analysis over the limited five-year research frame; and (2) the phenomenon of racial transition was the only distinguishing characteristic between study and control neighborhoods that could be determined with certainty before the detailed research process began. Even if decline was not subsequently documented in the ensuing research, issues hinging on racial change itself could at least be addressed.

In the end, six paired sets of study and control neighborhoods were selected for detailed study; they are located in the following three cities: Norfolk, Virginia; Rochester, New York; and Dayton, Ohio. The neighborhoods embraced a wide range of housing types, dynamics and market attributes. By design, all of the study neighborhoods were marginally or centrally affected by racial change.

The Dimensions of Racial Change and Neighborhood Decline

Increasingly evident in the pages which follow, the study centered as much on racial change and its differential effect on otherwise comparable neighborhoods as it did on neighborhood decline. To be sure, clear evidence of decline was apparent in only two of the six study neighborhoods. Nonetheless, all are subject to the very subtle effects of declining reputation and erosion in consumer confidence that may yet be reflected in objective evidence of deterioration in the years to come.

In drawing upon the data collected during the study and measuring study neighborhood changes against the control neighborhood benchmarks, the extent of racial change and early neighborhood decline in the six study neighborhoods can be summarized as illustrated in the table below.

Table I.1. RACIAL CHANGE AND INDICATORS OF DECLINE
IN THE STUDY NEIGHBORHOOD

	Norfolk		Rochester		Dayton	
	Ballentine Place	Ingle-side	North NEAD	South NEAD	Green-wich Village	Fair-view
Estimated Non-White Population, 1974	40-50%	30-40%	1-10%	10-20%	40-50%	1-10%
INDICATORS OF DECLINE						
<u>Socioeconomic</u>						
Decline in Household Income						
Decline in Educational Levels						
Increase in Unemployment				•	•	
Increase in Welfare Caseload		•			•	
<u>Housing Market</u>						
Relative Decline in Property Values					•	•
Increase in Single-Family Vacancy Rate					•	
Conversions from Owner to Renter Occupancy				•		
<u>Neighborhood Environment</u>						
Decrease in Exterior Maintenance and Repair				•	•	
Increase in Crime					•	
<u>Consumer Attitudes</u>						
Sellers Move for Neighborhood-Related Reasons		•		•	•	•
Buyers Less Satisfied Since Moving In		•			•	•
Buyers Perceive that Property Values Are Not Appreciating		•	•		•	

Source: Household Interviews, R.L. Polk Company Reports, Property Transaction Data, Windshield Survey and Hammer, Siler, George Associates.

In none of the study neighborhoods did the non-white population exceed six percent of the total in 1970. As illustrated above, the extent of subsequent racial change varied widely: in three of the neighborhoods, the non-white population approached the 50 percent level by the end of 1974 while in two others non-whites still accounted for less than ten percent of the total population.

In the objective indicators of decline, only two neighborhoods evidenced consistent patterns. In Greenwich Village particularly, the signs were pervasive. Not only were consumer attitudes shaky but unemployment levels, crime rates, welfare caseloads, relative property value declines, an increasing vacancy rate and deteriorating physical conditions completed the portrait of early neighborhood decline.

In South NEAD, decline was evident in rising unemployment levels, conversions from owner to renter occupancy and physical deterioration in the housing stock. While at least one or more attributes of early decline were evident in Ingleside, North NEAD and Fairview, they centered on consumer attitudes and continued confidence in the neighborhoods. Only in the Ballentine Place neighborhood of Norfolk was there no differential indication of decline. In that one case, the issues were primarily those of racial change.

This brief summary of issues and neighborhood characteristics sets the context for the analysis and findings presented in this report. The subjects addressed are controversial and enormously complex in scope; each facet deserves greater research scrutiny in its own right. Nonetheless, in attempting to bridge broadly divergent neighborhood dynamics, the processes of racial change and neighborhood decline, this effort was undertaken to structure basic issues and insights.

Organization of the Report

Apart from the foregoing summary of racial change and neighborhood decline, this introductory chapter includes a description of data sources and statistical analysis components in Section B. Section C contains a descriptive scenario and graphic model summarizing the interactions in the process of racial change. In addition, the scenario encountered in only one of the study neighborhoods where the real estate sector played a clearly detrimental role in neighborhood decline is described.

The complete findings of the study are presented in four substantive chapters following this introduction and summary. Chapter II provides a basic touchstone for evaluating the role of the real estate sector by describing the characteristics and commonalities of change in the study and control neighborhoods. The dynamics of racial and socio-economic change, real estate market characteristics and consumer attitudes are all addressed.

With the foundation thus established, Chapters III and IV focus specifically on the decisions of the real estate sector and their impact on the neighborhoods. Chapter III evaluates the impact of specific real estate market practices such as "canvassing" and "steering" as well as speculation and investor activity. Chapter IV addresses issues hinging on long-term residential finance: the availability of regulated institutional financing, the determinants of conventional, FHA and VA mortgage activity and the impacts of these alternative first trust investments on the neighborhoods.

Chapter V concludes this report by examining the perceptions of the real estate sector in detail: the consensus on study neighborhood decline, the signals they rely upon as well as a thorough-going evaluation of the accuracy of their perceptions concerning specific characteristics in the six study neighborhoods.

The Appendix contains copies of the questionnaires and topical interview guides. In addition, brief descriptions of methodologies and principal statistical results are presented.

Section B. Data Sources and Statistical Analysis

The study focused on a detailed analysis of change over the five-year period 1970 through 1974 in both study and control neighborhoods. The research process drew upon the following major data sources:

Property Transfer Data

For residential sales in the study and control neighborhoods, data was obtained on the following items: sale price, type of mortgage (conventional, FHA, VA, individual or assumed trust) the mortgagee, amount, term and interest rate of the mortgage. Data of this type permitted computations on rates of turnover, price changes, total lending activity attributable to each major type of mortgage instrument, loan-to-value ratios, patterns in mortgage term and interest rate as well as mortgage originations made by specific institutions.

In total, detailed data on approximately 5,000 transactions was collected and analyzed. In Norfolk, the data was obtained from periodic reports compiled and published by the Rufus Lusk Company. In both Dayton and Rochester, property transfer data was obtained directly from the files of the county recorders of deeds. As referenced throughout this report, the property transaction data source represents the computerized data base collected from these local sources.

R.L. Polk Socioeconomic Indicators

In conjunction with its preparation of city directories, the R.L. Polk Company markets a package of housing and socioeconomic indicators derived from annual canvasses. This time-series information package on each neighborhood was obtained for the available canvasses over the

five-year period; it provided socioeconomic data on population change, the number of one-person households, female-headed households, retired and jobless heads and other census-like indicators. The data base also included housing data in the following areas: changes in the housing supply, the number of units occupied by owners and renters and vacancy rates by tenure type. With information of this type, a tracking of socioeconomic and housing trends in each neighborhood on an annual basis was possible.

For all three cities, canvass data from the spring 1970 survey were available; the succeeding canvass dates were not always in precise annual increments, however. In attempting to measure conditions in the neighborhoods at the end of the research period, data from somewhat different canvass dates were used: in Norfolk, the December 1973 survey was the latest available; in Dayton, June 1974 data was appropriate while in Rochester the March 1975 canvass was the most suitable. Despite these variations, the data nonetheless generally depict changes over the multi-year research period and provide comparisons between paired study and control neighborhoods over an equivalent time period.

Real Estate Actor Interviews

In each of the three cities, approximately 40 real estate brokers, appraisers and lending institution officials active in the study and control neighborhoods were interviewed using lengthy structured topical guides; copies are included in the Appendix. Among lending institutions particularly, the format varied: in some cases, the interview was conducted with a top policy official and loan officer simultaneously and in other cases individuals in different types of positions were interviewed separately.

Interviews probed perceptions of neighborhood quality and future prospects, the basis upon which they make decisions relating to the neighborhood, and their interactions with other individuals and institutions. To encourage frank replies, all were assured that their comments would remain confidential and not be attributed to specific institutions or individuals.

Homeowner Interviews

Interviews with a sample of homeowners that moved into and out of study and control neighborhoods over the five-year period were conducted. The sample was drawn from the property transaction records: interviews with both the buyer and seller of record on randomly selected sales were sought. It was particularly difficult to locate sellers because of death, relocation outside the metropolitan area, unlisted telephones, etc. In total, approximately 400 buyers and 175 sellers were interviewed; distributions among study and control neighborhoods are shown below.

Table I.2. COMPLETED BUYER AND SELLER
HOUSEHOLD INTERVIEWS, STUDY
AND CONTROL NEIGHBORHOODS

	<u>Study Neighborhoods</u>	<u>Control Neighborhoods</u>
Buyers	211	183
Sellers	<u>89</u>	<u>91</u>
Total	300	274

Source: Westat Incorporated.

Interviewed buyer households represented approximately eight percent of all purchasers within the study and control neighborhoods over

the five-year period. The sample of sellers interviewed accounted for approximately four percent of the total. Perceptions of neighborhood viability and future prospects, reasons for moving, household characteristics, attitudes towards maintenance and home improvements, as well as experiences with real estate agents and lenders were probed. Questionnaires administered to buyer and seller households are included in the Appendix. Data from this set of interviews permitted a wide range of comparisons as well as important information on real estate sector behavior. In basing the sample on sales transactions, valuable information was obtained on household replacements but remaining residents were beyond the scope of this effort.

Structural Condition Survey

Residential structures in each neighborhood were surveyed to document the frequency and severity of maintenance deficiencies. Using an instrument developed for this study and included in the Appendix, the "windshield" survey was designed to identify visible exterior deficiencies in major property components: roof, wall surfaces, gutters and downspouts, windows and frames, lawn and yard, etc. Two sample groups were involved: the units of households interviewed and a random sample of other residential structures.

In all, approximately 1,700 dwellings were evaluated. This survey permitted comparisons of physical conditions in the study and control neighborhoods and the relationships between physical conditions and real estate market and mortgage activity. Because of snow accumulations in Rochester and Dayton at the time of the survey, roofs and yards were frequently obscured. In making comparisons among neighborhoods and cities, these two components were eliminated from the analysis. As

referenced throughout this report, data from the so-called "Nosno" comparisons have been used.

Supplementary Local Data

To the extent that it was available, data from local municipal sources on crime rates, housing code violations, welfare caseloads, etc., was obtained to characterize changes over the study period and compare the differences between study and control neighborhoods.

Statistical Analysis

Chi Square Tests. To test the significance of observed differences between buyers and sellers in the study and control neighborhoods, Chi Square tests were used. Since the sample was small within specific neighborhoods, the differences would have to be great to be significant at that scale and only occasionally were they. Significant differences often were evident only among the total sample of buyers and sellers. Significant differences mentioned in this report are at the 95 percent confidence level; the Chi Square values are included in the Appendix.

Correlation Analysis. In evaluating the often subtle differences in long-term financing attributes between study and control neighborhoods, simple correlations were computed. Using the full set of study and control neighborhoods as twelve data points, correlations between mortgage finance characteristics and a variety of neighborhood and household indicators were run. Because of the variance associated with small samples of household interviews within each neighborhood, multiple regression analysis did not prove fruitful.

Section C. Scenarios of Racial Change
and Neighborhood Decline

The full scope of research findings and analysis is presented in detail throughout the main body of this report. Though always hazardous to do so, the principal findings can be distilled and expressed in terms of two basic scenarios: one relating to the process of racial change and the other describing the real estate sector's acceleration of neighborhood decline. Though simplified to a great degree, these scenarios represent a summary of the analysis and a compact description upon which policy issues and intervention strategies can be framed.

The scenarios are separate but linked. The racial change scenario applies to all of the study neighborhoods and depicts the basic underlying process of racial transition. The real estate decline scenario represents an incremental addition and applies to the process evident in only one neighborhood studied. Though it could yet be set in motion in the other neighborhoods, the scenario was applicable in only one of them during the study period.

Before launching into a description of the scenarios, several caveats are central in establishing the context for the findings: (1) all six study neighborhoods were in the early stages of racial change; (2) the vast majority of buyers -- both black and white -- were of solid socioeconomic status; (3) decline was clearly evident in only two of the six study neighborhoods; (4) the neighborhoods were located in mid-sized central cities of a scale where most actors in the real estate sector could maintain a first-hand familiarity with basic neighborhood characteristics; (5) lending institution officials in two of the cities reported increased sensitivity to "red-lining" issues because of unfavorable press and had adjusted their underwriting outlook

in recent years accordingly. These caveats, then, limit the general applicability of the findings to neighborhoods in such specific contexts. With this basic frame of reference established, the scenarios are described in the following pages.

The Racial Change Scenario

Within the broad diversity of study and control neighborhood dynamics, it is extremely difficult to make authoritative generalizations. There were exceptions to every finding. At the same time, paired study and control neighborhoods were alike in so many ways that the differences were often only marginal. Yet it is at the margin that the insight is to be found, particularly in the early stages of change: subtle differences today may quickly widen over time and represent clear harbingers of the future. In focusing at the margin, then, a very subtle scenario emerged which is depicted graphically on the fold-out following page 33.

The interactions have been generalized but are structured in terms of two largely but not totally sequential processes in the sale of individual dwellings: the real estate market and long-term financing. Within this two-part scheme, the perceptions and resulting decisions on the part of consumers and real estate sector actors are depicted along with the points of interaction. The scenario and interactions are described in the pages which follow. Data of specific findings from the study are noted parenthetically.

The Real Estate Market

Real estate market activity -- the buying and selling of homes -- and the role of the real estate sector in this process were keyed to basic consumer attitudes and patterns of behavior.

The Market Setting

Though this research was not directed at determining the point in time or the reasons why the first blacks moved into the study

neighborhoods, all study neighborhoods had two features in common: (1) in the mosaic of metropolitan housing sub-markets, all were proximate to predominantly black and older parts of the city; (2) prices of at least some units were within the reach of first-time buyers with moderate means. This is an important context for what followed.

Resident Decisions to Move Out

At some point after the first blacks moved in, racial anxieties and the "white flight" syndrome set in. Some white residents reacted to race alone, others perceived signs of neighborhood deterioration and sources of concern: declining maintenance, trash accumulation, problems in the schools and declining educational quality, an increase in crime and threat to personal safety.

Race, of course, cannot be disengaged from these signals either: noisy kids taking a short-cut through the yard may have seemed less well-behaved, less tolerable, because they were black. Then, too, white residents may have associated crime and vandalism with blacks even if there were no more frequent specific instances to support the perception. Whether the signals reported by white neighborhood residents were grounded in fact or fancy is impossible to determine. Rarely evident in the data collected for this study, even minor incidents can be important in a perceptual context.

Added to the normal reasons households choose to move, however, racial change entwined with other perceptions of neighborhood problems precipitated the decision to move on the part of otherwise contented white households. (Thirty-six percent of the study neighborhood sellers decided to move for neighborhood-related reasons, compared to fifteen percent in the control neighborhoods.)

Replacement Households

Generally speaking, replacement households were comprised primarily of young, upwardly mobile families. Among both blacks and whites, most were buying their first home and many were husband/wife households in which both were employed. (On an overall basis, fifty-three percent of the buyers were white, forty-seven percent non-white. Seventy-two percent previously rented; in fifty percent of the husband/wife households, both were employed.)

Black Household Preferences

By and large, black households that decided to buy homes in the study neighborhoods did so largely as a matter of preference. Among black households with specific neighborhoods in mind when they began their search for housing, their "mental map" of neighborhood opportunities was confined largely to racially changing ones primarily in the central city. (Only nine percent of those with specific neighborhoods in mind mentioned all-white suburban areas. Moreover, even among those without specific neighborhoods in mind, sixty percent located the home they ultimately bought on their own: through a newspaper ad, For Sale sign on the property, friend or relative, etc.) For most black households, then, the study neighborhood was incorporated into the set of racially changing areas where they perceived homeownership opportunities.

Of course it can hardly be said that these perceptions of opportunity were totally unfettered. Long-standing patterns of residential segregation, racial bias and discrimination undoubtedly played a role in shaping them. Fearing harrassment and abuse, some simply may not

have wanted to be the first blacks in otherwise all-white neighborhoods. Others may simply have believed that all-white neighborhoods were closed to them: no white would sell to them or no agent would show them properties there. Whatever the subtle and complex roots, blacks nonetheless perceived homeownership opportunities in the racially changing study neighborhoods and bought homes there largely in keeping with their perceptions of opportunity.

White Household Preferences

White households also bought study neighborhood homes largely as a matter of preference. Though their perceptions of opportunity were broader in geographic scope and frequently included choice suburban areas, many were at least temporarily priced out of the suburban market. Preferring the convenience of a central city location, the quality of construction and the good price values, many were attracted to the study neighborhoods on these grounds.

Real Estate Broker Transition

Against this backdrop of consumer preferences, real estate brokers that had previously listed many study neighborhood properties perceived a shift in consumer demand. Anticipating slow sales and undue marketing efforts, many of these traditionally active brokers shifted their focus to other areas more in keeping with the preferences of their white client base. Though brokers themselves sometimes perceived declining property maintenance and an increase in absentee owners as factors accompanying racial change, these were little evident in the data. Only their perceptions of racial change and longer marketing periods were borne out in the data.

With some perceptions based in fact and others less firmly grounded, traditional brokers became increasingly reluctant to list study neighborhood properties: they would do so only if they sold another property to a study neighborhood resident moving out or if a previous client, personal or business acquaintance requested it. These traditional brokers were supplanted to some extent by brokers specializing in the low-end market, FHA and VA financing.

The beginnings of this transition are perfectly in keeping with the conventional wisdom and normal market dynamics. Reflecting the geographic or socioeconomic specialization of most brokers, reluctance to list study neighborhood properties is probably more attributable to their desire to follow the course of least market resistance rather than any anticipated loss in commissions or profits.

The resulting transition in brokers handling neighborhood sales nonetheless had a subtle side effect in reinforcing racial change. Operating from different client bases, diminishing activity on the part of traditional brokers and increasing activity on the part of low-end specialists carried with it an alteration in sources of consumer support.

Black Brokers and Agents

At the same time, black brokers and agents became somewhat active in showing study neighborhood properties. Accounting for only a small proportion of the units sold, black brokers and agents tapping personal and business acquaintances within the black community nonetheless increased the likelihood of sales to blacks.

Marketing Tactics

In keeping with marketing tactics applied in many neighborhood settings, agents showing study neighborhood homes often downplayed neighborhood attributes and precise location. Properties were sometimes advertised under more desirable adjacent neighborhood headings. In showing such properties to prospective buyers, agents approached them from the most favorable angle and emphasized the attributes of the unit rather than the qualities of the neighborhood.

"Canvassing" and "Steering"

Reflecting its universality as an ethical marketing technique, "canvassing" or "solicitation" was not differentially more frequent in the study neighborhoods and only rarely was it cast in terms of "doomsday" predictions playing upon racial anxieties. (Fifteen percent of the study neighborhood sellers and twenty percent of their control neighborhood counterparts reported some form of canvassing contact. Two percent of those moving from the study neighborhood recalled tactics playing on racial anxieties and doomsday predictions.)

In the context of racial change, even superficially innocuous canvassing activity may have heightened resident anxieties but even in cases where it was most intense, there was no apparent direct link with increased turnover.

In the neighborhoods studied, there was no clear evidence that real estate agent "steering" played a central detrimental role. This is not to say that steering didn't occur. The impact of broker transition could not be documented and white households steered away

could not be identified and interviewed. At the same time, most of the neighborhoods were very healthy and in none were a majority of residents black. More substantial evidence of steering might well be found in other neighborhood settings.

Whatever the impenetrable influence of steering on the neighborhoods studied, it operated against a backdrop of consumer attitudes and perceptions on the part of both blacks and whites.

Speculation and Investment Activity

Speculative profiteering and investment/conversion activity had no apparent influence in the racial change scenario. Though some speculative activity was doubtless present, it accounted for an almost negligible proportion of all transactions and the rate was comparable in study and control neighborhoods. At the same time, windfall profits were little evident in either. (Properties bought and sold again within the same year accounted for two percent of all study neighborhood transactions and an equivalent two percent of those in the control areas.)

Investor activity and conversion to rental status was rare in the racial change scenario. In fact, the owner-occupancy rate did not decline in five of the six study neighborhoods between 1970 and 1974.

Racial and Socioeconomic Change

With all study neighborhoods subject to the forces of racial transition, the proportion of black buyers varied from less than ten percent to nearly eighty percent within specific neighborhoods. Reflecting this diversity, the non-white population component ranged from

less than ten percent to no more than fifty percent of the total neighborhood population by the end of 1974.

In socioeconomic terms, replacement households were equal to and sometimes of even higher status than those moving out. (The mean income among all buyers was \$13,100, three percent lower than that among sellers; thirty-six percent had at least some education beyond high school compared to twenty-five percent among sellers.)

Long-Term Financing

Lenders Perception of Risk

Wary of the changes taking place in the neighborhood, some officials at depository institutions perceived heightened risks in originating conventional mortgages. In addition to market uncertainties associated with racial change and accentuated rates of turnover, some lenders also perceived declining maintenance levels and declining relative property values. While racial change and somewhat higher rates of turnover were evident, their perceptions of declining property values and maintenance were frequently incorrect.

To compensate for the greater risk perceived, some institutions adopted underwriting policies that might be applied on a case-by-case basis: closer borrower scrutiny, lower loan-to-value ratios and/or a foreshortened mortgage term.

While some conventional lenders perceived greater risks in the study neighborhoods, typically it was not transmitted through direct contact with the prospective borrower: neither through application rejection nor the stipulation of stiffer mortgage terms. (One percent of the study neighborhood buyers reported rejection of their application

or applying elsewhere because of unfavorable terms.) Rather, the heightened sense of risk shaped real estate agent perspectives in assisting buyers arrange long-term financing.

The Role of the Real Estate Agent

Since most sales contracts are contingent upon the buyer's ability to secure long-term financing, the real estate agent's commission hangs in the balance until the mortgage commitment is made and closing assured. Stemming from this self-interested desire to facilitate the long-term financing arrangements, agents frequently "shop the market" to determine availability and terms. The agent may then size up the buyer, available downpayment and credit characteristics, matching them against his or her perceptions of mortgagee requirements. The agent often recommends the appropriate type of financing and sometimes even the specific institution to which the buyer should apply. Though the agent's influence is undoubtedly important in many other cases, the real estate agent's advice was particularly important to the majority of study neighborhood buyers who had previously rented and never before sought long-term financing.

The real estate agent played an important role in directing study neighborhood buyers to FHA or VA financing rather than conventional mortgages. (Forty-two percent of the study neighborhood buyers reported that the agent specifically recommended FHA or VA financing compared to twenty-seven percent of control neighborhood buyers.)

Though it was impossible to determine their precise relative importance, there were four important factors underlying the agent's recommendation to apply for FHA or VA financing and the resulting government mortgage activity rate in the study neighborhoods:

(1) perceptions on the part of some brokers and agents that conventional loans would be more difficult to obtain; (2) the buyer's available cash in meeting downpayment requirements; (3) the long-standing practice on the part of conventional lenders in discounting the incomes of working women and other community-wide underwriting considerations; and (4) possible racial discrimination.

Reflecting the attitudes of many conventional lenders themselves that mortgage loans in the study neighborhood would be a greater risk, some real estate brokers thought that conventional mortgages would be more difficult to obtain. Though there is no documentary evidence, these brokers and their agents probably recommended FHA or VA financing to all but the most solid conventional prospects.

Basic Conventional Underwriting Considerations

Whatever the subtle influence of broker and agent perceptions concerning the availability of conventional mortgages, previous tenure status and downpayment capability played a pivotal role in determining mortgage type. Lacking the equity build-up of previous homeownership and with only limited cash resources, most study neighborhood buyers couldn't meet prevailing community-wide downpayment requirements for a conventional mortgage. At the margin, however, several other conventional underwriting policies played a role.

Among them was the conventional lender's traditional reluctance to accept the full value of working women's income in mortgage underwriting evaluations. Concerned that women in childbearing ages particularly would quit work and thus eliminate this source of income, lenders have either discounted or ignored it entirely in evaluating

the ability of the household to meet monthly payments. Since exactly half of the husband/wife households in the study neighborhoods included two wage earners, this feature also undoubtedly played a role in determining mortgage type. In other cases, the absence of credit references or an established credit history were factors; in some cases, fixed monthly obligations would have exceeded conventional rules-of-thumb.

Racial Bias

While race was clearly associated with FHA and VA mortgage activity, it was deeply entwined with the other underwriting considerations noted above. Race may have been a contributing factor and blatant cases of racial discrimination may have occurred but overt discrimination as a determinant of mortgage type was not evident in the cases available for review.

Race may, however, have played a more important role in the type of originating institution than the mortgage type itself. Blacks far more often obtained their loans through mortgage companies. (Sixty-one percent of the blacks obtained their mortgages through a mortgage company compared to twenty-five percent of the whites; in contrast sixty-seven percent of the whites went through a depository institution and only thirty-four percent of the blacks.) It is difficult to determine whether this pattern reflects long-standing racial discrimination on the part of depository institutions or the lingering perception of it on the part of real estate agents or black consumers themselves. Regardless, the patronage pattern among blacks was more strongly oriented to mortgage companies.

Conventional and FHA/VA Originations

Long-term financing from institutional sources was readily available but fewer conventional mortgages were originated in the study neighborhoods. FHA and VA programs took up the slack and accounted for the majority of new loans. (On an overall basis, thirty-seven percent of the study neighborhood originations were conventional mortgages compared to forty-three percent in the control neighborhoods. Sixty-five percent of the study neighborhood loans were FHA or VA while fifty-six percent of the control neighborhood loans were government-backed.)

Depository Institution Involvement

Depository institutions remained active as sources of financing in the study neighborhoods but more of their loans were made with FHA insurance or VA guarantees. (Depository institutions originated sixty-seven percent of all study neighborhood mortgages but fifty percent of their originations involved FHA or VA participation. In contrast, thirty-nine percent of their control neighborhood originations were FHA or VA.) It is impossible to determine, however, whether more mortgages were considered too risky to place them on a conventional basis or whether more buyers simply couldn't meet prevailing community-wide underwriting standards.

While mortgage companies accounted for as many as eighty percent of the originations in one neighborhood, they originated only one-third of all study neighborhood loans.

Impact of Racial Change on Conventional Mortgage Terms

Racial change did not adversely affect the terms on conventional mortgages actually made in the study neighborhoods. While the

depository institutions originated fewer conventional loans and more often to whites than to blacks, the terms on conventional loans actually made were generally more favorable in the neighborhoods with the most pronounced rates of racial change. (High mean loan-to-value ratios and the proportion of conventional mortgages with a term of 30 years were both positively correlated with the number of blacks moving into the neighborhood.)

Mortgage Finance Impacts

The heightened FHA/VA activity rate had a favorable impact on overall residential finance in the study neighborhoods: mean loan-to-value ratios, mortgage term and monthly mortgage payment burdens were at least as favorable if not better than comparable aggregates in the control neighborhoods. Though no clear link can be established, the availability of FHA and VA financing undoubtedly sustained homeownership opportunities and the owner-occupancy rate.

On an overall basis, mortgage type itself had no effect on consumer reinvestment actions. Buyers in the study neighborhoods with conventional and FHA or VA mortgages reported home improvements and repairs with equal frequency. (On a composite basis, fifty-four percent of the conventional buyer responses indicated additions, alterations, replacements and repairs; the comparable rate among FHA/VA buyers was fifty-three percent.)

Summary and Implications

The real estate market pattern was keyed to consumer behavior and deeply rooted in racial perceptions. Though there were a variety of

subtle real estate marketing aspects that reinforced the process of racial change, they tended to mirror the racial dynamics among the population at large.

While lenders perceived greater risks in the study neighborhoods, the real estate agent was the key actor in directing buyers to FHA or VA financing rather than conventional loans. By and large, these decisions were made on the basis of prevailing conventional underwriting standards rather than neighborhood-specific policies: downpayment capability, credit record, installment debt burdens and working women.

Race may have been a contributing factor in determining the type of mortgage but cases of overt discrimination could not be isolated. Rather, lingering perceptions of racial discrimination in conventional lending institutions may have prompted more blacks to apply to mortgage companies.

Though racially changing, the neighborhoods retained fundamental elements of strength. The overall socioeconomic profile of buyer households was solid and most buyers continued to reinvest in their properties. While depository institutions made fewer conventional mortgages and more often to whites than blacks, long-term financing was available on favorable terms from institutional sources. The ready availability of FHA and VA financing supported the entry of many first-time buyers who could not have qualified for conventional mortgages. Such government-backed mortgages sustained home ownership opportunities in the neighborhood and the owner-occupancy rate.

Continued Consumer Confidence

Despite the favorable attributes in most of the study neighborhoods, continued consumer confidence is in many ways the key to their

future and continued viability. Along several dimensions, however, there were signs of eroding consumer attitudes.

From the standpoint of previous residents that decided to move out, certainly, their perceptions of neighborhood conditions and the changes taking place were important considerations. From that quarter, to be sure, there were indications of diminished consumer confidence.

Even consumers attracted to these neighborhoods within the recent five-year study period became increasingly dissatisfied with them. Though reasons varied and frequently were expressed in very specific terms, dissatisfactions clustered in such general areas as crime or the threat of it, vandalism, undisciplined children and domestic quarrels, declining property maintenance and trash accumulation: many of the same reasons precipitating the sellers' decisions to move out. (Twenty-five percent of the study neighborhood buyers were less satisfied since moving in compared to fourteen percent in the control neighborhoods.)

Coupled with current levels of dissatisfaction, large numbers of buyers did not believe that property values were appreciating. (Fifty-nine percent of the study neighborhood buyers perceived price stability or decline compared to thirty-six percent in the control areas.)

While these indicators do not fully account for the complex constellation of perceptions and behavior on the part of consumers, they do nonetheless provide important clues to the underlying pattern.

Diminished confidence may not have affected buyer behavior during the study period but it may well do so in the future. Less satisfied residents may soon decide to sell and move on. Perceptions concerning

property value appreciation may likewise influence homeowner decisions to undertake home improvements and repairs. If consumers of the solid socioeconomic status who recently bought homes in the study neighborhoods lose confidence in them as a place to live, erosion on all fronts could well ensue. They may be replaced by households of lower socioeconomic standing, financially and motivationally unprepared to maintain the housing stock.

Accuracy in Real Estate Sector Perceptions

In testing the accuracy of real estate sector perceptions concerning the racially changing neighborhoods and in attempting to link perceptual distortions with practices during the study period, few consistent patterns emerged. To be sure, at least some actors misjudged the quality of the neighborhoods in virtually all the measures evaluated. Some of these distortions are particularly notable.

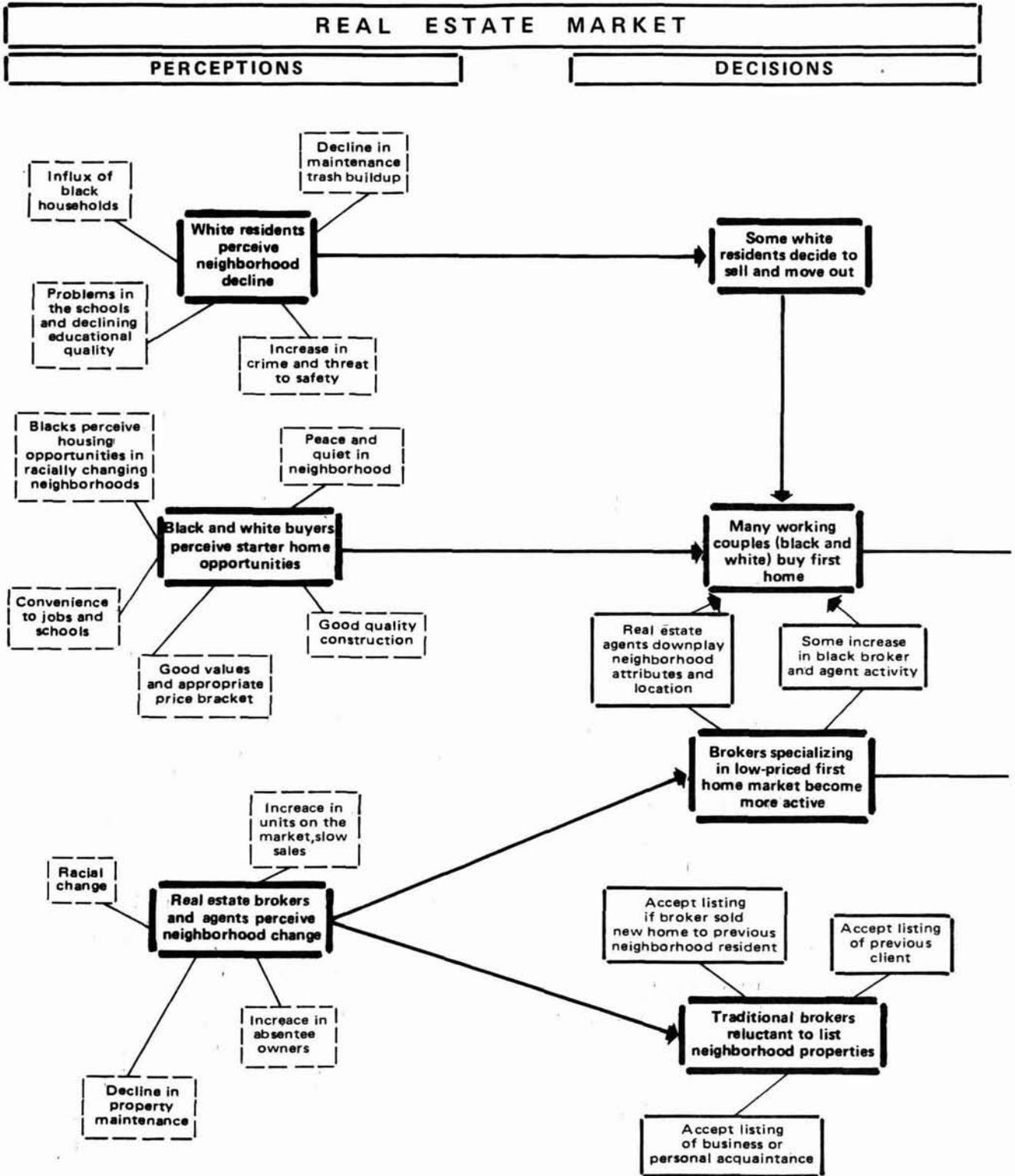
In the three neighborhoods that had changed the least racially, over a third of the real estate sector respondents grossly overestimated the extent of racial change. Similarly, over 40 percent of the respondents misjudged the strength of property value appreciation in two of the study neighborhoods. While the perceptions of slightly higher crime rates in the study neighborhoods were generally correct, the respondents were not well attuned to favorable crime rates in another two study neighborhoods.

Having said this, however, such misjudgments were more attributable to occasional lapses on the part of all actors rather than consistent misjudgments on the part of a few vitally important ones. Neither did they coalesce to form patterns of misjudgment affecting the

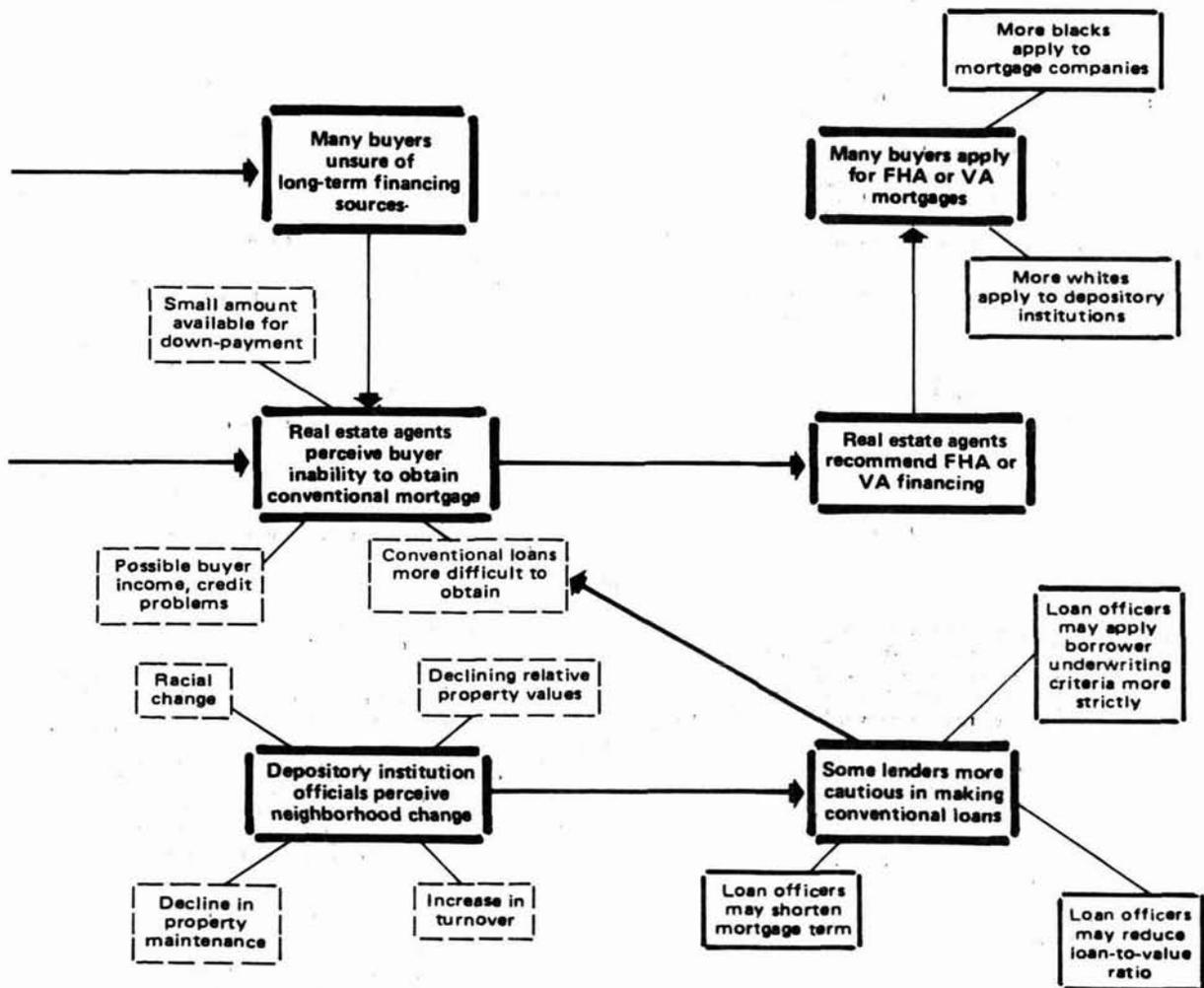
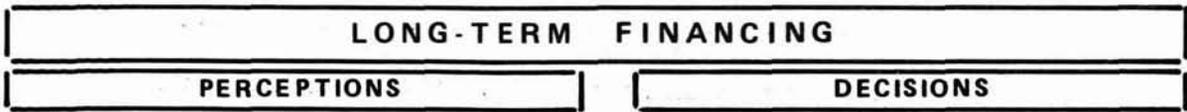
neighborhoods across a broad front of indicators. By the same token, it was virtually impossible to construct consistent links between perceptual inaccuracies and deleterious behavior over the study period.

While these statements apply to most of the study neighborhoods, the pattern encountered in one of them may yet be repeated in the others. The interactions in that one neighborhood are the subject of the real estate decline scenario which follows.

Figure A: RACIAL CHAN



GE SCENARIO INTERACTIONS



The Real Estate Sector Decline Scenario

In most of the study neighborhoods, the racial change scenario described above involved a subtle process of interaction between the real estate sector and housing consumers, both black and white. The real estate sector acted on the basis of reasonably accurate perceptions concerning neighborhood conditions. Though disparities were evident in many cases and keyed largely to race, the impact of the real estate sector was subtly reinforcing rather than dramatically detrimental. Its activities tended to mirror consumer attitudes and characteristics.

In one neighborhood, however, perceptions and actions on the part of the real estate sector took on far more detrimental aspects. While the South NEAD area of Rochester clearly declined over the five-year study period, many real estate actors misjudged the extent and magnified the indicators of decay. It is impossible to tie these 1975 perceptual misjudgments in with specific practices over the 1970-74 period with certainty. Though it is not possible to establish such direct mechanical links, there certainly are apparent ones that deserve scrutiny.

South NEAD was the one area in which significant numbers of real estate sector respondents underrated the neighborhood in a variety of specific indicators: five-year property value trends, racial composition, crime rates and the socioeconomic status of buyers. Moreover, the patterns of misjudgment were not attributable to occasional lapses on the part of all respondents; a number of them consistently misjudged the neighborhood along several dimensions.

Real Estate Practices

Among those actors misjudging the neighborhood were several active real estate brokers. Their dim view could well have led them to "steer" otherwise suitable prospects away from the neighborhood. This could not be ascertained but certainly the market for properties was particularly soft. (Fifty-six percent of the units sold were on the market for more than two months, compared to twenty-four percent in its very similar control neighborhood. While normal marketing periods in specific neighborhoods may range from one to four months or more, this comparative measure between two roughly comparable neighborhoods is nonetheless meaningful.)

With owner-occupant demand thus diminished, the opportunities for investor intervention became manifest. Whether the real estate brokers noted above played an active role or simply opened the way for less scrupulous operators could not be determined but only in the absence of strong owner-occupancy support could investors have acquired units at bargain rates and profitably converted them into low-rent units. This was tied in with an ethically questionable listing practice: some brokers would offer a listing agreement to an anxious seller guaranteeing broker purchase at a minimum price upon expiration of the 90-day listing. If a buyer did happen along, the broker received his commission but he had no incentive to aggressively market the property since a bargain rate acquisition for conversion purposes was assured him at the end of the period.

One broker was particularly candid about his investment activity. In the context of a generally soft market, he specialized in acquisition of properties in the bargain-rate \$10,000 to \$12,000 range that

permitted profitable conversion. He either retained ownership himself or offered them to a wide range of well-to-do clients interested in investment opportunities. This investor would rent only to low-income blacks because of their comparative lack of sophistication: since they knew little of their rights as tenants, he could evict them immediately when the rent was in arrears without fear of landlord-tenant court intervention.

The economics of his operation favored consistent property tax delinquency. The city allowed a two-year grace period and minimal penalty on delinquent taxes. Knowing that he could achieve a higher rate of return by investing unpaid taxes in other ventures, he paid property taxes only at the end of the grace period.

As a consequence of such conversion activity on a broad scale, owner-occupancy in the neighborhood declined five percent in five years, the only study neighborhood so affected. (As a proportion of all occupied units, those occupied by owners declined from sixty percent to fifty-five percent.)

In terms of artificially diminished consumer demand, ethically questionable listing practices, bargain-rate acquisition and conversion to rental status, exploitation of black tenants and property tax delinquency, the real estate practices described above had a clearly detrimental impact on the neighborhood.

Long-Term Financing

While appraisers generally were accurate in their perception of current market values, several of them underrated the appreciation trends

over the study period. Lenders themselves did not unfavorably judge the neighborhood but their underwriting decisions may have been strongly affected by these appraiser misjudgments: marked disparities in conventional mortgage originations were evident in comparing the South NEAD area with its control counterpart. While some conventional loans were nonetheless made, the terms were more stringent: mean loan-to-value ratios and the proportion over 80 percent were all lower than in the control neighborhood. (Conventional mortgages accounted for thirty percent of study neighborhood originations compared to thirty-eight percent in the control area. Thirty-three percent of the conventional mortgages had a loan-to-value ratio of 80 percent or more; in contrast, forty-five percent of the conventional loans in the control area were at this level or above.)

Summary and Implications

Though this scenario could not be documented with certainty, Rochester real estate actors played an important role in reinforcing and perhaps accelerating the downward spiral of decline. In overreacting to the forces of change and magnifying the signals of decay, their decisions and actions fueled the process and virtually assured the ultimate outcome.

Even if direct mechanical links cannot be established with certainty, distorted perceptions of true neighborhood condition can quickly be translated into a series of actions with deleterious consequences for the neighborhood. Among those neighborhoods studied, only one was subject to perceptual misjudgments of such a scale that the pattern of decline was reinforced and accelerated by the real estate sector. In the

other neighborhoods, spotty misjudgments may yet increase and perceptions of imminent decline multiply to set this pattern in motion.

While few links could be established in the other neighborhoods between 1975 perceptual misjudgments and real estate sector behavior in the preceding five-year period, distortions could become more important in the future. Particularly in the neighborhoods that had changed least racially, exaggerated perceptions of the non-white population may yet precipitate "steering" of white prospects away from them. By the same token, misjudgments concerning the strength of property value appreciation may result in undervalued appraisals and more stringent conventional mortgage terms.

The Fairview neighborhood in Dayton is especially vulnerable. While not yet reflected in conventional lending behavior or mortgage terms, perceptual distortions concerning race, crime rates and property maintenance levels may yet coalesce to influence depository institution behavior in the neighborhood. If such perceptual misjudgments multiply, the Fairview neighborhood could become the forum for the deleterious behavior described in South NEAD above. From this perspective, the South NEAD scenario may be the harbinger of detrimental real estate sector behavior in the other study neighborhoods not yet affected.

Chapter II. CASE STUDY CITIES AND NEIGHBORHOOD DYNAMICS

Chapter II. CASE STUDY CITIES AND NEIGHBORHOOD DYNAMICS

Section A. Introduction

Purpose

To set the context for the detailed analysis of major real estate sector issues addressed in this study, this chapter presents an overview of the three study cities and describes the process of change in each of the neighborhoods selected for fine-grained analysis.

The six study neighborhoods selected for detailed analysis embrace a broad range of dynamics and specific characteristics. To provide a reference point for the remainder of the analysis and a capsule description of the forces at work within each one, this chapter highlights the dynamics of change within each study neighborhood. Apart from qualitative descriptions, the accompanying analysis documents the attending measures of change and evaluates the implications for neighborhood decline.

In one sense, this description of internal forces, socioeconomic parameters, housing market attributes and other indicators provides a point of departure for evaluating the role of the real estate sector in responding to, reinforcing or precipitating changes evident in the neighborhoods. Moreover, the analysis in this chapter addresses the indicators of neighborhood decline, assesses the extent of deterioration in each study neighborhood and identifies the key factors that will influence its future.

In sum, the purpose of this chapter is to establish a multi-faceted framework of neighborhood condition, change and decline in the set of 12 study and control neighborhoods as a point of departure for evaluating the role of the real estate sector.

Chapter Contents

In the pages which immediately follow, the process of city and neighborhood selection is reviewed. Section C then briefly summarizes the character and comparability of the Norfolk, Rochester and Dayton case settings.

Following that, more detailed descriptions of the six study neighborhoods are presented. The section describes the quantitative measures of change employed in the study and the characteristics of early neighborhood decline encountered. For each of the study neighborhoods selected, the general location and character, dynamics of change and attending market and socioeconomic consequences are described. At the conclusion of the chapter, the common denominators as well as the differences among neighborhoods are reviewed.

Section B. City and Neighborhood Selection Process

In adopting a case study approach to this research effort, there were several related considerations: (1) selection of cities in which to conduct the research; (2) considerations in analyzing early neighborhood decline; (3) the study and control neighborhood approach; and (4) the neighborhood selection process. Each of these is addressed in the pages which follow.

City Selection Procedure

At the outset, HUD specified that the research be conducted in three cities. The selection criteria hinged on population characteristics, the institutional financing infrastructure and geographic distribution. More specifically, the criteria were as follows:

- Population characteristics: cities with a total 1970 population between 200,000 and 500,000 with the city accounting for 35 to 60 percent of the metropolitan total.
- Long-term financing infrastructure: cities in which a range of institutions -- savings and loan associations, mutual savings banks, mortgage companies, etc. -- comprised the local residential finance infrastructure and metropolitan areas in which FHA mortgage insurance activity approximated the national average.
- Geographic distribution: one city each from the East/Midwest, South/Southwest and West geographic regions of the United States.

In addition, since a critical ingredient of the approach involved use of R.L. Polk Company reports as a compatible source of intercensal data, availability of the R.L. Polk data was incorporated as an additional city selection criterion.

Based on a preliminary screening, twelve cities -- four in each major geographic region -- were identified as candidates for selection. At that point, a more detailed review was undertaken. Data on population change, minority populations and specific financial institutions were collected and evaluated. In addition, telephone queries were conducted with several local sources to probe the likelihood of identifying suitable neighborhoods, prospects for cooperation from local data sources and other factors which might support or inhibit the research effort.

At that stage, several cities were eliminated from consideration: one was eliminated because of the unusually large number of small savings and loan associations and a pending suit that might have inhibited candid interviews; another was eliminated because of abnormally rapid population growth over the 1960-1970 decade. Still others were eliminated from consideration because property transaction data was not available in suitable form, cooperation from local government agencies was unlikely, identification of suitable neighborhoods seemed improbable, etc.

In the midst of the city selection process, HUD requested that several cities selected by another contractor engaged in neighborhood-related research also be considered because of the prospects for mutually supportive endeavors. In the end, the selection of cities was not a straightforward and thoroughly systematic process. Within the broad outlines of the city selection criteria noted above, the identification of suitable study and control neighborhoods became a controlling consideration and one which ultimately dominated the city selection process itself.

Early Neighborhood Decline Considerations

The neighborhood is a multi-faceted physical, economic and social unit in the broader fabric of the metropolitan area. It is in many ways a microcosm of the society at large with all the subtle complexity that implies. No neighborhood remains static and all are constantly undergoing change of one sort or another as they age, as households move into and out of them, as their role in the mosaic of metropolitan housing sub-markets subtly changes.

While neighborhoods evolve over time and in a variety of ways -- sometimes degenerative and other times regenerative in nature -- scenarios have been developed to generally describe a continuum ranging from stability to decline and eventual abandonment. In previous work for HUD, Public Affairs Counseling (PAC) arrayed the process of neighborhood decline in terms of five stages: (1) healthy; (2) incipient decline; (3) clearly declining; (4) accelerating decline, and (5) abandonment.*

Under the mandate for the study reported here, the research was to be directed at the early stages of neighborhood decline -- essentially stage two "incipient decline" in the Public Affairs Counseling scheme -- and the role of the real estate sector in responding to, reinforcing or accelerating the process of change.

Within its five-stage continuum, PAC identified the following as the principal descriptors of incipient decline based on a synthesis of the existing literature at that time.

* Public Affairs Counseling, A Division of Real Estate Research Corporation, The Dynamics of Neighborhood Change; Washington, D.C.: U.S. Department of Housing and Urban Development, 1975.

Table II.1. DESCRIPTORS OF INCIPIENT NEIGHBORHOOD DECLINE

Physical

Spot Maintenance Neglect
Aging Housing Stock
Some New Non-Residential Uses
Less Desirable Location

Social

Decline in Social Status
Declining Household Income
Influx of Middle-Income Minorities
Decline in Education Level
Smaller Families (Widowed, Elderly)
More Semi-Skilled, Underemployed
Often Fear of Racial Transition
Decline in Neighborhood Reputation

Economic

Some Cutback in Maintenance
No Rise, Some Decline in Property Values
Increasing Insurance Costs
Some Difficulty in Getting Financing
Waning Confidence in Future Value
Property Tax Burden Increases
More Renters, in Single-Family Areas

Public Services

Mismatch Between Needs and Service Provision

Source: The Dynamics of Neighborhood Change.

While these descriptors are generally applicable, many are difficult to measure and express in quantitative terms. Then, too, the dynamics within each specific neighborhood are unique, the pace and character of change different. Reflecting these subtleties in early neighborhood decline, there are few reliable benchmarks for distinguishing the normal from the abnormal or stability from decline. To provide such benchmarks

for comparison, an approach involving paired sets of study and control neighborhoods was adopted.

Study and Control Neighborhood Approach

The central analytic approach involved paired study and control neighborhoods, both of which were stable and very much alike in 1970 but in one of which early decline was since evident. The control neighborhoods could then provide benchmarks of stability against which the changes in the study neighborhoods could be measured and compared. Moreover, the control neighborhoods were to provide a comparative reference point in probing the perceptions and attitudes of the real estate sector. The aim was to identify two paired sets of such study and control neighborhoods in each of three cities.

With a study approach requiring data across a broad spectrum of neighborhood attributes, budgetary constraints limited data collection efforts to the most recent five-year period, 1970-1974. Moreover, since the ultimate purpose of the study was to gauge real estate sector perceptions and behavior, this most recent five-year period was deemed the most suitable frame of reference in probing them.

This basic approach -- detailed comparisons between paired sets of study and control neighborhoods over a five-year period -- set the stage for the neighborhood selection process.

The Neighborhood Selection Procedure

In undertaking the neighborhood selection process, site visits were conducted in eight cities generally fitting the selection criteria reported previously: New Haven, Connecticut; Rochester, New York; Norfolk,

Virginia; Dayton, Ohio; Kansas City, Missouri; Fort Worth, Texas; Portland, Oregon; and Sacramento, California.

During these site visits, local housing and planning agency officials were asked to suggest suitable study and control neighborhoods. Both in-person and telephone interviews were conducted with local agency staff members and selected real estate brokers to probe the characteristics of the neighborhoods and the dynamics of change. Escorted windshield tours of candidate neighborhoods were also included.

In addition, data from the U. S. Census, available R.L. Polk Company reports and other local sources were arrayed and analyzed. In attempting to evaluate 1970 stability and pair study and control neighborhoods, the following Census data were examined.

Table II.2. 1970 CENSUS DATA EVALUATED IN STUDY AND CONTROL NEIGHBORHOOD SELECTION

<u>Population</u>	<u>Education/Occupation</u>
Total Population	Over 12 Years Education
White Population	Managerial, Technical and
Family Population	Professional Occupations
Families with Children Under 18	Unemployment
Families with Female Head	<u>Housing Stock</u>
Population 65 and Over	Single-Unit Structures
<u>Income</u>	Owner-Occupancy Rate
Mean Family Income	Mean Value
Families with Incomes Below the	Year Structures Built
Poverty Line	
Families with Incomes Over	
\$15,000	

Source: U. S. Census of Population and Housing, 1970.

To evaluate some of the quantitative descriptors of early neighborhood decline and distinguish study neighborhood erosion from continued control neighborhood stability, the following R.L. Polk data were examined.

Table II.3. R.L. POLK COMPANY DATA EVALUATED
IN NEIGHBORHOOD SELECTION

<u>Population</u>	<u>Net Change in Key Indicators</u>
Female Headed Households with Children	No Occupation Given Female Headed Households with Children
<u>Income</u>	<u>Rank Order in Key Indicators</u>
Household Income Index Household Income Trend	One Person Households Retired Heads of Household Households with Children
<u>Housing</u>	
Net Change: Owners Renters	Current Count Rate of Change
Residential Vacancy Rate Occupied Units with Change of Occupants	

Source: R.L. Polk Company.

Identification of suitable study and control neighborhoods was extremely difficult and became a protracted element in the early phases of the study. Of principal importance, quantitative evaluation of the incipient decline descriptors was virtually impossible. While R.L. Polk Company reports documenting socioeconomic and housing changes over a specific one-year period were available (1972-1973, for example), it was difficult to establish clear trends over such a limited time frame. Only after the neighborhoods were selected and data collected could the changes over the full five-year period be measured with some certainty.

Because it was so difficult to evaluate the descriptors of early neighborhood decline except in a vague qualitative fashion, racial change then became a central study neighborhoods selection criterion for two reasons: (1) it promised more dynamic qualities for the analysis; and (2) it was something of a "fail/safe" neighborhood selection consideration.

In neighborhoods where change occurs slowly over a long period of time, the transition from stability to decline can be protracted. Clear evidence of decline and physical deterioration may not be observable for many years. In such cases, the dynamics of change are extremely difficult to capture except over an extended research frame. Within the five-year research period adopted in this study, it was determined that the most suitable study neighborhoods were those in which the process of change was sufficiently telescoped to provide a dynamic quality for the analysis. Based on field investigations in the eight cities visited, such precipitous change and attending dynamic qualities were evident only in situations of racial transition.

Moreover, since few of the descriptors of early neighborhood decline could be evaluated with certainty, the phenomenon of racial transition could at least be ascertained; if nothing else, it could provide a central distinguishing characteristic between study and control neighborhoods. Even if decline was not subsequently documented in the ensuing research, issues hinging on racial change itself could at least be addressed.

Increasingly evident in the pages which follow, the study centered as much on racial change and its differential effect on otherwise comparable neighborhoods as it did on neighborhood decline. To be sure,

clear evidence of decline was apparent in only two of the six study neighborhoods. Nonetheless, all are subject to the very subtle effects of declining reputation and erosion in consumer confidence that may yet be reflected in objective evidence of deterioration in the years to come.

The City and Neighborhood Selections

In the end, six paired sets of study and control neighborhoods were selected for detailed study. They embrace a wide range of housing types, dynamics and market attributes. By design, all of the study neighborhoods were marginally or centrally affected by racial change. In making the selections, qualitative impressions of incipient decline were coupled with assurances of racial transition to one degree or another.

Evidence of 1970 stability was drawn from the U. S. Census. While a variety of indicators were examined, only those neighborhoods virtually all white in 1970 and at or above the citywide mean in several key parameters were selected: mean family income, the proportion of owner-occupied units and the mean value of the owner-occupied stock.

In selecting suitable control neighborhoods, the matching process sought to ensure that the general character, housing type and age were comparable. In quantitative terms, mean family income and mean housing value had to be in close keeping with comparable indicators in the study neighborhood. In addition, none of the control neighborhoods were subject to the pressures of racial change. Not all the control neighborhoods are paragons of stability. Like the study neighborhood themselves, they are subject to broader central city forces such as racial integration in the school system, crime, etc. In some, age and obsolescence

have taken their toll. Nonetheless, all of the control neighborhoods have remained relatively stable and provide benchmarks for evaluating study neighborhood decline.

While not all local residents will agree with or even recognize the names used to identify the study and control neighborhoods selected, they represent convenient and generally appropriate designations for what are in essence census tract units. The paired sets of study and control neighborhoods within each of the three cities are arrayed below:

Table II.4. STUDY AND CONTROL NEIGHBORHOOD PAIRINGS

<u>City</u>	<u>Study Neighborhood</u>		<u>Control Neighborhood</u>	
	<u>Name and Census Tract</u>	<u>1970 Population</u>	<u>Name and Census Tract</u>	<u>1970 Population</u>
Norfolk	BALLENTINE PLACE (Census Tract 33)	2,587	NORVIEW (Census Tract 60)	4,034
	INGLESIDE (Census Tract 64)	3,946	EASTON (Census Tract 69.02)	2,132
Rochester	NORTH NEAD (Census Tract 54)	4,690	NORTH MAPLEWOOD (Census Tract 20)	6,856
	SOUTH NEAD (Census Tract 58)	5,090	SOUTH MAPLEWOOD (Census Tract 22)	3,552
Dayton	GREENWICH VILLAGE (Census Tract 14)	7,702	EASTMONT (Census Tract 56)	4,304
	FAIRVIEW (Census Tracts 10 & 11)	8,716	OHMER PARK (Census Tracts 50 & 51)	11,020

Source: U. S. Census of Population, 1970 and
Hammer, Siler, George Associates.

Section C. Case Study Cities

The three cities selected for this study are alike in many ways. With populations on the order of 250,000 to 300,000, Norfolk, Rochester and Dayton are among the medium-sized metropolitan centers of the nation. While all three are confronted with the social and fiscal malaise common to most urban centers, the problems have not reached the scale of America's largest central cities. Reflecting their medium-size position among U.S. central cities, many characteristics in the three cities were close to the mean in 1970. With non-white population proportions ranging from 18 to 30 percent, the three study cities bracketed the nationwide central city average of 22.5 percent. This comparison, along with several others, is presented in the table below.

Table II. 5. SELECTED 1970 CENSUS CHARACTERISTICS OF ALL U.S. CENTRAL CITIES AND THE THREE CASE STUDY CITIES

	<u>All U.S.</u>	<u>Study Cities</u>		
	<u>Central Cities</u>	<u>Norfolk</u>	<u>Rochester</u>	<u>Dayton</u>
Non-white Population	22.5%	28.3%	17.6%	30.9%
Mean Family Income	\$11,002	\$ 9,236	\$10,762	\$10,329
Single Unit Structures	50.6%	56.5%	43.0%	59.5%
Owner-Occupied Units	45.6%	40.9%	45.5%	48.7%
Median Value of Owner-Occupied Units	\$16,400	\$16,400	\$15,500	\$16,300

Source: U.S. Census of Population and Housing, 1970.

Ranging from \$9,200 to \$10,800, mean family income in the three cities closely approximated the U.S. central city average of \$11,000 in 1969 values. The housing stock in the three cities also mirrored national averages: the proportion of single-unit structures hovered around the halfway mark, while the rate of owner occupancy fell somewhat

below the 50 percent level in all cases. The 1970 median value of owner-occupied units was closely in keeping with the \$16,400 central city average. These similarities highlight the comparability of the cities selected for case analysis, but each has its own distinct character.

Norfolk

Located near the mouth of the Chesapeake Bay at the Elizabeth River, the City of Norfolk sits at one of the great natural harbors in the country; its economic life is governed by port-oriented activities. Among them, the U.S. Navy is the dominant force in the local employment base. Accounting for roughly 40 percent of total employment, the Navy has stationed over 80,000 uniformed personnel at various facilities scattered throughout the area and civilian employment accounts for another 33,000. While military reductions have adversely affected other local economies along the Eastern seaboard, attendant transfers and consolidations at Norfolk have sustained and even expanded the naval lynchpin of the Norfolk economic base.

Reflecting the war-time naval buildup and subsequent post-war growth in the local economy, nearly 70 percent of the city's housing stock was constructed after 1940. Over the years, the city has implemented a massive urban renewal program that resulted in the near-complete rebuilding of the central business district and demolition of much older and substandard housing. As a consequence, vacancy levels have remained low and the demand for available units has generated strong price appreciation throughout the city.

The waterways lacing the city provide a high amenity setting for adjacent property owners and create the natural boundaries for strongly defined neighborhoods. Because of the swampy soil, most units do not have basements and the corrosive salt air requires frequent maintenance

of painted surfaces. While the housing stock of the city ranges widely in style, asbestos-sided "cracker boxes" of 1950's vintage are a prominent feature in many areas.

Rochester

First established at the falls of the Genesee River to tap this source of industrial power, Rochester is one of many older northeastern industrial cities. The Rochester economy has, however, made a much more successful transition to the high-technology industries of the 20th century than many of its northeastern counterparts. As the world headquarters for the Eastman Kodak Company, and manufacturing base for the Xerox Corporation, Rochester's economy is dominated by these and other high technology industries. Continued growth in demand for products of this type has sustained the local economic base.

Like many other northeastern cities, the housing stock in Rochester is dominated by older structures; nearly 80 percent of its housing stock was built before 1940. Two and three story detached frame dwellings of pre-war construction are a pervasive feature of the city's residential areas.

Dayton

Dayton is one of many industrial cities across the Great Lakes belt of Midwestern states and much of its employment base is related to the auto industry. The Chrysler Corporation and four General Motors Divisions employ nearly 40,000. In addition, Dayton is the corporate and manufacturing headquarters for NCR, the nation's largest manufacturer of cash registers. Because of technological change in the manufacture of cash registers and the automotive slump of the recession, the Dayton economy has been more vulnerable to layoffs and unemployment than either

of the other two study cities.

There is no consistent pattern in the housing stock of Dayton. With approximately half of its units built before 1940, roughly comparable proportions have been constructed in succeeding decades. Racial concerns are particularly pronounced in Dayton and school integration issues have triggered an exodus of white families from the city. As a consequence, the city's housing market has softened considerably. Property values have appreciated only moderately and the overall city vacancy rate reached the 12 percent level in 1974.

Section D. Study and Control Neighborhood Dynamics

In evaluating the characteristics of neighborhood change, a wide variety of data indicators were examined. In summarizing the characteristics of study and control neighborhoods in the pages which follow, however, the indicators have been reduced to a manageable number of key parameters in five basic areas: the real estate market, racial and socioeconomic change, neighborhood socioeconomic indicators, property maintenance and consumer attitudes. The specific indicators for each are briefly highlighted in the paragraphs below.

Real Estate Market

In summarizing basic characteristics of the neighborhood real estate market over the five-year study period, four indicators are reported. The rate of turnover represents the percent of all one- and two-unit structures sold during the five years. In neighborhoods where replacement households are very much like the departing sellers, turnover has no special meaning. In neighborhoods undergoing racial transition, however, turnover is one measure of the pace of change and is thus included here.

To represent the level of demand and market absorption, the vacancy rate in single-unit structures at the end of the period and the proportion of sellers reporting a marketing period over two months are used. While the normal marketing period in a specific neighborhood setting may range from one to four months or more, the two-month period used here is strictly for comparative purposes between study and control neighborhoods.

To gauge property value trends and current dollar appreciation in the neighborhood as a whole, the mean sale price during the first and

last years of the study period are compared. Though not reported here, median sale price changes reflect comparable trends; data on the median is included in the Appendix.

Racial and Socioeconomic Change

To measure the extent of racial change and determine the neighborhood racial composition at the end of the study period, estimates were developed using actual 1970 Census data as a base, then factoring in the rate of turnover, the racial split among households interviewed and average household size to derive a current estimate. Making allowances for sampling error and differential rates of racial change in rental units, estimates have been expressed in terms of a ten percent range. To set the overall context of racial change, the non-white proportion of buyer households interviewed and the estimated non-white population at the end of 1974 are illustrated below.

Table II.6. RACIAL CHANGE IN THE STUDY NEIGHBORHOODS

	<u>Non-White Buyer Households Interviewed</u>		<u>Estimated Non-White Population Ranges 1974</u>
	<u>Number</u>	<u>Percent</u>	
<u>Norfolk</u>			
Ballentine Place	28	71.8%	40-50%
Ingleside	20	52.6%	30-40%
<u>Rochester</u>			
North NEAD	2	6.3%	1-10%
South NEAD	11	26.8%	10-20%
<u>Dayton</u>			
Greenwich Village	23	79.3%	40-50%
Fairview	1	3.1%	1-10%

Source: Household Interviews and Hammer, Siler, George Associates.

To gauge the nature and extent of socioeconomic change occurring through household replacement, buyer and seller households are compared in two key socioeconomic measures: income and educational attainment. Household income is analyzed both in terms of the mean and the distribution among three income categories generally representing low-to-moderate, middle and upper income brackets. The level of educational attainment is expressed by the proportion of respondents and spouses with at least some education beyond high school.

Neighborhood Socioeconomic Indicators

Four basic indicators have been used to measure socioeconomic characteristics in the neighborhood as a whole: the proportion of female-headed households, jobless heads of household, the Aid to Dependent Children caseload and the incidence of Part I crimes (a nationally standardized reporting category for major crimes). The first three comprise part of the neighborhood's socioeconomic profile whereas the last one -- crime rate -- is a proxy for the quality of the neighborhood environment.

Joblessness among heads of households is drawn from R.L. Polk Company reports; since the measure is in essence the residual after the employed, students, military and retired heads are accounted for, it is not a true measure of unemployment as defined by the Bureau of Labor Statistics. Used strictly for comparative purposes in the analysis, this residual characteristic should have an equivalent effect in both study and control neighborhoods.

Data on the incidence of Part I crimes was available from police departments in all three cities; however, ADC caseload data was available only for Norfolk and Dayton. While the Norfolk reporting units are not exactly coterminous with census tract boundaries, they are close enough to be generally indicative.

Property Maintenance

In the course of household interviews, each respondent was asked specifically whether they had made additions, alterations, replacements or repairs to the property since moving in. There were of course varying and increasing frequencies in the response pattern to these four questions. There were, however, no statistically significant differences between study and control neighborhoods in any single item. For convenience and simplicity, then, a composite was developed. As reported in the remainder of this chapter, the measure of such reinvestment activity is the sum of affirmative responses as a percentage of all responses to the four specific questions; in essence, this measure represents the sum of reinvestment actions reported by homeowners as a surrogate for aggregate reinvestment activity.

As a direct measure of physical condition -- comparative levels of maintenance and repair evident in the neighborhoods -- the proportion of units with three or more deficient components was computed. Based on the "windshield" survey methodology, this measure represents the proportion of units in which deficiencies were evident in three or more property components such as gutters and downspouts, wall surfaces, windows and frames, etc. Clearly judgmental in nature, this measure is nonetheless considered a useful comparative indicator of exterior conditions.

Consumer Attitudes

In gauging consumer confidence in the neighborhood, key attitudes on the part of buyers and sellers have been evaluated. To distinguish neighborhood conditions from other personal and housing considerations as a precipitating factor, the proportion of sellers indicating

neighborhood-related reasons for their move has been used. In gauging the continued confidence of buyer households in the neighborhood's future, those less satisfied with the neighborhood since moving in and those believing that property values are not appreciating were used as principal indicators. While these indicators do not fully account for the complex constellation of perceptions and behavior on the part of consumers, they do nonetheless provide important clues to the underlying pattern.

Study Neighborhood Decline

As described in Section B, decline in the study neighborhoods could not be evaluated with certainty until all the data was collected and analyzed. With the control neighborhoods providing basic benchmarks for comparison, only two of the six study neighborhoods evidenced clear and consistent signs of decay over the five-year study period. As reported in greater detail throughout the remainder of this chapter, the dynamics of change were highly diverse but in virtually all of the study neighborhoods, some subtle signals of decline were nonetheless evident if by no means pervasive.

In adapting the Public Affairs Counselling descriptors of incipient decline -- those enumerated previously in Section B -- to the data available in this study, each neighborhood has been evaluated for evidence of early decline. The measures adopted and their applicability to each of the study neighborhoods are presented in the table below.

Table II.7. INDICATORS OF DECLINE IN THE STUDY NEIGHBORHOODS

	Norfolk		Rochester		Dayton	
	<u>Ballentine Place</u>	<u>Ingle-side</u>	<u>North NEAD</u>	<u>South NEAD</u>	<u>Greenwich Village</u>	<u>Fairview</u>
<u>Socioeconomic</u>						
Decline in Household Income						
Decline in Educational Levels						
Increase in Unemployment				•	•	
Increase in Welfare Caseload		•			•	
<u>Housing Market</u>						
Relative Decline in Property Values					•	•
Increase in Single-Family Vacancy Rate					•	
Conversions from Owner to Renter Occupancy				•		
<u>Neighborhood Environment</u>						
Decrease in Exterior Maintenance and Repair				•	•	
Increase in Crime					•	
<u>Consumer Attitudes</u>						
Sellers Move for Neighborhood-Related Reasons		o		o	o	o
Buyers Less Satisfied Since Moving In		•			o	o
Buyers Perceive that Property Values Are Not Appreciating		•	•		•	

Source: Household Interviews, R.L. Polk Company Reports, Property Transaction Data, Windshield Survey and Hammer, Siler, George Associates.

Of particular interest, income and educational levels did not decline in any of the neighborhoods. In several cases, the reverse was true: income levels and educational attainment among buyers were higher than among sellers. Nonetheless, other indications of decline were evident along several dimensions.

Even when objective indicators were few, consumer confidence in the quality of the neighborhood and its future viability was often shaky. In comparing the total sample of buyer households in study and control neighborhoods, there were statistically significant differences in the proportion of sellers moving for neighborhood-related reasons, in buyers less satisfied since moving in and those perceiving property value stagnation or decline.

While the differences between specific study and control neighborhoods were almost always consistent with the total sample, they were not always statistically significant because of the small sample sizes. As presented in the preceding table, statistically significant differences in consumer attitudes at the neighborhood scale are indicated by a solid dot. While not statistically significant at the neighborhood level, the open circle indicates that the response rate among study neighborhood consumers was consistent with the total sample and at least twice as frequent as among their control neighborhood counterparts.

In the objective indicators of decline, only two neighborhoods evidence consistent patterns. In Greenwich Village particularly, the signs were pervasive. Not only were consumer attitudes shaky but unemployment levels, crime rates, welfare caseloads, relative property value declines, an increasing vacancy rate and deteriorating maintenance completed the portrait of early neighborhood decline.

In South NEAD, decline was evident in rising unemployment levels, conversion from owner to renter occupancy and physical deterioration in the housing stock. While at least one or more attributes of early decline were evident in Ingleside, North NEAD and Fairview, Ballentine Place and its control area represent a special set of circumstances.

With the two neighborhoods alike in so many ways, there was no evidence of differential decline in Ballentine Place compared to the Norview control area. Some physical deterioration was evident in both but the two housing markets remained strong and the socioeconomic changes were minimal. To some extent, differences in the age of the housing stock flaw the comparisons and the implications for residential finance presented in subsequent chapters.

Nonetheless, the principal difference between the two was racial composition. Seventy percent of the Ballentine Place buyers were black and the non-white population within the neighborhood accounted for 40 to 50 percent of the total by the end of 1974. In this one case, then, the issues are simply those of racial change rather than differential neighborhood decline.

In sum, the six study neighborhoods range across a continuum of racial change and early neighborhood decline. Reflecting the unique character of change within each, the patterns and attributes of erosion varied widely.

Neighborhood Descriptions

The characteristics and dynamics of each study neighborhood along these dimensions are described in the pages which follow. The characterizations of neighborhood dynamics are purely qualitative in nature.

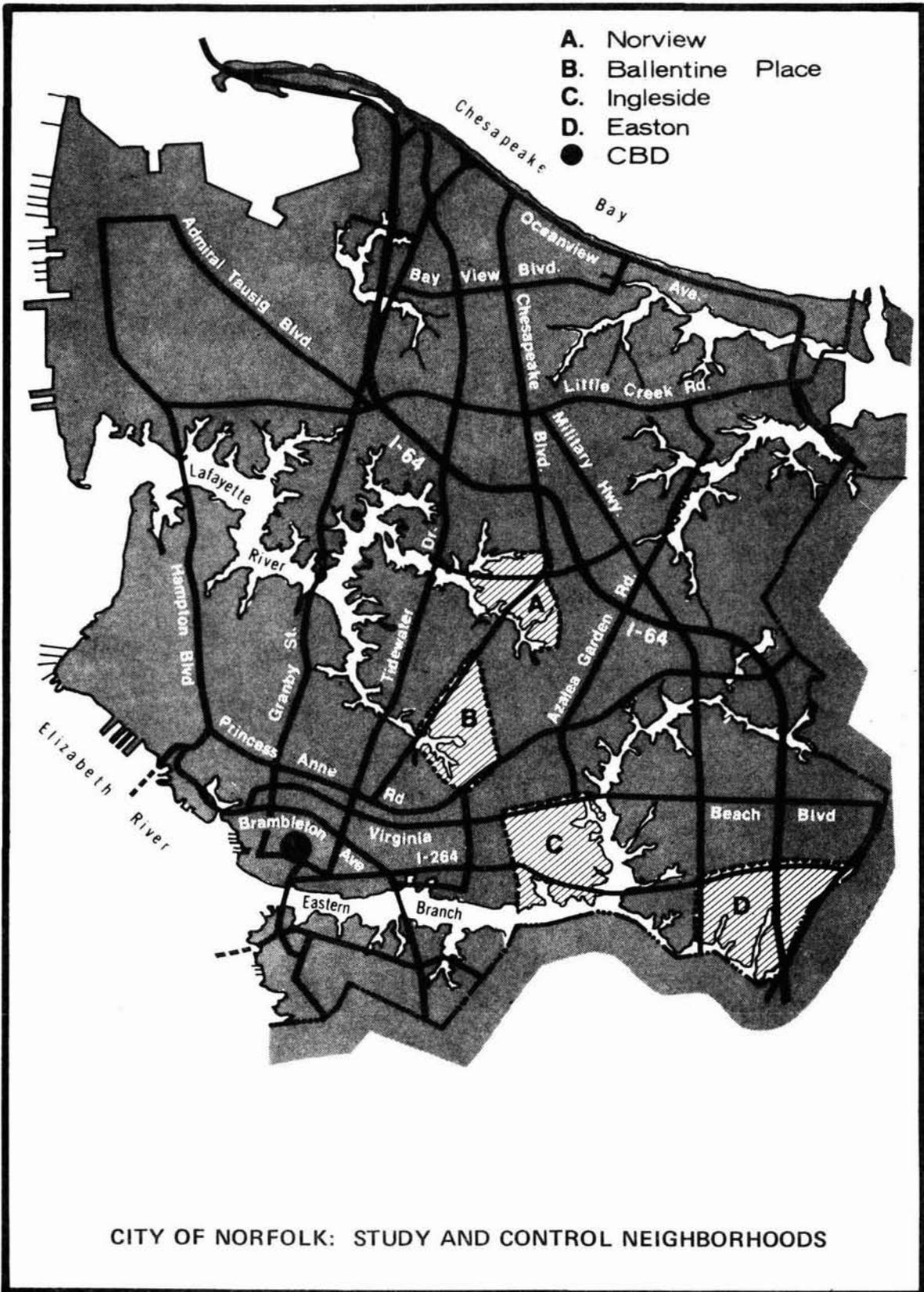
While data from the U. S. Census, R.L. Polk canvasses and property transaction records are reliable, the qualitative nature of insights drawn from the household interviews are clearly evident from the small sample within each neighborhood. The number of completed interviews are arrayed in the table below.

Table II.8. COMPLETED BUYER AND SELLER HOUSEHOLD INTERVIEWS, STUDY AND CONTROL NEIGHBORHOODS

	<u>Study Neighborhood</u>		<u>Control Neighborhood</u>	
	<u>Buyer</u> <u>Households</u>	<u>Seller</u> <u>Households</u>	<u>Buyer</u> <u>Households</u>	<u>Seller</u> <u>Households</u>
<u>Norfolk</u>				
Ballentine Place	29	13	31	14
Ingleside	38	11	36	15
<u>Rochester</u>				
North NEAD	32	11	27	15
South NEAD	41	23	24	17
<u>Dayton</u>				
Greenwich Village	29	20	34	15
Fairview	<u>32</u>	<u>11</u>	<u>31</u>	<u>15</u>
Total	211	89	183	91

Source: Westat Incorporated.

The locations of the study neighborhoods within each city and in relationship to their control neighborhood counterparts are indicated on the maps accompanying the following descriptions. Photographs suggest the type and quality of the housing stock.



CITY OF NORFOLK: STUDY AND CONTROL NEIGHBORHOODS



FIGURE B: Ballentine Place Unit



FIGURE C: Ingleside Unit

Norfolk: Ballentine Place Study Neighborhood

Location and General Character

The triangular-shaped Ballentine Place area is well defined by three arterial streets that form its principal boundaries. The centrally located elementary school -- exclusively serving the neighborhood -- contributes to its strong identity as a residential neighborhood. With virtually no other non-residential uses within its confines, Ballentine Place abuts a small scale industrial corridor along the Cromwell Road boundary to the west.

Despite its strong neighborhood definition, the Ballentine Place housing stock is by no means homogeneous. Along its regular grid-pattern streets, old Victorian and other two- and three-story dwellings are interspersed with frame bungalows of the 1930's and brick ranch-style homes of a more recent era. The house in the accompanying photograph is representative of one style of housing in the neighborhood.

Only somewhat farther to the northwest, the Norview control area is less well defined as a neighborhood entity. Rather, its census tract boundaries arbitrarily delimit one portion of a more extensive residential expanse. Throughout, the housing stock is more uniformly comprised of postwar asbestos-sided bungalows. Nonetheless, the socioeconomic character and housing values of the area closely parallel those of Ballentine Place.

As reported in the 1970 U.S. Census, mean family income in both neighborhoods was within four percent of the city-wide mean of \$9,236. Reflecting its greater blue-collar orientation, the proportion of Ballentine Place residents engaged in managerial, technical and professional occupations was somewhat below the city-wide average. In both

areas, educational attainment beyond high school was nearly half the city-wide rate. These comparisons are presented in the table below along with others indicating the character of the housing stock.

Table II.9. COMPARISON OF SELECTED 1970 SOCIOECONOMIC AND HOUSING INDICATORS, CITY OF NORFOLK, BALLENTINE PLACE AND NORVIEW

	<u>City of Norfolk</u>	<u>Ballentine Place (Study)</u>	<u>Norview (Control)</u>
<u>Socioeconomic</u>			
Mean Family Income	\$ 9,236	\$ 8,865	\$ 9,646
Over 12 Years Education	19.6%	9.0%	11.0%
Managerial, Technical and Professional Occupations	22.0%	13.6%	22.1%
<u>Housing</u>			
Owner-Occupied	40.9%	66.5%	70.7%
Mean Value	\$16,400	\$13,200	\$13,600
Structures Built Before 1940	30.6%	45.7%	13.8%

Source: U.S. Census of Population and Housing, 1970.

Only in terms of age was the housing stock of the two neighborhoods dissimilar. Reflecting the postwar development in Norview, only 14 percent of its units were constructed before 1940. In contrast, nearly half of the Ballentine Place units were built before World War II. Nonetheless, the mean value of owner-occupied dwellings was virtually identical in both neighborhoods as was the rate of owner-occupancy.

Dynamics of Change

On the supply side, the dynamics of change within Ballentine Place were closely keyed to life cycle changes on the part of long-term white residents augmented by a measure of "white flight." Though the

neighborhood elementary school itself was not affected, court-ordered busing in the Norfolk City school system in late 1970 triggered white apprehensions about continued central city living.

From the standpoint of demand, the neighborhood is near predominantly black areas of Norfolk and in the path of racial transition emanating along the Princess Anne Avenue corridor from the older sections of the city. In conjunction with proximity, Ballentine Place offers housing prices in keeping with what black families of moderate means can afford in buying their first home.

Over the years, the Ballentine Place neighborhood was anchored by long-term white residents primarily in the skilled trades and other blue collar occupations. Among those interviewed in the course of this study, for example, were carpenters, mechanics, dock workers, a heavy equipment operator and a letter carrier.

Having lived in the neighborhood for 20 years or more, many sellers moved for reasons associated with age and the family life cycle. Five of the 13 responses (38.5 percent) were in this vein: one retired and wanted a smaller home, another had trouble climbing the stairs and wanted a single-level home, another moved on the death of his wife while a fourth inherited a home in another neighborhood upon the death of a parent. The fifth respondent in this group moved from the neighborhood to avoid the painful associations when a parent occupying an adjacent home died.

While several others moved because of job proximity or because they simply wanted a larger home, approximately one-fourth of the sellers (23.1 percent) moved for reasons associated with the neighborhood. One respondent simply cited the general deterioration of the neighborhood

while two others specifically cited black enrollment in the public school system as a precipitating factor.

The resale market for Ballentine Place properties was comprised primarily of younger black households buying their first home. Over the five-year period, just over 70 percent of the buyers were black and three-fourths of them had previously rented. The majority of these black households included school-aged children and two wage earners. In general terms, they were employed in less skilled occupations than sellers; among them were nurses' aids, teachers aids, laborers, domestics, sanitation and janitorial workers. Though there was no clustering of previous residential location, most moved from predominately black and older areas of the city.

Only about a third (35.7 percent) of the black families that bought Ballentine Place homes had specific neighborhoods in mind when they began their search. Those that did, however, had a strong sense of racially transitional opportunities. Ballentine Place was specifically mentioned by several such buyers while four other racially changing neighborhoods with higher priced housing were also mentioned: Colonial Place, Larrymore Lawns, Poplar Halls and Ingleside. With a clear "mental map" of Norfolk's racially changing neighborhoods setting the context for choice, the affordable price range of Ballentine Place housing was suited to young black families with two wage earners seeking their first home.

While most were black, 30 percent of the Ballentine Place buyer households were white. Household characteristics were generally the same with two notable exceptions: fewer had school-aged children and many were headed by enlisted Navy personnel.

In the unsettling context of rapid racial transition and suspected adverse real estate marketing practices, a neighborhood citizens association was formed to help stabilize the neighborhood and preserve its racial balance. As reported in the local press, members of the association monitor real estate practices to ensure that homes are shown to both white and black prospective buyers. Whenever it seems that only blacks are being shown, the citizens group reminds the broker of non-discrimination laws.

Market Attributes

Despite the efforts of the citizens group to stabilize the pace of change, the dynamics described above generated massive turnover during the five-year study period: nearly half of the single-family homes in the neighborhood changed hands, the highest rate for any study neighborhood. Comparisons between study and control neighborhoods for this and other market indicators are presented in Table II.10. below.

Table II.10. SELECTED MARKET COMPARISONS BETWEEN BALLENTINE PLACE STUDY NEIGHBORHOOD AND NORVIEW CONTROL AREA

	<u>Ballentine Place (Study)</u>	<u>Norview (Control)</u>	<u>Absolute Difference</u>
Turnover 1970-1974	47.2%	26.5%	20.7
Mean Sale Price			
1970	\$13,237	\$13,676	
1974	\$19,902	\$23,056	
Change	50.4%	68.6%	-18.2
Units for Sale More Than Two Months	46.4%	7.1%	39.3
Vacancy Rate in Single-Unit Structures, Latest Year	4.3%	2.7%	1.6

Source: Property Transaction Records, Household Interviews and R.L. Polk Company Reports.

Despite a somewhat slow-moving market -- as evidenced by the proportion of units on the market more than two months -- demand was sufficiently strong to absorb nearly half the owner-occupied stock in Ballentine Place, generate substantial price appreciation and maintain a near-frictional vacancy rate. At the same time, owner-occupancy increased over the five years: as a percent of the total occupied units, those occupied by owners increased from 65 to 71 percent. In sum, the single-family ownership market remained strong and there was no evidence of conversions to rental status.

In contrast to the rapid rate of turnover in Ballentine Place, almost half as many Norview control neighborhood units changed hands over the study period and nearly all of those placed on the market sold within a two-month period. Despite somewhat stronger price appreciation and a lower vacancy rate in Norview, this comparison in no way diminishes the strength of the Ballentine Place housing market.

Racial and Socioeconomic Change

Racial transition was the most significant feature of change in the Ballentine Place neighborhood. According to the 1970 Census only two percent of the population was non-white. The rapid rate of turnover coupled with the high proportion of black buyers resulted in a dramatic change in this ratio. It is estimated that blacks accounted for 40 to 50 percent of the neighborhood population by the end of 1974. Racial transition was not accompanied by deleterious socioeconomic erosion, however.

Reflecting the departure of many long-term residents in the upper income brackets, the principal difference in the income distribution between buyer and seller households was a smaller proportion at the upper end of the spectrum and a greater clustering in the \$9,000 to \$17,000

range among buyer households. As a consequence of this distributional shift, the buyer household mean of \$10,880 was about 15 percent below that for sellers. In comparative terms, however, the mean among Norview control neighborhood buyers (\$10,740) was virtually identical to that in Ballentine Place and 30 percent below the Norview sellers' mean. At the same time, the level of educational attainment among Ballentine Place buyers was somewhat higher than among sellers. These comparisons are presented in the table below.

Table II.11. SELECTED SOCIOECONOMIC COMPARISONS BETWEEN
BALLENTINE PLACE BUYER AND SELLER HOUSEHOLDS

	<u>Buyer Households</u>	<u>Seller Households</u>
Mean Income	\$10,880	\$12,700
Income Distribution		
Less than \$9,000	28.6%	30.8%
\$9,000 to \$16,999	54.3%	30.8%
\$17,000 and Over	17.1%	38.4%
Education Beyond High School	17.1%	11.5%

Source: Household Interviews.

On an overall basis, the changes in income distribution do not have adverse implications for the socioeconomic status of the neighborhood or on the ability of homebuyers to adequately maintain their housing units. In part, the income difference is attributable to a number of seller households in the upper income brackets who were in a sense "under consuming" in their housing: they could have afforded higher priced housing long before they decided to move. In the aggregate, the income-to-housing value ratios among buyer households fell comfortably within accepted rules-of-thumb. The total value of units sold over the five-year period was equivalent to 145 percent of aggregate buyer household income.

Neighborhood Socioeconomic Indicators

While the foregoing paragraphs focused on the differences between buyer and seller households, overall neighborhood social indicators were also examined: the incidence of female-headed households and jobless heads, the welfare case load and crime rate.

For each indicator, the rate in Ballentine Place was higher than in the Norview control area but only in the case of female-headed households was there more than a marginal difference. These comparisons are presented in the table below.

Table II.12. SELECTED SOCIOECONOMIC COMPARISONS
BETWEEN BALLENTINE PLACE STUDY NEIGH-
BORHOOD AND NORVIEW CONTROL AREA, 1974

	<u>Ballentine Place (Study)</u>	<u>Norview (Control)</u>	<u>Percent Difference</u>
Female-Headed Households	5.8%	3.5%	65.7%
Jobless Heads of Households	7.8%	5.8%	34.5%
ADC Cases Per 100 Households	5.4	4.7	14.9%
Part I Crimes Per 100 Population	5.4	5.0	8.0

Source: R.L. Polk Company Reports, Norfolk Departments of Public Safety and Human Resources.

As illustrated, the proportion of female-headed households in Ballentine Place was nearly two-thirds higher than in the control neighborhood. While nowhere near the overall citywide rate of 9.4 percent, the proportion in Ballentine Place nearly doubled between 1970 and the end of 1973. On all other counts, however, the social indicators in Ballentine Place were closely in keeping with the control neighborhood.

Property Maintenance and Reinvestment

Both the levels of property maintenance evident from the "wind-shield" survey and reported buyer reinvestment activity were largely comparable in the study and control neighborhoods. The incidence of units with three or more deficient structural components and the sum of home improvement and repair activities reported in buyer household interviews are illustrated in the table below.

Table II.13. PROPERTY MAINTENANCE AND BUYER REINVESTMENT
COMPARISONS BETWEEN BALLENTINE PLACE STUDY
NEIGHBORHOOD AND NORVIEW CONTROL AREA

	<u>Ballentine Place (Study)</u>	<u>Norview (Control)</u>	<u>Absolute Difference</u>
Units with Three or More Deficient Components	21.2%	15.4%	5.8
Buyer Households Reporting Home Improvements and Repairs	54.0%	55.7%	-1.7

Source: Hammer, Siler, George Associates Wind-shield Survey and Household Interviews.

As illustrated, approximately one-fifth of the Ballentine Place units evidenced maintenance deficiencies in three or more structural components. Though high, the somewhat greater incidence in the study neighborhood is not statistically significant and may simply be attributable to chance differences in the sample selected.

By the same token, the cumulative home improvement and repair activity on the part of buyer households in both neighborhoods was virtually identical. In sum, structural conditions and consumer reinvestment in the two neighborhoods were equivalent.

Consumer Attitudes

Apart from the "white flight" phenomenon evident in the proportion of sellers moving for neighborhood-related reasons, buyer confidence in both neighborhoods remained strong. Consumer attitude comparisons are presented in the table below.

Table II.14. SELECTED CONSUMER ATTITUDE COMPARISONS
BETWEEN BALLENTINE PLACE STUDY NEIGHBORHOOD
AND NORVIEW CONTROL AREA

	<u>Ballentine Place (Study)</u>	<u>Norview (Control)</u>	<u>Absolute Difference</u>
Sellers Moving for Neighbor- hood-Related Reasons	23.1%	14.3%	8.8
Buyers Less Satisfied Since Moving in	15.8%	16.1%	-0.3
Buyers Believing Property Values are not Appreciating	37.8%	29.0%	8.8

Source: Household Interviews.

At 15.8 percent, the proportion of Ballentine Place buyers less satisfied with the neighborhood since moving in was the lowest among study neighborhoods and virtually identical to the proportion in Norview. Despite a 50 percent escalation in property values over the study period, however, nearly 40 percent of the buyers did not perceive this trend. This finding loses meaning, however, since a statistically comparable proportion of buyers in the control neighborhood likewise did not perceive the actual strong price appreciation.

Summary

The Ballentine Place neighborhood is a classic example of racial succession hinging on the life cycle changes and proximity to predominantly black areas. Accentuated by neighborhood concerns and racial fears, long-term white residents moved out primarily for reasons associated with age and the family cycle. They were succeeded primarily by younger black families with two wage earners seeking their first home.

Undoubtedly reflecting the limited number of perceived racially open neighborhoods within the appropriate price bracket, the level of demand was sufficient to absorb a massive turnover in units, sustain strong price appreciation and maintain low vacancy rates. At the same time, the socioeconomic differences between buyer and seller households were minimal. With the exception of an increasing proportion of female-headed households, the neighborhood profile is little different from the control neighborhood. While both evidence signs of neglect, there is no evidence of differential neighborhood decline in terms of physical condition and consumer confidence.

Norfolk: Ingleside Study Neighborhood

Location and General Character

The Ingleside neighborhood is located along the Virginia Beach Boulevard corridor, the principal thoroughfare linking the Norfolk central business district with the prosperous suburb and beachfront resort of Virginia Beach to the east. With Virginia Beach Boulevard forming the northern boundary, the Ingleside neighborhood is further demarcated by waterways on two sides and railroad tracks on the fourth. With this strong boundary definition and only one principal point of entry, Ingleside is a sharply defined neighborhood. It is by no means homogeneous, however.

Constructed during the later 1960's, Interstate Highway 264 bisects the neighborhood near its southern boundary. Industrial uses along its southwestern fringe are in sharp contrast to the high quality housing found in many parts of the neighborhood. A 200-unit post-War multi-family project -- a series of frame four-unit structures -- at the western edge of the neighborhood is reasonably well maintained and offers rents at the low end of the price spectrum. Tenancy in the project is virtually all black and includes many households in the low-income categories.

Waterfront properties along Broad Creek provide a high amenity residential setting for the substantial brick structures clustered around its cul-de-sac streets. Other portions of the neighborhood include pockets of mixed housing stock ranging from smaller cinderblock and brick bungalows to older frame dwellings. The brick rambler in the photograph is representative of the more choice housing in the neighborhood.

Less than a mile to the east, the Easton control neighborhood is very similar in character. It too has high amenity waterfront sites and pockets of diversified housing types. As in Ingleside, an interstate highway (I-64) slices through the area.

In 1970, basic socioeconomic indicators in Ingleside and Easton were very similar. With the difference between the two measured in a few hundred dollars, mean family income in both neighborhoods was approximately 25 percent above the city-wide mean. Both in terms of educational attainment and residents employed in managerial, technical and professional occupations, the rates were virtually identical and in close keeping with city-wide averages. These comparisons are presented in the table below.

Table II.15. COMPARISON OF SELECTED 1970 SOCIOECONOMIC AND HOUSING INDICATORS, CITY OF NORFOLK, INGLESIDE AND EASTON

	<u>City of Norfolk</u>	<u>Ingleside (Study)</u>	<u>Easton (Control)</u>
<u>Socioeconomic</u>			
Mean Family Income	\$ 9,236	\$11,507	\$11,752
Over 12 Years Education	19.6%	18.5%	17.4%
Managerial, Technical and Professional Occupations	20.0%	23.6%	25.4%
<u>Housing</u>			
Owner-Occupied	40.9%	61.1%	87.2%
Mean Value	\$16,400	\$21,148	\$21,046
Structures Built Before 1940	30.6%	8.9%	3.6%

Source: U.S. Census of Population and Housing, 1970.

Reflecting the postwar development of both neighborhoods, less than 10 percent of the residential structures in both neighborhoods were built

before 1940. Like family income, the mean value of owner-occupied structures was virtually identical and nearly 30 percent above the city-wide mean. Only in terms of owner-occupancy was there a substantial difference between the two neighborhoods. While over 60 percent of the Ingleside units were owner-occupied, nearly 90 percent of those in Easton were owner-occupied.

Dynamics of Changes

Several factors have combined to trigger the forces of change in Ingleside. Among them are construction of the Interstate, proximity to predominantly black areas on its western flank, a high school reassignment for neighborhood students from a predominantly white to predominantly black school and the adverse influence of the low-rent multi-family project. While these factors have triggered change, there is no present evidence of decline.

As characterized by local sources, the neighborhood was once dominated by middle-class white families working in the professions and other white collar occupations. Among those moving from the neighborhood, for example, were a dentist, budget analyst and steamship company office manager. Reflecting the diversity of housing, however, households moving from the neighborhood also included a policeman, fireman and pressman for the local newspaper.

Of the 10 seller households reporting specific reasons for their move, six (60.0 percent) did so for purely housing-related reasons. Citing the need for another bedroom, separate bedrooms for their growing children or the desire for a den, the majority moved for reasons of this nature. There were, however, three families (30.0 percent) that moved because of conditions in the neighborhood. Two families moved because of blacks and asserted that they were the only white families left on

their block. The third cited the rundown character of the multi-family project and the family's determination to avoid school busing. In sum, neighborhood reasons accounted for nearly a third of the moves.

Despite the "white flight" phenomenon noted above, the neighborhood retained its appeal as a residential location for both white and black households. Over the five-year study period, buyer households were almost evenly split along racial lines: 53 percent were black and 47 percent white. Among both blacks and whites, three-fourths had previously rented and the move to Ingleside represented the first experience in homeownership. In this sense, the previous tenure pattern is similar to that in Ballentine Place except that Ingleside buyers were of a generally higher income stratum.

In 70 percent of the black husband/wife households, both were employed and worked in occupations such as the teaching and nursing professions and skilled labor categories such as a mechanic, crane operator, brick layer and plumber, for example. Most black households included school-aged children. With average household size a high 4.3 persons, several included extended family relationships such as a parent, sister or other relative as well as children.

Like their Ballentine Place counterparts, black families moved from widely scattered locations generally in the older parts of the city that are predominantly black. Forty-five percent had specific neighborhoods in mind when they began looking for a home to buy. Six of the eight who did so (75.0 percent) mentioned Ingleside as one of the neighborhoods they were interested in. In addition, however, black buyers mentioned five other racially transitional neighborhoods: Colonial Place, Aragona Village, Poplar Halls, Larrymore Lawns and Princess Anne Plaza.

White households moving into Ingleside were only slightly different from their black counterparts. Fewer households had two wage earners and both income levels and occupational status were slightly higher: a certified public accountant, psychologist, clergyman and college instructor were among them. What is perhaps most striking about white household behavior is that half of them moved in from outside of the Norfolk area and presumably knew little about the neighborhood. Of the remainder, virtually all moved from one house to another within Ingleside or from immediately adjacent areas.

Market Attributes

While 30 percent of the seller households moved for neighborhood-related reasons, Ingleside experienced the lowest rate of turnover among all study neighborhoods and the housing market remained strong over the five-year period. Study and control neighborhood comparisons are arrayed in Table II.16.

Table II.16. SELECTED MARKET COMPARISONS BETWEEN INGLESIDE STUDY NEIGHBORHOOD AND EASTON CONTROL AREA

	<u>Ingleside</u> (Study)	<u>Easton</u> (Control)	<u>Absolute</u> <u>Difference</u>
Turnover, 1970-1974	27.6%	30.3%	-2.7
Mean Sale Price			
1970	\$19,373	\$17,919	
1974	\$28,606	\$26,026	
Change	47.7%	45.2%	2.5
Units for Sale More Than			
Two Months	36.4%	33.3%	3.1
Vacancy Rate in Single Unit			
Structures, Latest Year	2.2%	1.1%	1.1

Source: Property Transaction Records, Household Interviews and R.L. Polk Company Reports.

With demand sufficient to absorb units placed on the market in a reasonably short period of time, prices appreciated nearly 50 percent over five years and vacancies stood at a remarkably low 2.2 percent at the close of 1973. It is particularly notable that roughly a third of the units were on the market for two months or more, by far the lowest rate among study neighborhoods. The owner-occupancy rate was virtually unchanged over the period. Along every dimension, the Ingleside market performance was virtually identical to the Easton control area, further evidence of its sustained strength.

Racial and Socioeconomic Change

With a moderate rate of turnover and a more or less equal number of black and white households moving into the neighborhood, racial change in Ingleside was not nearly so rapid as in Ballentine Place. Approximately six percent non-white in 1970, Ingleside's black population is estimated to have increased to the 30 to 40 percent range by the end of 1974.

Accompanying the strong market conditions, the profile of buyer households indicated sustained high socioeconomic status. As in Ballentine Place, the principal income difference between buyer and seller households was at the upper end of the distribution: while 60 percent of the seller households earned over \$17,000 per year, roughly 40 percent of the buyer households fell within that bracket. As a consequence, the mean among buyers was about nine percent lower. Socioeconomic comparisons are presented in the table below.

Table II.17. SELECTED SOCIOECONOMIC COMPARISONS BETWEEN
INGLESIDE BUYER AND SELLER HOUSEHOLDS

	<u>Buyer Households</u>	<u>Seller Households</u>
Mean Income	\$14,340	\$15,600
Income Distribution		
Less than \$9,000	11.1%	10.0%
\$9,000 to \$16,999	47.2%	30.0%
\$17,000 and over	41.7%	60.0%
Education Beyond High School	44.0%	50.0%

Source: Household Interviews.

Despite modest differences between buyer and seller households, the mean buyer income of \$14,340 coupled with the high educational attainment level are clear evidence of solid socioeconomic status. As one measure of financial capability in maintaining the housing stock, the total value of units sold over the five-year period was equal to 158 percent of aggregate household income.

Neighborhood Socioeconomic Indicators

Both in terms of female-headed households and the ADC caseload, the rates in Ingleside were substantially above those in the Easton control area. Approaching the city-wide average of 9.4 percent, the proportion of female-headed households in Ingleside nearly doubled from 4.7 to 8.4 percent between 1970 and the end of 1973. In contrast, the crime and jobless rates were closely in keeping with the control neighborhood. These comparisons are presented in the following table.

Table II.18. SELECTED SOCIOECONOMIC COMPARISONS
BETWEEN INGLESIDE STUDY NEIGHBORHOOD
AND EASTON CONTROL AREA, 1974

	<u>Ingleside</u> (Study)	<u>Easton</u> (Control)	<u>Percent</u> <u>Difference</u>
Female-Headed Households	8.4%	3.3%	154.6%
Jobless Heads of Households	7.7%	5.7%	35.1%
ADC Cases Per 100 Households	7.6	3.1	145.2%
Part I Crimes Per 100 Population	4.9	4.6	6.5%

Source: R.L. Polk Company Reports, Norfolk Departments of Public Safety and Human Resources.

While no adverse influence should be attached to female-headed households as such, the close congruence between this indicator and the ADC caseload -- which almost by definition includes female-headed households -- suggests that most of those in the neighborhood are on welfare. Given the presence of the low-rent multi-family project in Ingleside, the sharp increase is probably more attributable to tenancy changes in the project rather than turnover in the owner-occupied stock.

The implications for neighborhood stability are uncertain. To the extent that the female-headed ADC households are concentrated in the rental project, there is no direct influence on the owner-occupied stock. As cited by one homeowner moving from the neighborhood, however, the characteristics of tenants in the project could adversely affect homeowners' image of the neighborhood and their attitude toward it as a place to live. This will come into sharper focus in succeeding pages.

Property Maintenance and Reinvestment

In keeping with the overall market strength and high socioeconomic status of buyer households, reinvestment activity on the part of

homeowners and visible maintenance levels were high. Study and control neighborhood comparisons are presented in the table below.

Table II.19. PROPERTY MAINTENANCE AND BUYER REINVESTMENT COMPARISONS BETWEEN INGLESIDE STUDY NEIGHBORHOOD AND EASTON CONTROL AREA

	<u>Ingleside</u> (Study)	<u>Easton</u> (Control)	<u>Absolute</u> <u>Difference</u>
Units with Three or More Deficient Components	0.8%	5.4%	-4.6
Buyer Households Reporting Home Improvements and Repairs	56.8%	56.9%	-0.1

Source: Hammer, Siler, George Associates' Windshield Survey and Household Interviews.

As illustrated, only about one percent of the single-family units had three or more deficient components, a rate even below that in the control neighborhood. Home improvement and repair activity on the part of buyers was virtually identical. In sum, physical conditions in the neighborhoods were comparable.

Consumer Attitudes

Despite the continued strength of the Ingleside neighborhood along virtually every objective indicator, consumer confidence was woefully weak. In part reflecting the "white flight" phenomenon, just over a fourth of the sellers (27.3 percent) moved for neighborhood-related reasons; in sharp contrast, 6.7 percent of those in the control neighborhood did so for such reasons.

Even more meaningful are the attitudes of homeowners that moved into the neighborhood during the study period. Fully one-third (33.3 percent) of the buyers were less satisfied with the neighborhood since moving in, the highest rate in any study neighborhood. Further, 40.5 percent of the buyers did not believe property values were appreciating even though values did in fact appreciate nearly 50 percent over the previous five years. These comparisons are presented in the table below.

Table II.20. SELECTED CONSUMER ATTITUDE COMPARISONS
BETWEEN INGLESIDE STUDY NEIGHBORHOOD
AND EASTON CONTROL AREA

	<u>Ingleside</u> <u>(Study)</u>	<u>Easton</u> <u>(Control)</u>	<u>Absolute</u> <u>Difference</u>
Sellers Moving for Neighborhood- Related Reasons	27.3%	6.7%	20.6
Buyers Less Satisfied Since Moving in	33.3%	5.6%	27.7
Buyers Believing Property Values Are Not Appreciating	40.5%	13.9%	26.6

Source: Household Interviews.

Of particular note, whites were more dissatisfied with the neighborhood than their black counterparts. Among the white households interviewed, over half (52.9 percent) were less satisfied since moving in whereas only 15.0 percent of the blacks were less satisfied.

Though the reasons for dissatisfaction among the white households were diverse and may obscure racial considerations, two of the nine cited race while three specifically identified the run-down character of the rental project and the types of tenants residing there. While

the neighborhood appealed to a bi-racial group of consumers during the first five years of this decade, increasing dissatisfaction among whites may alter the pattern in the future.

Summary

In virtually every objective measure, the Ingleside neighborhood exhibited exemplary strength. With racial transition as the principal feature of change, there was a measure of "white flight" triggering moves from the neighborhood. At the same time, however, turnover was comparatively low and the neighborhood attracted a bi-racial group of buyers of sound socioeconomic status.

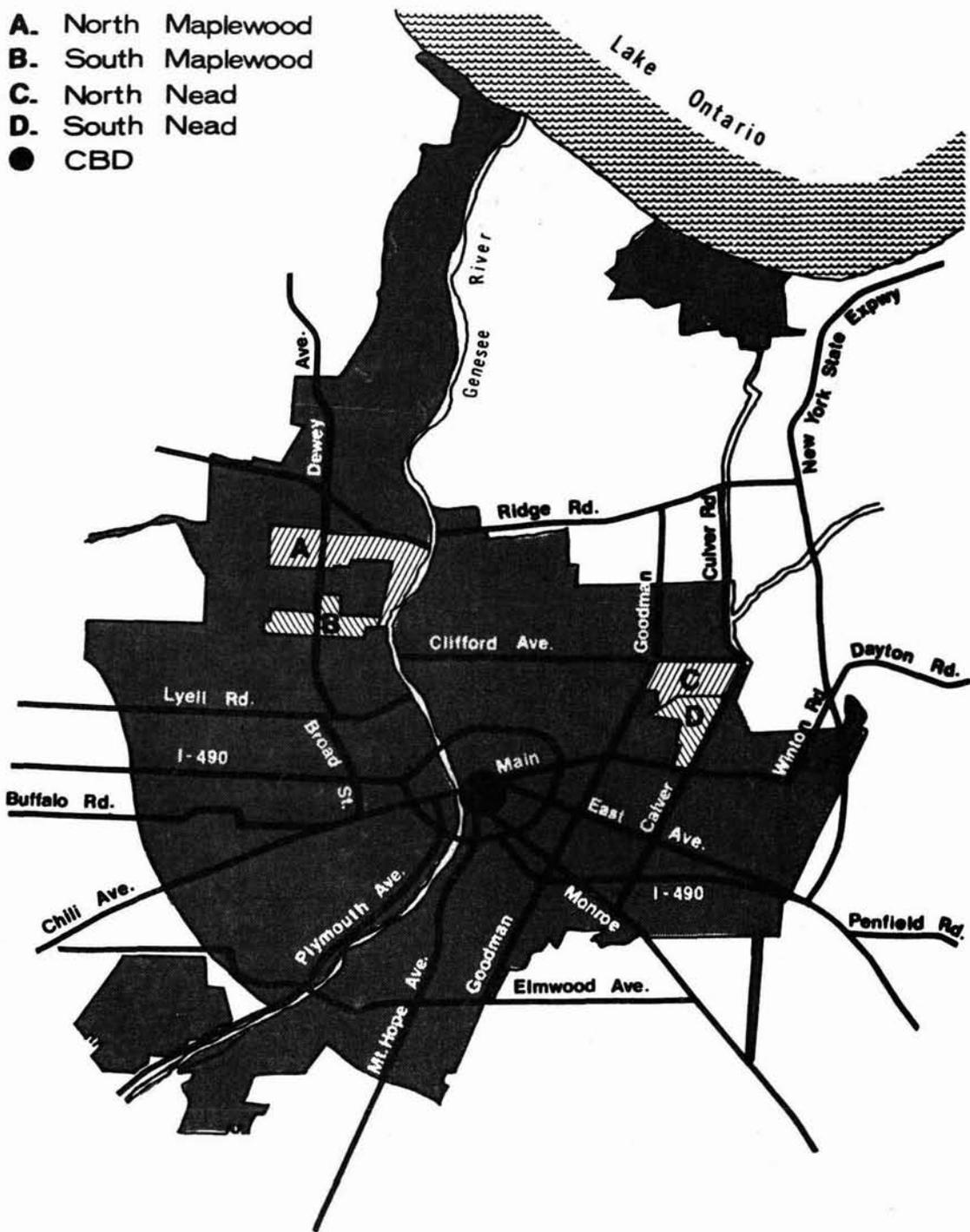
With this strong homeowner base, market attributes, social indicators and property maintenance levels attest to the sustained viability of the neighborhood. While manifestations of decline are little evident, two critical factors could well be decisive in the future.

The low-rent multi-family project has attracted many low-income black households and probably accounts for the sharp increase in the neighborhood ADC caseload. Though hardly the sole source of discontent, the influence of the project on the neighborhood is suggested by the fact that one-third of the whites less satisfied since moving in cited it specifically as the source of their dissatisfaction.

Whatever the scale or pervasiveness of the rental project's impact, it is clear that the neighborhood suffers from an erosion in consumer confidence. Despite the strength of objective indicators, a third of the buyers were less satisfied since moving in and 40 percent failed to perceive the strong appreciation in sale prices. While these attitudes may not have affected consumer behavior yet, they may do so in the not too distant future.

It is particularly noteworthy that a majority of the white buyers were less satisfied since moving in. While whites accounted for almost half of the buyers between 1970 and 1974 and thus sustained the bi-racial balance in the neighborhood, continued dissatisfaction may diminish the appeal to white buyers and eventually result in the re-segregation of the neighborhood.

- A. North Maplewood
- B. South Maplewood
- C. North Nead
- D. South Nead
- CBD



CITY OF ROCHESTER: STUDY AND CONTROL NEIGHBORHOODS



FIGURE D: North NEAD Unit



FIGURE E: South NEAD Unit

Rochester: NEAD Study Neighborhoods

Location and General Character

North East Area Development, Inc. (NEAD) is a neighborhood-based organization devoted to stabilization and regeneration of several contiguous neighborhoods northeast of Rochester's central business district. The two Rochester study areas selected for detailed scrutiny are two contiguous census tracts within the broader NEAD area.

Though not normally considered discrete and separate neighborhoods, the somewhat artificial census tract distinction is particularly useful in this study: neighborhood deterioration is evident in the southern portion of the neighborhood while the northern sector remains strong on virtually every count. To a large extent, these two census tracts bracket the continuum of early neighborhood decline. For convenient reference these two census tracts have been designated North NEAD and South NEAD.

While the boundaries to the west are somewhat arbitrary and do not represent strong physical barriers, major thoroughfares bound the area on three sides while another demarcates the North and South study areas. On the south, the Main Street artery leads directly into the Rochester central business district and forms one boundary of the study area. This short stretch includes several deteriorated commercial structures and the most deteriorated residential units are nearby.

Culver Street forms the eastern edge of the NEAD area and includes a viable commercial node meeting neighborhood shopping needs. The Bay Street boundary between North and South NEAD is a major thoroughfare with scattered "mom and pop" stores, other retail and service establishments.

The housing throughout the NEAD area is of comparable style: substantial, detached frame structures of two- to three-stories dating from the pre-war era. The homes pictured in the accompanying photographs are typical of the area except that the South NEAD structure shows more signs of neglect than most others in the area.

The combined NEAD study area is directly north of an older industrial area straddling the Penn Central Railroad mainline and yard facilities. For many years, the NEAD area was a prime "walk-to-work" neighborhood for employees of these industries. Reflecting the obsolescence of the plant facilities and shifting national markets, many of the factories in the area have closed down or reduced their work force in recent years. With this employment prop slowly eroding, a long-standing source of market support has diminished. At the same time, the western edge of NEAD is adjacent to the Model Cities area and is thus subject to the attending racial and socioeconomic pressures on its western flank.

During the middle years of the study period, the NEAD neighborhood organization devoted efforts to stabilization of the South NEAD study area. Aided by VISTA workers assigned to NEAD, the organization closely monitored public service levels, code enforcement, certificate of occupancy regulations and sought to stem the rate of conversion to rental status. In more recent years the organization has shifted its attention to the more severely deteriorated sections of its territory south of the study tracts and little effort has been devoted to them.

The Maplewood control area, on the other side of the Genessee River and northwest of the central business district, is very similar in character. The Maplewood neighborhood is immediately adjacent to Kodak Park, the major manufacturing center for this preeminent Rochester employer.

The Maplewood area has long been considered a prime residential location for Kodak employees. While the age and obsolescence of the housing units have reduced its appeal to some extent, the thriving nearby employment base has sustained its viability as a residential location. For purposes of detailed analysis, two of the three census tracts comprising the Maplewood neighborhood have been isolated and matched against their NEAD counterparts.

To highlight the differences between the North and South NEAD study tracts, the dynamics, market attributes and socioeconomic changes are presented separately in the pages which follow.

North NEAD

The basic similarities between North NEAD and North Maplewood are evident from the 1970 census. With roughly a \$650 difference between the two neighborhoods, mean family income in both was slightly above the city-wide mean of \$10,762. While North NEAD educational attainment levels and the proportion of residents engaged in professional, technical and managerial occupations were closely in keeping with city averages, comparable rates in North Maplewood were somewhat higher. Comparisons are presented in the table on the following page.

Table II.21. COMPARISON OF SELECTED 1970 SOCIOECONOMIC AND HOUSING INDICATORS, CITY OF ROCHESTER, NORTH NEAD AND NORTH MAPLEWOOD

	<u>City of Rochester</u>	<u>North NEAD (Study)</u>	<u>North Maplewood (Control)</u>
<u>Socioeconomic</u>			
Mean Family Income	\$10,762	\$11,462	\$12,120
Over 12 Years Education	16.1%	13.0%	21.7%
Managerial, Technical and Professional Occupations	13.4%	14.7%	22.9%
<u>Housing</u>			
Owner-Occupied	45.5%	69.1%	49.5%
Mean Value	\$15,500	\$16,291	\$16,200
Structures Built Before 1940	79.5%	84.2%	81.7%

Source: U.S. Census of Population and Housing, 1970.

In terms of housing, over 80 percent of the units in both neighborhoods were built before the war and the mean value of slightly over \$16,000 for owner-occupied units was virtually the same. While the near-50 percent rate of owner-occupancy in North Maplewood was closely in keeping with the city mean, North NEAD had a larger owner-occupancy base: 69.1 percent of the units.

Dynamics of Change

In contrast to its long-standing role as a residential base for nearby factory employment, North NEAD has become a first home stepping-stone for young white working couples. Neighborhood conditions have not yet reached a level of serious concern.

Among North NEAD sellers, there was a near-even split between long-time residents and those less firmly rooted in the neighborhood. Of those living in the neighborhood over 15 years, only two were retired

but none of them had school-aged children and all were in the latter stages of the life cycle. While two mentioned neighborhood deterioration as a contributing factor, this group of long-term residents moved for a combination of reasons reflecting their age, "empty nester" status and inability to keep up their property.

Among households that lived in the neighborhood less than 15 years, virtually all of them were husband/wife households with school-aged children and headed by a single wage earner employed in a manufacturing occupation. In the chain of housing quality moves that accompany family growth and greater affluence, their reasons for moving from the neighborhood were highly diverse. Some related to the need for a larger home, the more desirable suburban school system and a miscellany of other factors associated with housing quality and location. None of these respondents cited neighborhood conditions as a precipitating factor in their move.

The resale market for North NEAD homes was dominated by young white families looking for a starter home: 85 percent of the buyers had rented their previous residence. In fully half of the husband/wife households, both were employed in a wide variety of factory, public service and retail jobs. The majority were childless while a large percentage had only one child.

Fifty percent of the buyers had specific neighborhoods in mind. Among those mentioned were several choice suburban areas. While many would have preferred the suburbs -- such as the nearby Irondequoit area -- suburban housing was beyond their financial reach. The North NEAD area fell within their starter home price range and a majority cited price as a specific neighborhood or housing attraction. In addition, respondents cited remodeling and replacements completed by previous owners or the "do-it-yourself" opportunities as contributing factors.

Market Attributes

The turnover rate in the North NEAD neighborhood was among the lowest of all the study neighborhoods. Though the market was a little soft and sluggish -- as indicated by the proportion of units on the market for two months or more and the five percent vacancy rate -- the market in the control neighborhood was virtually the same along these dimensions. Market attribute comparisons are presented in the table below.

Table II.22. SELECTED MARKET COMPARISONS BETWEEN NORTH NEAD STUDY NEIGHBORHOOD AND NORTH MAPLEWOOD CONTROL AREA

	<u>North NEAD (Study)</u>	<u>North Maplewood (Control)</u>	<u>Absolute Difference</u>
Turnover, 1970-74	29.8%	26.0%	3.8
Mean Sale Price			
1970	\$15,550	\$20,508	
1974	\$18,825	\$22,716	
Change	21.1%	10.8%	10.3
Units for Sale More Than Two Months	45.5%	40.0%	5.5
Vacancy Rate in Single Unit Structures, Latest Year	5.4%	4.8%	0.6

Source: Property Transaction Records, Household Interviews and R.L. Polk Company Reports.

With all other market indicators virtually alike, the solid if not dramatic appreciation of approximately 20 percent in North NEAD property values was roughly double the rate in North Maplewood. Over the five-year period, the owner-occupancy rate remained unchanged. In sum, the North NEAD market was comparatively solid in the Rochester central city context if not as strong as the neighborhood markets in Norfolk.

Racial and Socioeconomic Change

Only 12.5 percent of the buyer households moving into the neighborhood were of minority groups. Among them were several of Hispanic and Oriental ethnic backgrounds; blacks accounted for 6.3 percent of the total buyer households. As a consequence, the overall racial composition in the neighborhood did not change significantly over the five-year study period. From a base of 2.2 percent in 1970, the nonwhite population was still below 10 percent at the close of 1974.

The North NEAD neighborhood was one of two study areas in which the overall socioeconomic profile of buyer households was substantially above that of sellers. Reflecting the departure of many older households on retirement incomes or income derived from a single wage earner and their replacement by young, upwardly mobile young families -- many with two wage earners -- the mean income among buyer households was nearly 25 percent above that among sellers. Similarly, more than three times as many continued their education beyond high school. These comparisons are presented in the table below.

Table II.23. SELECTED SOCIOECONOMIC COMPARISONS BETWEEN NORTH NEAD BUYER AND SELLER HOUSEHOLDS

	<u>Buyer</u> <u>Households</u>	<u>Seller</u> <u>Households</u>
Mean Income	\$13,320	\$10,800
Income Distribution		
Less than \$9,000	16.1%	50.0%
\$9,000 to \$16,999	54.8%	20.0%
\$17,000 and Over	29.1%	30.0%
Education Beyond High School	46.0%	13.6%

Source: Household Interviews.

The most striking aspect of the income distribution comparison is at the lower end of the spectrum. While half of the seller households reported incomes below \$9,000, only 16 percent of the buyer households were in this category. The proportions earning \$17,000 and over were identical.

Neighborhood Socioeconomic Indicators

In every available socioeconomic indicator, North NEAD was at least marginally superior to the control area. While welfare case-load data was not available in Rochester, the other comparisons presented in the table below illustrate North NEAD's strong standing.

Table II.24. SELECTED SOCIOECONOMIC COMPARISONS
BETWEEN NORTH NEAD STUDY NEIGHBORHOOD
AND NORTH MAPLEWOOD CONTROL AREA, 1974

	<u>North NEAD (Study)</u>	<u>North Maplewood (Control)</u>	<u>Percent Difference</u>
Female-Headed Households	4.0%	4.3%	- 7.0%
Jobless Heads of Households	7.9%	8.5%	- 7.1%
ADC Cases Per 100 Households	NA	NA	-
Part I Crimes Per 100 Population	3.3	3.8	-13.2%

Source: R. L. Polk Company Reports,
Rochester Police Department.

While the differences between the two neighborhoods are not great, the proportion of female-headed households, jobless heads and the crime rate were among the lowest of the neighborhoods studied.

Property Maintenance and Reinvestment

Undoubtedly reflecting the age of the housing in both neighborhoods, roughly 10 to 15 percent of the units had three or more deficient components. By the same token, however, buyers in both neighborhoods reported substantial home improvement and repair activity. These comparisons are presented in the table below.

Table II.25. PROPERTY MAINTENANCE AND BUYER REINVESTMENT COMPARISONS BETWEEN NORTH NEAD STUDY NEIGHBORHOOD AND NORTH MAPLEWOOD CONTROL AREA

	<u>North NEAD (Study)</u>	<u>North Maplewood (Control)</u>	<u>Absolute Difference</u>
Units with Three or More Deficient Components	16.4%	12.0%	4.4
Buyer Households Reporting Home Improvements and Repairs	53.9%	66.7%	-12.8

Source: Hammer, Siler, George Associates
Windshield Survey and Household
Interviews.

While differences between the two neighborhoods are evident in the table, they are not statistically significant and suggest sampling variations rather than differential behavior. Conditions, then, were the same.

Consumer Attitudes

With the exception of property value appreciation perceptions, consumer attitudes reflect continued confidence in the neighborhood. While roughly one-fourth of the sellers moved for neighborhood-related reasons and approximately one-fifth of the buyers were less satisfied since moving in, these proportions were not statistically significant

in their difference from North Maplewood control consumers. Comparisons are presented in the table below.

Table II.26. SELECTED CONSUMER ATTITUDE COMPARISONS
BETWEEN NORTH NEAD STUDY NEIGHBORHOOD
AND NORTH MAPLEWOOD CONTROL AREA

	<u>North NEAD (Study)</u>	<u>North Maplewood (Control)</u>	<u>Absolute Difference</u>
Sellers Moving For Neighborhood- Related Reasons	27.3%	20.0%	7.3
Buyers Less Satisfied Since Moving In	21.9%	14.8%	7.1
Buyers Believing Property Values are not Appreciating	80.0%	38.5%	41.5

Source: Household Interviews.

Only in the case of property value perceptions did North NEAD buyers evidence expectations about the neighborhood that may influence their decision to remain in the neighborhood or make property improvements. Despite a higher rate of appreciation than North Maplewood, twice as many North NEAD buyers did not believe that values were appreciating. Compared to the 38.5 percent rate in North Maplewood, the 80.0 percent rate in North NEAD is statistically significant.

Summary

The North NEAD neighborhood has undergone something of a socio-economic renaissance. . . Though its role as a prime residential location for nearby factory employment has diminished, the neighborhood has become a starter home market for young, upwardly mobile white households temporarily priced out of the suburban market.

As a consequence, the socioeconomic profile of the neighborhood has been upgraded and basic social indicators have remained comfortably within the norm. Demand has been sufficiently strong to generate price appreciation only somewhat below the nationwide consumer price index and maintain vacancy rates below the citywide average. Maintenance levels are in keeping with the age of the housing while home improvement and repair activity indicate continued reinvestment in the stock.

The only chink in an otherwise consistent pattern of neighborhood vitality is the perception on the part of 80 percent of the buyer households that property values are not appreciating. In and of itself, this attitude may not affect the continued strength of the neighborhood.

Though there is no clear documentary evidence, it seems likely that in the stepping-stone process of improved housing quality, many of the buyer households will move on to suburban units as incomes grow and equity builds up. So long as the neighborhood retains its starter home appeal to buyers of comparable socioeconomic status, its future is assured. Its proximity to the adjacent Model Cities area and the South NEAD tract described in the pages which follow, however, may ultimately jeopardize its continued vitality.

South NEAD

The 1970 socioeconomic and housing indicators in southern portions of the study and control areas were only slightly lower than their northern counterparts. With mean family income slightly over \$11,000, both South NEAD and South Maplewood were very close to the city average. Occupational status and educational attainment were likewise comparable. Comparisons are presented in the table below.

Table II.27. COMPARISON OF SELECTED 1970 SOCIOECONOMIC AND HOUSING INDICATORS, CITY OF ROCHESTER, SOUTH NEAD AND SOUTH MAPLEWOOD

	<u>City of Rochester</u>	<u>South NEAD (Study)</u>	<u>South Maplewood (Control)</u>
<u>Socioeconomic</u>			
Mean Family Income	\$10,762	\$11,005	\$11,065
Over 12 Years Education	16.1%	12.0%	12.2%
Managerial, Technical and Professional Occupations	13.4%	15.5%	17.2%
<u>Housing</u>			
Owner-Occupied	45.5%	50.6%	45.9%
Mean Value	\$15,500	\$14,698	\$15,000
Structures Built Before 1940	79.5%	93.2%	96.5%

Source: U.S. Census of Population and Housing, 1970.

Over 90 percent of the housing in both neighborhoods was constructed before 1940; mean values for owner-occupied units were within five percent of each other and the citywide mean. Likewise, the owner-occupancy rate was at or near the 50 percent level.

Dynamics of Change

Along many dimensions, South NEAD evidenced signs of decline over the study period. While it too catered to the starter home market and did not change in overall socioeconomic status, neighborhood concerns and physical deterioration were more pronounced.

As in North NEAD, there was a notable split between those living in the neighborhood for over 15 years and those of shorter-term residence. While long-term residents moved for an equally diverse set of reasons

associated with their stage in the life cycle, neighborhood-related reasons were evident. Three of the nine long-term residents (33.3 percent) cited general neighborhood decline, specific problems with their neighbors or the inability of newcomers to maintain their property as specific reasons precipitating their move from the area.

In contrast to the less frequent mention of neighborhood reasons among other NEAD sellers, the great majority of shorter-term South NEAD residents cited a constellation of factors related to neighborhood decline. Apart from general deterioration, they cited thefts, crime, school yard fights, absentee landlords, and racial change as motivating factors. The following is typical: "Families moved in who were robbing you right and left. The police were there every day. Our children were not safe on the playgrounds. The whole neighborhood was just getting bad." Compared to the 27 percent rate among North NEAD sellers, 47 percent of those moving from South NEAD did so because of neighborhood conditions and change. This was the highest rate among all study areas.

With neighborhood concerns triggering almost half of the moves, South NEAD buyers comprised a more diverse market group. While the starter home market among young white families accounted for the near majority of South NEAD buyers, they were much less dominant than in North NEAD. Among the smaller number of black families, there was an equivalent proportion of young working couples in comparable socioeconomic categories making their first investment in home ownership. Demand on the part of these upwardly mobile families, however, was not sufficient to sustain the neighborhood's vitality.

Market Attributes

In every indicator, the South NEAD market was softer and less stable than North NEAD. Property values appreciated only eight percent compared to 20 percent in North NEAD; turnover, vacancy rates and the

proportion of units on the market more than two months were also higher. By the same token, the South Maplewood market out-performed South NEAD in every category. The comparisons are presented in the table below.

Table II.28. SELECTED MARKET COMPARISONS BETWEEN SOUTH NEAD STUDY NEIGHBORHOOD AND SOUTH MAPLEWOOD CONTROL AREA

	<u>South NEAD (Study)</u>	<u>South Maplewood (Control)</u>	<u>Absolute Difference</u>
Turnover, 1970-74	34.6%	24.9%	9.7
Mean Sale Price			
1970	\$16,372	\$18,030	
1974	\$17,651	\$20,050	
Change	7.8%	11.2%	-3.4
Units for Sale More Than Two Months	56.4%	23.6%	32.8
Vacancy Rate in Single-Unit Structures, Latest Year	6.9%	6.7%	0.2

Source: Property Transaction Records, Household Interviews and R.L. Polk Company Reports.

While the differences between the two neighborhoods were not great in other market indicators, the differential proportion of units for sale more than two months was statistically significant and indicate much softer levels of demand. In fact, three of the 23 South NEAD sellers (13.0 percent) reported having their house on the market over a year before selling. Moreover, South NEAD was the only neighborhood in which owner-occupancy decreased over the five-year period. As a proportion of all occupied units, those occupied by owners declined five percent from 60 to 55 percent of the total in five years.

Racial and Socioeconomic Change

With one-fourth of the buyer households non-white and an accentuated rate of turnover, the non-white population component increased from six percent in 1970 to an estimated 10 to 20 percent by the end of 1974.

In contrast to the marked socioeconomic escalation in North NEAD, the South NEAD profile changed very little. As illustrated in the table below, mean buyer household income was only two percent below that of sellers and the distribution was little changed. Likewise, the proportions with more than a high school education were almost the same.

Table II.29. SELECTED SOCIOECONOMIC COMPARISONS BETWEEN SOUTH NEAD BUYER AND SELLER HOUSEHOLDS

	<u>Buyer</u> <u>Households</u>	<u>Seller</u> <u>Households</u>
Mean Income	\$13,420	\$13,700
Income Distribution		
Less than \$9,000	10.3%	11.8%
\$9,000 to \$16,999	59.0%	52.9%
\$17,000 and Over	30.7%	35.3%
Education Beyond High School	15.2%	12.5%

Source: Household Interviews.

Neighborhood Socioeconomic Indicators

While welfare caseload data was not available and crime rates in the two neighborhoods were identical, the proportions of female-headed households and jobless heads were substantially higher in South NEAD. Comparisons are presented in the table on the following page.

Table II.30. SELECTED SOCIOECONOMIC COMPARISONS
BETWEEN SOUTH NEAD STUDY NEIGHBORHOOD
AND SOUTH MAPLEWOOD CONTROL AREA, 1974

	<u>South</u> <u>NEAD</u> <u>(Study)</u>	<u>South</u> <u>Maplewood</u> <u>(Control)</u>	<u>Percent</u> <u>Difference</u>
Female-Headed Households	7.3%	4.1%	78.1%
Jobless Heads of Households	14.2%	9.7%	46.4%
ADC Cases Per 100 Households	NA	NA	-
Part I Crimes Per 100 Population	5.4	5.4	0.0

Source: R. L. Polk Company Reports, Rochester Police Department.

Between 1970 and 1975, the South NEAD jobless rate tripled and the proportion of female-headed households nearly doubled.

Property Maintenance and Reinvestment

While somewhat fewer buyer households in South NEAD reported home improvement and repair activity, the difference is not statistically significant and therefore indicates comparable buyer household behavior. Nonetheless, visible signs of deterioration are clearly evident. Nearly one-fourth of the South NEAD units (24.7 percent) had maintenance deficiencies in three or more components, the highest rate in any neighborhood. The data are arrayed in the table on the following page.

Table II.31. PROPERTY MAINTENANCE AND BUYER REINVESTMENT
COMPARISONS BETWEEN SOUTH NEAD STUDY NEIGH-
BORHOOD AND SOUTH MAPLEWOOD CONTROL AREA

	<u>South</u> <u>NEAD</u> <u>(Study)</u>	<u>South</u> <u>Maplewood</u> <u>(Control)</u>	<u>Absolute</u> <u>Difference</u>
Units with Three or More Deficient Components	24.7%	11.1%	13.6
Buyer Households Reporting Home Improvements and Repairs	56.7%	63.5%	- 6.8

Source: Hammer, Siler, George Associates Windshield Survey
and Household Interviews.

With more than twice the proportion of deficient units, the lower maintenance levels in South NEAD were statistically significant. It is difficult to determine whether this difference is attributable to reduced maintenance on the part of dissatisfied long-term residents or equally frequent but less effective maintenance among buyers; whatever its source, physical manifestations of decline are evident.

Consumer Attitudes

With the highest proportion of sellers moving for neighborhood-related reasons, many South NEAD buyers were less satisfied since moving in and didn't believe that property values were appreciating. In both of these indicators, the proportions were the second highest among study neighborhoods. Comparisons are presented in the table on the following page.

Table II.32. SELECTED CONSUMER ATTITUDE COMPARISONS
BETWEEN SOUTH NEAD STUDY NEIGHBORHOOD
AND SOUTH MAPLEWOOD CONTROL AREA

	<u>South</u> <u>NEAD</u> <u>(Study)</u>	<u>South</u> <u>Maplewood</u> <u>(Control)</u>	<u>Absolute</u> <u>Difference</u>
Sellers Moving for Neighborhood-Related Reasons	47.8%	23.5%	24.3
Buyers Less Satisfied Since Moving in	29.3%	33.3%	-4.0
Buyers Believing Property Values are not Appreciating	76.9%	75.0%	1.9

Source: Household Interviews.

While the rates illustrated in the table were high among South NEAD buyers, they were equally high among South Maplewood control neighborhood buyers. Rather than diminish the significance of weakened consumer confidence in South NEAD, the comparison suggests that the control neighborhood itself is undergoing something of a crisis in consumer confidence.

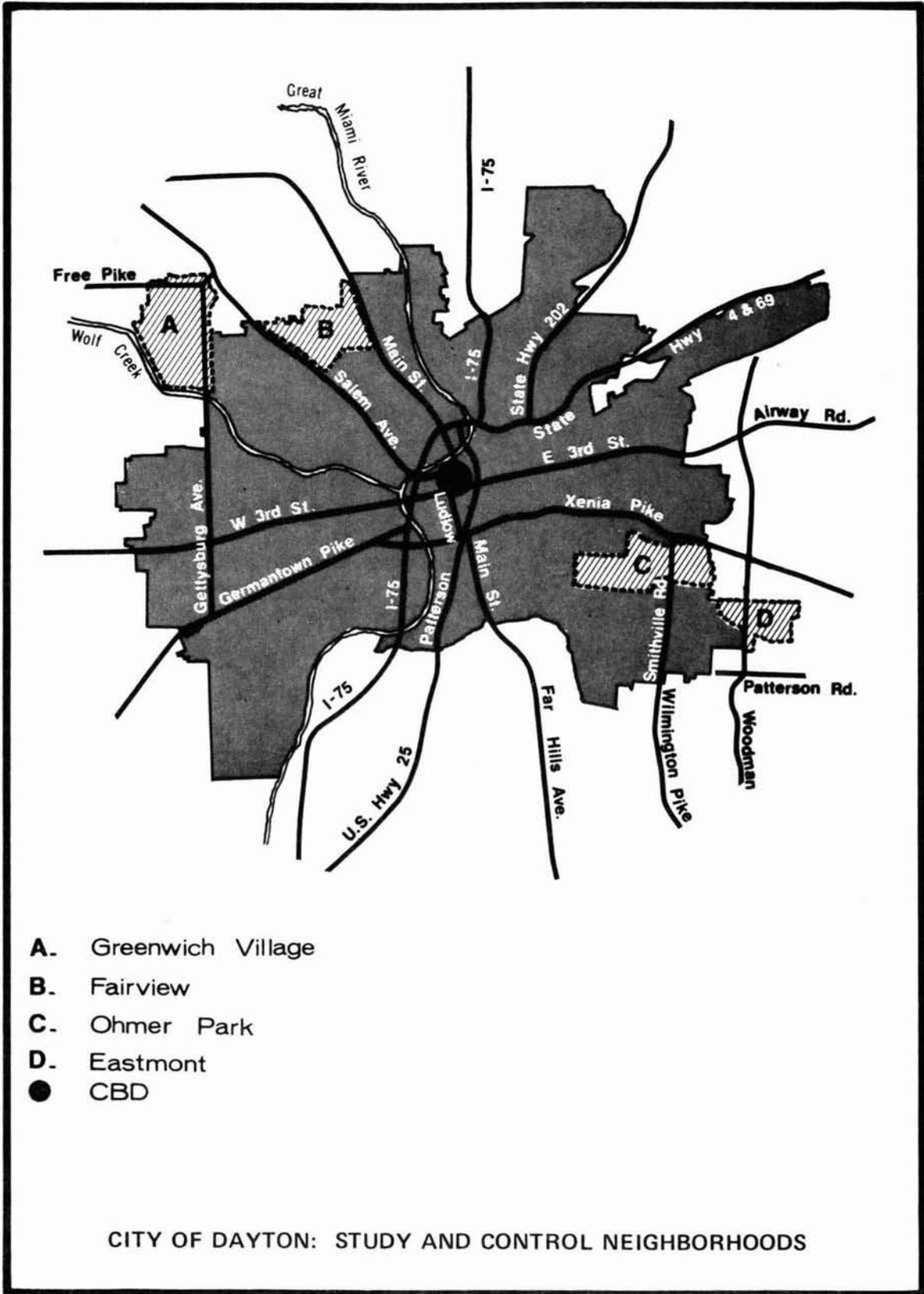
Summary

Neighborhood conditions evidence clear signs of decline. Physical deterioration is manifest and the increases in joblessness and female-headed households were coupled with conversions to rental status.

While the neighborhood retained its appeal as a starter-home location for upwardly mobile young families, demand from this source was not sufficient to sustain a strong market. Long marketing periods were common and price appreciation was modest. Alone among study neighborhoods, there was clear evidence of conversion to rental status.

In terms of the proportion of sellers moving for neighborhood-related reasons, buyers less satisfied since moving in and those perceiving no property value appreciation, consumer confidence in the neighborhood was shaky.

Though it has many basic characteristics in common with North NEAD, the South NEAD study neighborhood appears caught in the spiral of neighborhood decline. Whether the forces at work in the area encroach upon the otherwise sound tract to the north is still an open question.



- A. Greenwich Village
- B. Fairview
- C. Ohmer Park
- D. Eastmont
- CBD

CITY OF DAYTON: STUDY AND CONTROL NEIGHBORHOODS



FIGURE F: Greenwich Village Unit



FIGURE G: Fairview Unit

Dayton: Greenwich Village Study Neighborhood

Location and General Character

Annexed by Dayton in the 1950's, the Greenwich Village study neighborhood is an appendage of the city in its far northwest corner. Gettysburg Avenue, which runs along the eastern edge of the neighborhood, is a major low-density commercial strip with a number of vacated and vandalized retail structures.

Within the well-defined boundaries of Greenwich Village, there is a strong dichotomy between the housing south and north of Hillcrest Avenue. The area south of Hillcrest is comprised primarily of small, 1950's vintage bungalows built on slab foundations. Typically including two bedrooms and a single bath, the house in the accompanying photograph is highly representative. A subsidized housing project was recently constructed in this southern portion.

North of Hillcrest, more substantial brick ramblers predominate. Constructed during the 1950's and 1960's, many of these homes are in the \$30,000 to \$40,000 bracket. The homes toward Siebenthaler Avenue -- the northern boundary of the tract -- are at the upper end of the spectrum and most like the substantial subdivision homes of adjacent unincorporated areas.

The Eastmont control neighborhood is diametrically located in the far southeastern section of the city. Built as a single subdivision, the housing is far more homogeneous in character and closely resembles the Greenwich Village unit pictured in the photograph.

Socioeconomic comparisons as of 1970 are presented in the table on the following page. As illustrated, mean family income in both neighborhoods was

virtually identical and somewhat above the city average. Educational attainment and occupational levels were also very similar.

Table II.33. COMPARISON OF SELECTED 1970 SOCIOECONOMIC AND HOUSING INDICATORS, CITY OF DAYTON, GREENWICH VILLAGE AND EASTMONT

	<u>City of Dayton</u>	<u>Greenwich Village (Study)</u>	<u>Eastmont (Control)</u>
<u>Socioeconomic</u>			
Mean Family Income	\$10,329	\$12,106	\$12,370
Over 12 Years Education	14.4%	15.0%	12.7%
Managerial, Technical and Professional Occupations	17.2%	19.9%	17.6%
<u>Housing</u>			
Owner-Occupied	48.7%	78.2%	87.3%
Mean Value	\$16,300	\$18,100	\$17,130
Structures Built Before 1940	52.2%	4.7%	0.9%

Source: U.S. Census of Population and Housing, 1970.

Reflecting the post-War build-up in both neighborhoods, less than five percent of the units were built before 1940. With a strong owner-occupancy base, mean values of \$17,000 to \$18,000 were somewhat above the city-wide average.

Dynamics of Change

The dynamics of change within Greenwich Village are closely tied to the broader structure of racial transition within the City of Dayton as a whole. In a classic sectoral pattern, the black community traditionally has been concentrated west of the central business district across the Great Miami River. With population growth, affluence, and the chain of upgraded housing moves, the black community expanded primarily in a

westerly direction. It now extends to the newly built subdivision of Jefferson Township outside the city limits.

For years, Wolf Creek was the northern boundary of the black community and the line of racial demarcation. In more recent years, however, racial transition has occurred in many areas north of Wolf Creek. Creating a direct link with the black ghetto south of Wolf Creek, Gettysburg Avenue forms a spine along which much of the change has been occurring.

Expansionary pressures in the black community coupled with the housing prices and racial attitudes of Greenwich Village residents have triggered the forces of change in that neighborhood.

Though far removed from major manufacturing centers, many of the residents in southern Greenwich Village were factory workers of moderate income levels. Reflecting the Appalachian migration stream during the boom years of Dayton's industrial growth, many were of Appalachian descent and particularly sensitive to racial integration. In fact, the proportion of families moving from Greenwich Village for neighborhood-related reasons was the second highest among study areas: 45 percent. Even among the retired households -- 30 percent of the total -- racial reasons were as frequent as those connected with age and the life cycle.

While many of the families moving from Greenwich Village did so for different reasons, racial change was important to a near majority. Two respondents masked the racial significance of their comments by referring to a "rough type of people" moving in or concern for the safety of their children. Others were far more explicit in mentioning racial factors. One comment is typical of their fears and racial ambivalence: "Black people were taking over our neighborhood and harrassing my daughter. I do believe black and white can live together but my daughter was our reason for moving. If it would have just been my husband and I, we would have stayed."

In this context of "white flight," 80 percent of the households moving into Greenwich Village over the study period were black: the highest rate among all study neighborhoods. Slightly over half of the black buyer households were families with children in which both husband and wife were employed. Reflecting more established family status and the impact of double incomes, most were in the upper ranges of the income spectrum and half had previously owned another home. For this affluent, upwardly mobile set of households, then, Greenwich Village was at least the second step in home ownership and improved housing quality. Along with these younger affluent families, there were several retired black couples on fixed incomes who had previously owned another home in the predominantly black sections of Dayton.

In contrast to the family status among the majority of black buyer households noted above, one-fifth were female headed households with children. Hospital employment -- such as a cook, dietic assistant or salad girl -- was most frequently mentioned with incomes in the \$8,000 to \$10,000 range.

Alone among study neighborhoods, there was a distinct migration pattern among black families moving into Greenwich Village. Previous residences were clustered on either side of Gettysburg Avenue in the predominantly black areas south of Wolf Creek.

As they began looking for a home to buy, only about 40 percent had a specific neighborhood in mind. Apart from Greenwich Village itself, which received comparatively few mentions, three other exclusively black or racially transitional areas on the west side of Dayton were mentioned. Foremost among them was Dayton View, the extensive older area north of Wolf Creek. One mentioned the all-black Jefferson Township suburb while another mentioned Trotwood, a suburban area that is currently a flash point of racial change and tension. In sum, the mental map of housing

opportunity included a variety of west end areas inside and outside the city limits where other blacks lived.

Market Attributes

The racially-based dynamics recounted in the paragraphs above resulted in the second highest rate of turnover among the six study neighborhoods: nearly 40 percent of the single-family units changed hands over the five-year period. Selected market comparisons are presented in the table below.

Table II.34. SELECTED MARKET COMPARISONS BETWEEN GREENWICH VILLAGE STUDY NEIGHBORHOOD AND EASTMONT CONTROL AREA

	<u>Greenwich Village (Study)</u>	<u>Eastmont (Control)</u>	<u>Absolute Difference</u>
Turnover 1970-1974	39.4%	31.6%	7.8
Mean Sale Price			
1970	\$18,167	\$17,193	
1974	\$19,096	\$20,229	
Change	5.1%	17.7%	-12.6
Units for Sale More than Two Months	60.0%	33.3%	26.7
Vacancy Rate in Single-Unit Structures, Latest Year	13.6%	2.0%	11.6

Source: Property Transaction Records, Household Interviews and R.L. Polk Company Reports.

As suggested by the data in the table above, the white exodus from the neighborhood outstripped the demand for units and resulted in extremely weak market conditions. While the data above indicates a five percent rate of appreciation over the five-year period, mean value in fact peaked in 1971 and declined somewhat every year thereafter. Sixty percent of the units were on the market for more than two months, a

statistically significant difference from the control neighborhood. At the end of the study period, the vacancy rate in single-family units was an alarming 13.6 percent. Despite weak market conditions and the high vacancy rate, owner-occupancy increased four percent to 79 percent of the total units occupied.

The Eastmont control neighborhood market was far more viable along every dimension. With less than a 10 percent differential in turnover, demand for Eastmont properties was sufficient to absorb units, sustain a frictional vacancy rate and generate an appreciation rate three times that of the study area.

Racial and Socioeconomic Change

Reflecting the rapid rate of turnover and the preponderance of black buyer households, the non-white population of Greenwich Village increased from about four percent in 1970 to an estimated 40 to 50 percent by the end of 1974.

Though demand was not sufficient to sustain market vitality and equilibrium, the socioeconomic profile of those moving into the neighborhood was measurably higher than those moving out. These comparisons are presented in the table on the following page.

Table 11.35. SELECTED SOCIOECONOMIC COMPARISONS BETWEEN GREENWICH VILLAGE BUYER AND SELLER HOUSEHOLDS

	<u>Buyer</u> <u>Households</u>	<u>Seller</u> <u>Households</u>
Mean Income	\$14,440	\$13,400
Income Distribution		
Less than \$9,000	12.0%	13.3%
\$9,000 to \$16,999	40.0%	53.4%
\$17,000 and Over	48.0%	33.3%
Education Beyond High School	29.3%	20.0%

Source: Household Interviews.

Reflecting the double income characteristic in a majority of buyer households, the mean was approximately eight percent higher than that among seller households. In terms of the income distribution, it is particularly notable that almost half of the buyer households had incomes over \$17,000; this represents a 45 percent increase over seller households.

Neighborhood Socioeconomic Indicators

In all four of the socioeconomic indicators, the rates in Greenwich Village were substantially above the Eastmont control neighborhood. While the proportion of female-headed households almost doubled, the financial characteristics of most of those interviewed suggest nothing detrimental to the neighborhood. As illustrated in the table below, the other indicators are more significant.

Table II.36. SELECTED SOCIAL INDICATOR COMPARISONS BETWEEN GREENWICH VILLAGE STUDY NEIGHBORHOOD AND EASTMONT CONTROL AREA, 1974

	<u>Greenwich</u> <u>Village</u> <u>(Study)</u>	<u>Eastmont</u> <u>(Control)</u>	<u>Percent</u> <u>Difference</u>
Female-Headed Households	6.7%	3.8%	76.3%
Jobless Heads of Households	8.3%	4.6%	80.4%
ADC Cases Per 100 Households	6.8	1.4	385.7%
Part I Crimes Per 100 Population	6.3	3.5	80.0%

Source: R.L. Polk Company Reports, Dayton Police Department and Montgomery County Welfare Department.

While the Greenwich Village jobless rate nowhere near approached the Dayton average of 12.4 percent, it more than doubled over the five-year period and was substantially higher than in the control neighborhood. Similarly, welfare caseloads and the crime rate were far above comparable indicators in the control neighborhood.

Property Maintenance and Reinvestment

Despite statistically comparable rates of home improvement activity on the part of buyer households in both neighborhoods, visible signs of neglect were markedly higher in Greenwich Village. The comparisons are presented in the table below.

Table II.37. PROPERTY MAINTENANCE AND BUYER REINVESTMENT
COMPARISONS BETWEEN GREENWICH VILLAGE STUDY
NEIGHBORHOOD AND EASTMONT CONTROL AREA

	<u>Greenwich Village (Study)</u>	<u>Eastmont (Control)</u>	<u>Absolute Difference</u>
Units with Three or More Deficient Components	12.5%	3.0%	9.5
Buyer Households Reporting Home Improvement and Repairs	45.7%	55.2%	-9.5

Source: Hammer, Siler, George Associates
Windshield Survey and Household
Interviews.

Despite the recent vintage of most housing in the neighborhood, 12.5 percent of the units had three or more deficient components, a statistically significant difference from the control neighborhood. In part attributable to the inability of financially extended buyers to maintain their units, some measure of neglect is also undoubtedly attributable to continuing white resident dissatisfaction with the changes taking place. For whatever combination of reasons, physical deterioration is clearly evident.

Consumer Attitudes

White consumers particularly have lost confidence in the Greenwich Village neighborhood. With 45 percent moving for neighborhood-related reasons, only 20 percent of the replacement households were white. Of the five white buyer households interviewed, two (40 percent) were less satisfied since moving in.

Blacks, too, were less satisfied. Seven of the 24 black buyer households (29.2 percent) were less satisfied since moving in. Citing crime, rowdy kids, trash accumulation and property deterioration, both

blacks and whites had similar complaints. On an overall basis, more than a fourth were less satisfied since moving in. Comparative data is presented in the table below.

Table II.38. SELECTED CONSUMER ATTITUDE COMPARISONS
BETWEEN GREENWICH VILLAGE STUDY NEIGH-
BORHOOD AND EASTMONT CONTROL AREA

	<u>Greenwich Village (Study)</u>	<u>Eastmont (Control)</u>	<u>Absolute Difference</u>
Sellers Moving for Neighborhood Related Reasons	45.0%	13.3%	31.7
Buyers Less Satisfied Since Moving In	27.6%	8.8%	18.8
Buyers Believing Property Values Are Not Appreciating	61.5%	24.2%	37.3

Source: Household Interviews.

Given the slow slide in property values over the last four years of the study period, it is not surprising that 61.5 percent of the buyers did not believe property values were appreciating. Accurate as it may be, this perception will probably affect consumer behavior in the future.

Summary

Racial dynamics in Greenwich Village were paramount. With a heavy measure of "white flight," the resale market in the neighborhood was dominated by blacks. Ironically, this racial transition resulted in an upgrading of the neighborhood's socioeconomic profile. Both the income and educational attainment profile among buyers was higher than among sellers.

With racial fears predominating in the entire northwest sector of the city, however, black homeownership demand was simply not sufficient to absorb units placed on the market by "fleeing" whites. Despite the high socioeconomic standing among a majority of black buyers, demand from this consumer segment was not strong enough to sustain the Greenwich Village market. On every count, the market over the five-year period was very soft.

Moreover, signs of decline were evident along virtually every dimension analyzed. Maintenance levels, crime rates, joblessness and welfare caseloads complete the portrait of indipient decline. Increasing dissatisfaction on the part of both the black and white buyers augur continuing erosion.

The dynamics of change in Greenwich Village are clearly detrimental to the large number of affluent black families who bought homes there. With what amounted to a glut on the market by fleeing whites and insufficient demand to absorb them, these affluent black buyers have been penalized by eroding property values and an otherwise depressed resale market as well as the other stigmatizing factors in the process of decline.

Dayton: Fairview Study Neighborhood

Location and General Character

Wedged between two principal arterials linking the central business district with north and northwest extremities of the city, the Fairview study area once ranked among Dayton's most favored residential areas. With several nearby synagogues, the neighborhood included a number of Jewish families and other prosperous businessmen and professionals. Its neighborhood schools were considered among the best in the city.

Both Main Street and Salem Avenue -- the eastern and western boundaries -- are lined with commercial structures of an earlier era and more recent conversions to business use. In the triangle at the northwestern extremity of the neighborhood, mixed commercial and multi-family projects predominate and a massive hospital addition has recently been constructed.

Within the interior bulk of the neighborhood, however, the tree-lined streets create a pleasant residential setting for the commodious two- and three-story detached housing units. Though varying somewhat in size and architectural style, the frame dwelling pictured in the accompanying photograph is typical of the stock.

Located on the opposite side of the central business district, the Ohmer Park control area is likewise comprised of older frame dwellings. Never having the prestige of the Fairview area, Ohmer Park has traditionally been considered more of a blue collar neighborhood. These differences are evident in 1970 Census comparisons.

In 1970 socioeconomic status, Fairview was above the city average on all counts. At \$12,537, mean family income was 20 percent above the \$10,329 figure for the city as a whole. Educational attainment beyond high school and the proportion in managerial, technical and professional

occupations were nearly double the city-wide rate. As illustrated in the table, comparable indicators for the Ohmer Park control neighborhood were more in keeping with city averages.

Table II.39. COMPARISON OF SELECTED 1970 SOCIOECONOMIC AND HOUSING INDICATORS, CITY OF DAYTON, FAIRVIEW AND OHMER PARK

	<u>City of Dayton</u>	<u>Fairview (Study)</u>	<u>Ohmer Park (Control)</u>
<u>Socioeconomic</u>			
Mean Family Income	\$10,329	\$12,537	\$11,616
Over 12 Years Education	14.4%	27.9%	11.6%
Managerial, Technical and Professional Occupations	17.2%	29.8%	17.0%
<u>Housing</u>			
Owner-Occupied	48.7%	48.3%	75.6%
Mean Value	\$16,300	\$19,761	\$16,329
Structures Built Before 1940	52.2%	55.9%	58.2%

Source: U.S. Census of Population and Housing, 1970.

As in family income, the mean value of Fairview owner-occupied units was 20 percent above the city average, while the value in Ohmer Park was virtually identical to the city mean. In contrast, however, the rate of owner-occupancy in Ohmer Park was substantially above Fairview and the city average.

Dynamics of Change

As in Greenwich Village, the dynamics of change in the Fairview neighborhood are closely tied to the broader structure of racial transition in Dayton. Located in the northwest quadrant of the city that is the focus of racial change, the Fairview area itself has been buffered from the process of actual racial succession.

The residential area abutting Fairview south of Salem Avenue -- Upper Dayton View -- is an enclave of high-quality homes. Racially integrated and stable, its residents are primarily upper-income professionals. The price bracket of Upper Dayton View housing has buffered Fairview from the lower-income racial transition that has occurred farther to the west.

Very few blacks have actually moved into Fairview but the threat of impending and what many consider to be inevitable racial change has tarnished its appeal as a prime residential neighborhood. While the area itself has changed little racially, the schools serving the area have become increasingly black. In the autumn of 1974, for example, roughly 40 percent of the students enrolled in Fairview High School were black.

Among those moving from the neighborhood during the five-year study period, the majority had lived in Fairview for five to ten years. Most were at the upper-end of the income spectrum with a single wage earner employed in the professions, managerial or supervisory occupations. Among them, for example, were an attorney, engineer, oil company manager and plant supervisor. From this group, half moved in the "stepping stone" process of improved housing quality. In contrast, the other half moved because of neighborhood factors: racial problems in the school, blacks moving into the neighborhood or, as one resident put it, it was "getting dark." Another resident was particularly vocal though his reasons were not associated with racial change: "The neighborhood went to hell and our 14 year-old child couldn't walk down the streets. Real estate agents were buying homes and renting them to motorcycle gangs, pot smokers, and I could do nothing about it." In sum, a constellation of neighborhood factors precipitated slightly over a fourth (27.3 percent) of the moves.

On the demand side, virtually all of the buyers were white with the households fragmented into three principal groups: public service professionals, industrial workers and single-parent or one-person households.

Roughly one-fourth of the households moving into Fairview included public service workers in a wide variety of specific occupations: teachers, nurses, social workers, etc. With incomes generally ranging between \$11,000 and \$15,000 per year, they were evenly divided between childless working couples and families with young children. Most of these families were moving back into the City of Dayton from suburban rental locations. Among the specific appeals mentioned, the construction quality of older housing, price values and convenience were frequently cited.

A near equal number of buyer households included wage earners employed in factory occupations: an electrician, warehouseman, machine operator, quality control inspector, etc. In a slightly higher \$13,000 to \$17,000 income range, virtually all were households with one or more school-aged children. In contrast to the starter home market in most other study neighborhoods, roughly half of both groups had owned their previous residence.

Apart from the full family components above, one-fourth of the buyer households were unmarried. They included several female-headed households with children but also single-person households engaged in professional occupations.

Market Attributes

Despite the unsettling effect of impending racial change, the turnover rate in the Fairview neighborhood was the second lowest among study neighborhoods. Even so, the disparate sources of demand were not sufficient to provide strong market support. Comparisons are presented in the table below.

Table II.40. SELECTED MARKET COMPARISONS BETWEEN FAIRVIEW STUDY NEIGHBORHOOD AND OHMER PARK CONTROL AREA

	<u>Fairview</u> (Study)	<u>Ohmer</u> <u>Park</u> (Control)	<u>Absolute</u> <u>Difference</u>
Turnover 1970-1974	28.5%	25.3%	3.2
Mean Sale Price			
1970	\$21,285	\$17,387	
1974	\$21,044	\$19,801	
Change	-1.1%	13.9%	-15.0
Units for Sale More Than Two Months	54.6%	33.3%	21.3
Vacancy Rate in Single-Unit Structures, Latest Year	6.7%	3.8%	2.9

Source: Property Transaction Records, Household Interviews and R.L. Polk Company Reports.

As evidenced by the proportion of units on the market for more than two months and the 6.7 percent vacancy rate, the Fairview market was comparatively soft. Alone among the six study neighborhoods, Fairview was the only one in which housing prices declined even in current dollars over the full five-year period: the mean value decreased a slight 1.1 percent. Despite soft market conditions, owner-occupancy increased somewhat over the period: as a percent of the total units occupied, those occupied by owners increased five percent. In every market indicator, the Ohmer Park control neighborhood was substantially stronger.

Racial and Socioeconomic Change

Despite the impending threat of racial change, actual racial succession in the neighborhood was negligible. Of the 32 buyer households interviewed, only one was non-white. Less than one percent black in 1970, this component of the population was still miniscule at the end of the study period.

There was, however, a marked drop in income levels, Reflecting Fairview's tarnished image among high income professionals and their outward movement from the neighborhood, the mean income among buyers was 25 percent below that of sellers. This difference is also evident in the income distribution data in the table below.

Table II.41. SELECTED SOCIOECONOMIC COMPARISONS BETWEEN FAIRVIEW BUYER AND SELLER HOUSEHOLDS

	<u>Buyer</u> <u>Households</u>	<u>Seller</u> <u>Households</u>
Mean Income	\$12,280	\$15,800
Income Distribution		
Less than \$9,000	10.7%	20.0%
\$9,000 to \$16,999	78.6%	20.0%
\$17,000 and Over	10.7%	60.0%
Education Beyond High School	37.1%	40.0%

Source: Household Interviews.

As evidenced by the comparability in educational attainment beyond high school, however, income was the only measure of socioeconomic difference and even the marked drop had no meaning in terms of residential finance or maintenance capability. The total value of the properties bought over the five-year study period was equivalent to 168 percent of aggregate buyer household income, a ratio well within accepted rules-of-thumb.

Neighborhood Socioeconomic Indicators

In keeping with the sound socioeconomic status of buyer households, the indicators were among the most favorable in any study neighborhood and the rates were below those in the control neighborhood in all but one. Only in terms of the welfare caseload was Fairview measurably

higher than Ohmer Park, but even then the ADC caseload of 2.8 per hundred households was very low. These comparisons are presented in the table below.

Table II.42. SELECTED SOCIOECONOMIC COMPARISONS BETWEEN FAIRVIEW STUDY NEIGHBORHOOD AND OHMER PARK CONTROL AREA, 1974

	<u>Fairview</u> (Study)	<u>Ohmer</u> <u>Park</u> (Control)	<u>Percent</u> <u>Difference</u>
Female-Headed Households	3.6%	3.8%	- 5.3%
Jobless Heads of Households	5.9%	6.3%	- 6.4%
ADC Cases Per 100 Households	2.8%	2.2%	27.3%
Part I Crimes Per 100 Population	6.1%	7.4%	-17.6%

Source: R.L. Polk Company Reports, Dayton Police Department and Montgomery County Welfare Department.

As illustrated, the proportion of female-headed households, the jobless and crime rate were five to 17 percent below comparable rates in the control neighborhood.

Property Maintenance and Reinvestment

As in most other objective indicators, property maintenance and homeowner reinvestment activity were strong. In fact, a slightly higher proportion of units in the control neighborhood were deficient in three or more components. Comparisons are presented in the table on the following page.

Table II.43. PROPERTY MAINTENANCE AND BUYER REINVESTMENT
COMPARISONS BETWEEN FAIRVIEW STUDY NEIGHBOR-
HOOD AND OHMER PARK CONTROL AREA

	<u>Fairview</u> (Study)	<u>Ohmer</u> <u>Park</u> (Control)	<u>Absolute</u> <u>Difference</u>
Units with Three or More Deficient Components	6.8%	10.7%	-3.9
Buyer Households Reporting Home Improvements and Repairs	52.4%	54.8%	-2.4

Source: Hammer, Siler, George Associates Windshield
Survey and Household Interviews.

As illustrated, less than 10 percent of the units were extensively deficient and home improvement and repair activity reported by Fairview buyers was virtually identical to that in Ohmer Park. In sum, the physical condition of the stock is strong and comparable to that in the control neighborhood.

Consumer Attitudes

Despite the strength evident in socioeconomic and physical indicators, many Fairview consumers have lost confidence in it as a viable residential location. Over a fourth of the sellers moved out for neighborhood-related reasons and a like number of buyers have become less satisfied since moving in. These comparisons are presented on the following page.

Table 11.44. SELECTED CONSUMER ATTITUDE COMPARISONS
BETWEEN FAIRVIEW STUDY NEIGHBORHOOD AND
OHMER PARK CONTROL AREA

	<u>Fairview</u> (Study)	<u>Ohmer</u> <u>Park</u> (Control)	<u>Absolute</u> <u>Difference</u>
Sellers Moving for Neighborhood- Related Reasons	27.3%	13.4%	13.9
Buyers Less Satisfied Since Moving In	25.9%	9.7%	16.2
Buyers Believing Property Values Are Not Appreciating	72.4%	50.0%	22.4

Source: Household Interviews.

As illustrated, Fairview consumer attitudes are markedly different than in Ohmer Park. Even though the perception of nearly three-fourths of the Fairview buyers that property values aren't appreciating is accurate in terms of marketplace behavior, this attitude in conjunction with levels of dissatisfaction are undoubtedly harbingers of future behavior.

Summary

Like all other residential areas in the northwest sector of Dayton, Fairview has been haunted by the spectre of racial change. Even if actual racial succession was barely perceptible, expectations concerning its inevitability tarnished its image and weakened its market support.

Though somewhat lower in income than sellers, the socioeconomic status of buyers was strong on every count. Likewise, objective measures of conditions in the neighborhood evidence no signs of decline. Rather, the social indicators and those reflecting property maintenance and reinvestment all suggest continued neighborhood vitality.

In the context of impending if not actual racial change, however, Fairview suffered from an erosion in consumer confidence. Though demand was evident on the part of a diverse mixture of white households, it was not strong enough to sustain the market. With slow-moving sales, current dollar prices were even slightly lower at the end of the study period and inflation diminished values even more. Both in terms of sellers moving for neighborhood-related reasons and buyers less satisfied since moving in, the consumer base of neighborhood support continued to erode.

Section II. The Implications for Neighborhood Decline

Racial Change

As described in the preceding pages, the study and control neighborhoods were very much like each other in key 1970 socioeconomic and housing indicators: mean family income, educational attainment, age and value of the owner-occupied housing stock. Moreover, these indicators in study and control neighborhoods were closely in keeping with citywide averages. Both in qualitative and quantitative terms, then, all six study neighborhoods were by and large healthy at the beginning of this decade.

While the baseline characteristics and subsequent dynamics in each of the six study neighborhoods were diverse, all have been the focus of actual or impending racial transition. In 1970, no more than six percent of the population in any neighborhood was non-white. Over the course of the five-year study period, racial change had varying impacts. The resale market in two neighborhoods -- Ballentine Place and Greenwich Village -- was dominated by blacks. At the other extreme, virtually all the buyers were white in North NEAD and Fairview. In Ingleside, replacement households were almost evenly split between whites and blacks. Across this spectrum, the impact on the total racial composition of the neighborhoods has been equally diverse. These changes are illustrated in the table on the following page.

Table II.45. RACIAL CHANGE IN THE STUDY
NEIGHBORHOODS, 1970-1974

	<u>1970</u> <u>Non-White</u> <u>Population</u>	<u>Non-White Buyer</u> <u>Households</u> <u>Interviewed</u>		<u>Estimated</u> <u>Non-White</u> <u>Population</u> <u>Ranges 1974</u>
		<u>Number</u>	<u>Percent</u>	
<u>Norfolk</u>				
Ballentine Place	2.2%	28	71.8%	40-50%
Ingleside	5.8%	20	52.6%	30-40%
<u>Rochester</u>				
North NEAD	2.2%	2	6.3%	1-10%
South NEAD	6.2%	11	26.8%	10-20%
<u>Dayton</u>				
Greenwich Village	4.0%	23	79.3%	40-50%
Fairview	2.2%	1	3.1%	1-10%

Source: 1970 U.S. Census of Population, Household Interviews and Hammer, Siler, George Associates Estimates.

As illustrated, the non-white population in both Ballentine Place and Greenwich Village increased rapidly from a small proportion of the total to something near half by the end of 1974. In both North NEAD and Fairview, on the other hand, the racial composition changed very little and the two neighborhoods were still less than 10 percent non-white in 1974. In contrast to this differential rate of racial change among study neighborhoods, the six control neighborhoods remained virtually all white.

Despite the importance of racial transition in the dynamics of study neighborhood change, black majorities were not necessarily associated with neighborhood decline. In both Ballentine Place and Greenwich Village, 70 to 80 percent of the replacement households were black yet only in Greenwich Village were there clear manifestations

of decline. In the other clearly declining neighborhood -- South NEAD -- blacks accounted for one-fourth of the buyers.

Socioeconomic and Behavioral Comparisons

Likewise, race was not an important factor in the overall socioeconomic profile or pattern of consumer behavior in buying and maintaining properties. There are no statistically significant differences between blacks and whites in the study neighborhoods. By the same token, study neighborhood buyers were very much like their all-white counterparts in the control neighborhoods. Mean income, income distribution and levels of educational attainment were virtually identical. Comparisons for the total sample of study and control buyer households are presented in the table below.

Table II.46. SELECTED SOCIOECONOMIC COMPARISONS
BETWEEN BUYER HOUSEHOLDS IN STUDY
AND CONTROL NEIGHBORHOODS

	<u>Study Neighborhood</u>	<u>Control Neighborhood</u>
Mean Income	\$13,080	\$12,520
Income Distribution		
Less than \$ 9,000	14.9%	18.0%
\$ 9,000 to \$16,999	55.9%	53.4%
\$17,000 and over	29.2%	28.6%
Education Beyond High School	35.6%	28.1%
Total Sample	211	183

Source: Household Interviews.

Though the mean income and proportion with education beyond high school were slightly higher in the study neighborhoods, the differences are not statistically significant and imply comparability between the two groups. The only statistically significant difference was in the

incidence of husband/wife households in which both were employed. Ranging from a high of 62 percent in Ingleside to a low of 43 percent in South NEAD, 50 percent of all such study neighborhood households were those in which both were employed. In contrast, 34 percent of the comparable control neighborhood households had two wage earners.

The income parity between study and control neighborhood buyers coupled with the somewhat greater rate of appreciation in most control neighborhoods had a favorable effect on aggregate income/value ratios. Though not computed for each household individually, the total value of houses sold over the study period was compared to aggregate annual household income in the neighborhood to derive an overall measure of income/value ratio. These comparisons are presented in the table below for study and control neighborhoods.

Table II.47. AGGREGATE REAL ESTATE SALES VALUES AS A PERCENT OF AGGREGATE ANNUAL HOUSEHOLD INCOME IN STUDY AND CONTROL NEIGHBORHOODS

	<u>Study</u> <u>Neighborhood</u>	<u>Control</u> <u>Neighborhood</u>	<u>Percent</u> <u>Difference</u>
<u>Norfolk</u>			
Ballentine Place	145%	159%	- 9.7%
Ingleside	158%	162%	- 2.5%
<u>Rochester</u>			
North NEAD	134%	142%	- 6.0%
South NEAD	122%	126%	- 3.3%
<u>Dayton</u>			
Greenwich Village	136%	175%	-28.7%
Fairview	168%	186%	-10.7%

Source: Property Transaction Records, Household Interviews and Hammer, Siler, George Associates.

As illustrated, the ratios were comfortably within a sometimes-used rule-of-thumb that sale price should not exceed two-and-a-half times annual household income. More to the point, the ratios in the study neighborhood were all somewhat lower than in the control neighborhoods. In the aggregate, then, these comparisons suggest that study neighborhood buyers were not purchasing homes beyond their means.

Not only were the socioeconomic characteristics and income/value ratios favorable, basic study neighborhood behavioral characteristics were like those in the control neighborhoods.

Both study and control neighborhoods, for example, catered primarily to first-time home buyers. Nearly 75 percent of the study neighborhood buyers had previously rented and a statistically comparable proportion of those in the control neighborhoods likewise rented. Moreover, a comparable 40 to 50 percent of buyers in both neighborhoods had specific neighborhoods in mind when they began their search for a home to buy. These comparisons along with several others are presented in the table below.

Table II.48. COMPARISONS IN SELECTED CHARACTERISTICS BETWEEN BUYER HOUSEHOLDS IN STUDY AND CONTROL NEIGHBORHOODS

	<u>Study</u> <u>Neighbor-</u> <u>hoods</u>	<u>Control</u> <u>Neighbor-</u> <u>hoods</u>	<u>Absolute</u> <u>Difference</u>
Rented Previous Residence	72.3%	68.7%	3.6
Had a Particular Neighborhood in Mind	43.8%	51.7%	-7.9
Very Satisfied with Neighborhood	54.6%	60.1%	-5.5
Property Maintenance Very Important	91.9%	92.9%	-1.0
Made Home Improvements	43.1%	48.3%	-5.2
Made Repairs	85.7%	90.2%	-4.5
Not Able to Maintain as They'd Like	37.3%	31.7%	-5.6
Total Sample	211	183	-

Source: Household Interviews.

Since moving in, a majority in both sets of neighborhoods were still very satisfied with their neighborhood selection. Approximately 90 percent of both household groups asserted that property maintenance was very important and equivalent proportions reinvested in their properties through home improvements and repairs. While 37 percent of the study neighborhood buyers could not maintain their homes as they would like, a statistically comparable proportion in the control neighborhoods reported this as well. Though there are marginal differences in every item presented on the table above, they are not statistically significant and imply equivalent attitudes and behavior on an overall basis.

Issues of Neighborhood Decline

In the set of six study neighborhoods, the dynamics and consequences of change were highly diverse. With traditional resident bases ranging from moderate-income factory workers to upper-income professionals, there were no common denominators of social or economic status. By the same token, the character, age and price of housing varied widely. The aging process and factors associated with changes in the family life cycle contributed to the dynamics of change in some neighborhoods while the chain of increased housing quality moves accompanying family growth and income escalation were more significant in others.

Within this context of broadly divergent dynamics, decline was clearly evident in only two of the study neighborhoods. In Greenwich Village, signs of decline were pervasive. Despite the strong overall socioeconomic profile of buyers, unemployment and welfare caseloads were high. In terms of market performance, increased crime and overall

physical deterioration, the neighborhood was clearly in the early stages of decline.

Though less pervasive, decline was also evident in South NEAD. Increasing unemployment, conversion to rental status and physical deterioration all suggest that decline was underway. Despite the rapid rate of racial change, the Ballentine Place neighborhood was only slowly changing on other counts. Maintenance deficiencies were evident in one-fifth of the units and there were marginal differences in every social indicator. Nonetheless, the Norview control area was likewise slowly settling and racial change in Ballentine Place did not have a differentially adverse effect.

Three of the neighborhoods were strong in virtually every objective indicator. With the exception of Fairview's weak market performance and Ingleside's growing welfare caseload, these two study neighborhoods as well as North NEAD evidenced continued stability and strength in major social and physical indicators.

With these differences clearly evident, there were important similarities in consumer attitudes and confidence in the neighborhood.

Consumer Attitudes

From the standpoint of previous residents, to be sure, study neighborhood conditions and the changes taking place were important in their decisions to move out. In part reflecting racial anxieties, there was a measure of "white flight" included. In all, over a third (35.9 percent) of the seller households moved out for neighborhood-related reasons. In contrast, less than half as many control neighborhood sellers (15.4

percent) moved for similar reasons. This difference is statistically significant and suggests the importance of neighborhood perceptions in triggering turnover. Neighborhood-by-neighborhood comparisons are presented in the table below.

Table II.49. SELLERS MOVING FOR NEIGHBORHOOD-RELATED REASONS, STUDY AND CONTROL NEIGHBORHOODS

	<u>Study</u>		<u>Control</u>		<u>Absolute</u> <u>Percentage</u> <u>Difference</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	
<u>Norfolk</u>					
Ballentine Place	3	23.1%	2	14.3%	8.8
Ingleside	3	27.3%	1	6.7%	20.6
<u>Rochester</u>					
North NEAD	3	27.3%	3	20.0%	7.3
South NEAD	11	47.8%	4	23.5%	24.3
<u>Dayton</u>					
Greenwich Village	9	45.0%	2	13.3%	31.7
Fairview	3	27.3%	2	13.4%	13.9
Total	32	35.9%	14	15.4%	20.5

Source: Household Interviews.

While the study/control difference is not great in every case, the pattern is consistent. What is perhaps most notable is that in the two neighborhoods clearly declining -- South NEAD and Greenwich Village -- nearly a half of the sellers chose to move out for neighborhood reasons.

Even consumers attracted to the study neighborhoods within a preceding five-year period have become increasingly dissatisfied with them. Though reasons varied and frequently were expressed in very specific terms, dissatisfaction clustered in such general categories as crime or

the threat of it, vandalism, rowdiness, undisciplined children and domestic quarrels, trash accumulation, declining property maintenance, etc. Citing reasons of this sort, approximately one-fourth of all study neighborhood buyers (24.6 percent) were less satisfied since moving in. Neighborhood-by-neighborhood comparisons are presented in the table below.

Table II.50. BUYERS LESS SATISFIED SINCE MOVING IN, STUDY AND CONTROL NEIGHBORHOODS

	<u>Study</u>		<u>Control</u>		<u>Absolute</u> <u>Percentage</u> <u>Difference</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	
<u>Norfolk</u>					
Ballentine Place	6	15.8%	5	16.1%	- 0.3
Ingleside	12	33.3%	2	5.6%	27.7
<u>Rochester</u>					
North NEAD	7	21.9%	4	14.8%	7.1
South NEAD	12	29.3%	8	33.3%	- 4.0
<u>Dayton</u>					
Greenwich Village	8	27.6%	3	8.8%	18.8
Fairview	7	25.9%	3	9.7%	16.2
Total	52	24.6%	25	13.7%	10.9

Source: Household Interviews.

While the differences were not great in every case and in two paired comparisons were even contrary, higher dissatisfaction levels in the total sample of study neighborhood buyers was statistically significant. Neither Ballentine Place buyers nor their control neighborhood counterparts were particularly dissatisfied, but in South Maplewood and South NEAD equivalently high proportions were less satisfied.

Coupled with current levels of dissatisfaction, large numbers of buyers did not believe that property values were appreciating. On an overall basis, nearly 60 percent of the study neighborhood buyers perceived this lack of appreciation in values. In contrast, roughly one-third of the control neighborhood buyers perceived price stability or decline. The magnitude of this difference was statistically significant on an overall basis and within three of the specific neighborhood pairings as well: Ingleside, North NEAD and Greenwich Village. The paired comparisons are illustrated in the table below.

Table II.51. BUYERS BELIEVING THAT PROPERTY VALUES ARE NOT APPRECIATING, STUDY AND CONTROL NEIGHBORHOODS

	<u>Study Neighborhood</u>		<u>Control Neighborhood</u>		<u>Absolute Percentage Difference</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	
<u>Norfolk</u>					
Ballentine Place	14	37.8%	8	29.0%	8.8
Ingleside	15	40.5%	5	13.9%	26.6
<u>Rochester</u>					
North NEAD	22	80.0%	10	38.5%	41.5
South NEAD	30	76.9%	18	75.0%	1.9
<u>Dayton</u>					
Greenwich Village	16	61.5%	8	24.2%	37.3
Fairview	<u>21</u>	72.4%	<u>14</u>	50.0%	22.4
Total	118	59.3%	63	35.6%	23.7

Source: Household Interviews.

As in the proportion less satisfied since moving in, property value perceptions on the part of Ballentine Place and South NEAD buyers were

much like those of their control neighborhood counterparts. In all other cases, the differences were marked.

Implications for the Future

In the statistical analysis aspects of the study, comparative satisfaction and property value perceptions were matched against reported home improvement and repair activity to determine whether these perceptions had influenced such behavior to date. These tests yielded no statistically significant results.

While diminished confidence may not have affected consumer behavior to date, it may well do so in the future. Less satisfied residents may soon decide to sell and move on. Perceptions concerning property value appreciation likewise may influence homeowners' decisions to undertake home improvements and repairs.

Regardless of the specific consequences and cause-effect relationships, eroding consumer confidence is particularly striking in neighborhoods such as Ingleside, North NEAD and Fairview that are otherwise healthy in virtually all the objective indicators. Though not evident in the overall data measures, buyers in these neighborhoods nonetheless report crime, vandalism, rowdies, trash accumulation and declining maintenance as sources of dissatisfaction. These factors may well be present though undetectable in the data; even minor incidents can be important in a perceptual context.

Regardless of their accuracy, these perceptions and attitudes may yet affect consumer behavior and the ultimate fate of the neighborhoods. If consumers of the solid socioeconomic status who recently bought homes

in these study neighborhoods lose confidence in them as a place to live, erosion on all fronts could well ensue. Even these recent buyers may cut back on property reinvestment and maintenance or sell and move on to other neighborhoods. They may be replaced by households of lower socio-economic standing, financially and motivationally unprepared to maintain the housing stock.

In the neighborhoods undergoing rapid racial change, race presumably was a factor in consumer satisfaction. In the three neighborhoods where blacks constituted a majority of buyers -- Ballentine Place, Ingleside and Greenwich Village -- dissatisfaction levels among whites were far higher than among blacks. On a composite basis, 45.2 percent of the 31 white buyer households in these three neighborhoods were less satisfied since moving in. While some blacks were also dissatisfied, they accounted for only 18.1 percent of the 72 black household interviewed. Quite apart from the issue of neighborhood decline, increasing dissatisfaction on the part of whites may continually diminish this source of market support until the neighborhoods are completely resegregated.

In sum, consumer attitudes could well play a key role in the future of the study neighborhoods. While only two of the neighborhoods are clearly declining, diminished consumer confidence could become increasingly important in the otherwise healthy ones. With this consumer perspective established, the role of the real estate sector in the process of neighborhood change is the subject of the remaining chapters.

Chapter III. REAL ESTATE PRACTICES

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Section A. Introduction

Purpose

The previous chapter laid the foundation for evaluating the role of the real estate sector; it described the dynamics of change and structured the attending market, socioeconomic, physical and attitudinal consequences. Up to this point, the process of change has been described in isolation from specific real estate marketing, long-term lending and appraisal practices that may influence the process. As one of three chapters focusing specifically on the role of the real estate sector, this one addresses the influence of real estate market practices.

Of particular importance, this chapter examines the extent to which real estate marketing practices precipitated turnover through canvassing activity and reinforced racial change by "steering" blacks to these neighborhoods and whites away from them. Beyond this, the extent of speculative buying and selling, investment acquisition and rental conversion are addressed to determine their influence. In sum, the chapter addresses the central concern whether real estate practices precipitated, reinforced or simply responded to consumer behavior in the six study neighborhoods.

Chapter Contents

In the sections which follow, the analysis and findings are presented. In the section following this introduction, the general characteristics of broker activity and marketing strategies are reviewed. Section C addresses two specific marketing tactics -- "canvassing" and

"steering" -- and their influence upon consumer behavior while Section D. focuses on speculation and investment activity.

Section B. Broker Activity and Marketing Strategies

Among the research issues in this study are those hinging on specific real estate marketing techniques and activities which may have an adverse influence on neighborhood conditions. Apart from these more specific issues -- which are addressed in subsequent sections -- the research effort also yielded generalized insights into the type and nature of real estate brokers handling neighborhood properties, activity on the part of black brokers and agents and generalized marketing approaches. Some generalized characteristics of an anecdotal nature emerged which form the context for specific research issues. These are highlighted in the pages which follow.

Broker Transition

With the exception of the two Norfolk neighborhoods -- in which continued market strength was evident -- there has been a perceptible if not pervasive shift among real estate firms handling study neighborhood properties. Many of the firms once handling a large volume of neighborhood transactions no longer do so. As their traditional clientele lost interest in study neighborhood locations, these brokers have accompanied them to other city and suburban neighborhoods.

Two of the brokerage firms interviewed in Dayton, for example, had both been originally established to serve the Fairview and other northwest Dayton neighborhoods. Over the years they established additional offices to serve diverse geographic locations in the metropolitan area. While both still maintain a Fairview office location -- largely as a matter of sentiment, they say -- the bulk of their sales were attributable to other offices and metropolitan locations.

As another example, one Dayton broker operating as a one-man shop once handled many Greenwich Village and other west end sales. As the market for Greenwich Village became dominated by blacks, he said he shifted his territory to adjacent unincorporated areas and no longer is involved in Greenwich Village sales activity.

Many of the traditional brokers list study neighborhood properties only reluctantly. Noting what they perceive as a softness in the market and slow-moving sales, they accept a listing only as a matter of courtesy or obligation. If, for example, a broker handles the sale of a new suburban home he will accept the listing for the buyer's previous study neighborhood residence as a courtesy. By the same token, if a personal acquaintance, business associate or previous client requests it, he will also accept a listing for a study neighborhood property.

To some extent, the traditional brokerage firms are supplanted by others specializing in the low-priced housing market. These firms tend to operate in a variety of neighborhoods where the price bracket is amenable to first-time buyers. As a consequence, they are more specialized in FHA and VA mortgage contacts and processing. In the NEAD area of Rochester, one broker proudly boasted his ability to market neighborhood properties. Asserting that none of the other Rochester brokers wanted to list NEAD properties, he alone specialized in neighborhood sales and handled upwards of 50 per year.

Evidence of broker transition fits into the market structure and conventional wisdom. Except for the largest real estate firms serving the entire metropolitan area from a variety of branch offices, most brokers serve a more or less specialized submarket defined in either geographic or socioeconomic terms. As the market shifts, so does broker activity. Operating from different client bases, this transition in broker activity accompanies and subtly reinforces the shift in consumer

demand. As such, it is a normal feature of the marketplace with very subtle side effects. While this subtlety was evident, there was only a limited transition from white to black firms or agents.

Black Brokers and Agents

Compared to the large number of white brokers operating in each of the three cities, there are comparatively few blacks operating a brokerage firm. In Norfolk, there are no more than six to eight active black brokers; in Dayton and Rochester, only two each.

While black firms have become somewhat active in the study neighborhoods, by no means do they dominate the market. Of 11 active black brokers interviewed in this study, only one had sold as many as 25 properties in a study neighborhood during the preceding year. More frequently, black brokers handled two to ten sales while two of them reported no activity at all. Comparisons between study neighborhood activity on the part of black and white brokers are presented in the table below.

Table III.1. NUMBER OF STUDY NEIGHBORHOOD SALES
HANDLED BY BLACK AND WHITE BROKERS
DURING PRECEDING YEAR

<u>Number of Sales</u>	<u>Black Brokers</u>	<u>White Brokers</u>
None	36.3%	9.4%
1-9	36.3	35.9
10-19	18.2	30.2
20 or more	<u>9.2</u>	<u>24.5</u>
Total	100.0%	100.0%
Number of Responses	11	53

Source: Real Estate Actor Interviews.

Compared to the one black broker handling 20 or more sales, 13 of the 53 white brokers were at this activity level. In sum, while there was some black broker activity in the study neighborhoods, it was on a very small scale and disproportionate to the level of black buyer activity. In sum, white brokerage firms accounted for the vast majority of sales, even among black buyers.

Increasingly, white brokerage firms are hiring black agents for their staffs. Indeed, one black broker complained that the white agencies were hiring away the most talented black agents. Of over 50 white brokers interviewed in this study, however, only one-fifth were explicitly known to have black agents on the staff. This representation is at best token with the black staff complement rarely exceeding one or two agents.

Black agents have been hired for a variety of reasons. While some brokers acknowledged the desire to more effectively penetrate the market among blacks, this was expressed in terms of clientele rather than a specific strategy directed at transitional neighborhoods. Equal opportunity employment considerations are equally important. Sensitive to discriminatory employment issues, many brokers have altered hiring practices accordingly. One white broker was in the process of hiring a black agent because he felt it was "the right thing to do."

As recounted by those interviewed, black agents on the staff of a white-owned firm do not specialize in study neighborhoods or other transitional areas but serve a broader geographic territory. Similar to black brokerage firms, black agents can be expected to draw upon their personal and business acquaintanceships in the black community while marketing properties. There was no evidence in this study, however, to indicate that black real estate professionals played more than a marginal role in the racial change of study neighborhoods.

Marketing Tactics

Virtually all of the black and white brokers interviewed cited classified advertising in general circulation newspapers and For Sale signs on the property itself as the two principal and most effective means of sales promotion. This applied to study neighborhood properties as well as any others. While the prospect's first contact with a real estate agent in response to a sign or ad may not have led to the sale of that particular dwelling, the contact opened the way to other broker listings as well.

Advertising in minority or community newspapers, however, was not a specific tactic in marketing study neighborhood properties. Only one of the 50 white brokers reported advertising in minority newspapers. That one firm is the largest multi-branch real estate brokerage house in Norfolk and minority paper advertising is among a variety of techniques employed to "cover" their market. Even among the black brokers interviewed, only three reported minority newspaper advertising. These three also advertised in the general circulation dailies. While advertising activities do not seem attuned to specific neighborhood conditions, other marketing strategies sometimes are.

There is, for example, a tendency to downplay precise neighborhood location. A far more generalized locational designation may be used in advertising or even an inaccurate one. One Rochester broker said he would list a South NEAD property under an "Irondequoit" heading, a more desirable area to the east. In a somewhat different vein, a Dayton broker reported that he would list a Greenwich Village property under a generalized "west end" heading. In this case, such a generalized designation would be used to attract black prospects whose "mental map" of housing opportunity corresponded with a generalized west end location.

Such strategies also extend into the manner in which a property is shown. One Rochester broker reported that in showing a South NEAD property to a prospective buyer, he would drive in a round-about manner to the more desirable areas east of NEAD and approach the property from that direction rather than the more deteriorated areas on the west. Several other brokers reported that in showing a home they would emphasize the characteristics of the structure and avoid discussion of the neighborhood as much as possible.

All of these tactics are common in the marketing of real property and can be found in far better and racially unchanged neighborhoods as well. In the study neighborhood context, such tactics are designed to maximize consumer appeal and minimize neighborhood stigma. From the neighborhood standpoint -- if not the consumer's -- these tactics do not have an adverse influence and even enhance its locational appeal. One other reported technique does, however, have an adverse impact both on the unsophisticated seller and the neighborhood at large.

The South NEAD area was the only study neighborhood in which investor activity and conversion were evident. To maximize the rate of return on a converted unit, a couple of brokers specialized in bargain-rate acquisition. To this end, they would offer a listing agreement to an anxious seller guaranteeing broker purchase at a minimum price upon expiration of the 90-day agreement. For example, the broker would accept a listing at \$13,500 -- a reasonable market price -- with a stipulation that the broker would purchase the home for \$10,000 at the end of a 90-day marketing period if no buyer were found. Of course if a buyer did happen along, the broker received his commission on the sale but certainly had no particular incentive to aggressively market the property since a bargain acquisition was assured him at the end of the period. Practicable only in a soft market setting with weak buyer demand, such

a tactic does a disservice to the seller and contributes to neighborhood decline through conversion to rental occupancy.

Market Strategy Implications

In the six neighborhoods studied, there was no evidence of conscious marketing strategies designed to capitalize upon racial change or instigate neighborhood decline. A transition from brokers previously serving the neighborhood to those specializing in the "low-end" market was evident in some neighborhoods and clearly had a subtle side-effect in reinforcing racial transition. Neither in terms of black broker and agent activity nor in terms of minority newspaper advertising, however, was there evidence of specific racially-inspired strategies. To some extent, marketing tactics such as using imprecise or even inaccurate classified headings and showing properties from their most favorable angle enhance the neighborhood market. Only in the case of bargain-rate listing agreements described in South NEAD above was there clear evidence of deleterious behavior.

Nonetheless, the subtlety of the transition in brokers listing study neighborhood properties and the modest increase in black broker and agent activity reinforce the process of racial change. While not illegal or unethical, diminishing activity on the part of traditional brokers and increasing activity on the part of "low-end" specialists carries with it an alteration in the sources of consumer support.

Section C. Marketing Influences

While the preceding section sets the overall pattern of real estate broker activity and marketing strategies, this one focuses on two critical issues in the real estate sector's role in neighborhood market behavior: (1) whether real estate brokers accentuated neighborhood turnover through "canvassing"; and (2) whether real estate brokers adversely influenced consumer choice and behavior through "steering." Each of these major issues is addressed in the pages which follow.

Canvassing

As recounted in Chapter II, there were two common traits in the study neighborhoods: the pronounced number of seller households moving for neighborhood-inspired reasons and the accentuated rate of turnover. In relating these phenomena to real estate practices, the issue can be stated quite simply: to what extent did real estate agents precipitate neighborhood sales activity and instigate turnover by making contacts that played upon residents' racial fears.

Within the real estate profession, what some call "solicitation" and they themselves refer to as "canvassing" is considered a legitimate means for generating sales opportunities. Along with general media advertising and cultivation of personal contacts, canvassing techniques such as circulating business cards and flyers or making telephone contacts are among their marketing approaches. From an ethical standpoint, then, canvassing fits within the code of the profession. In and of itself, the practice implies no adverse neighborhood influence and is not unlike telephone sales campaigns or other marketing activities in other industries. When, however, such contacts are specifically directed at

capitalizing upon racial fears and inspiring rapid turnover, the practice takes on an adverse dimension.

To address this issue, all seller households in both study and control neighborhoods were asked the following question: "Sometimes real estate people contact homeowners about selling their homes. Did a real estate agent contact you before you decided to sell your house?" If the seller responded in the affirmative, he was then asked whether the contact was in person, by mail or telephone and what the agent said.

Reflecting the universality of the technique, canvassing was reported by comparable proportions of sellers in both study and control neighborhoods. On an overall basis 14.6 percent of the study neighborhood sellers and a statistically equivalent 20.0 percent of those in control neighborhoods reported contact by a real estate agent before deciding to sell their home. Comparisons on a neighborhood-by-neighborhood basis are presented in the table below.

Table III.2. STUDY AND CONTROL NEIGHBORHOOD SELLERS REPORTING CONTACT BY REAL ESTATE AGENT

	<u>Study</u>		<u>Control</u>		<u>Absolute</u> <u>Percentage</u> <u>Difference</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	
<u>Norfolk</u>					
Ballentine Place	1	7.7%	5	37.5%	-29.8
Ingleside	3	27.3%	3	20.0%	7.3
<u>Rochester</u>					
North NEAD	0	0.0%	1	6.7%	- 6.7
South NEAD	2	8.7%	2	12.5%	- 3.8
<u>Dayton</u>					
Greenwich Village	6	30.0%	5	33.3%	- 3.3
Fairview	1	9.1%	2	13.3%	- 4.2
Total	13	14.6%	18	20.0%	- 5.4

Source: Household Interviews.

What is perhaps most striking, a third or more of the seller households in two control neighborhoods -- Norview and Eastmont -- reported real estate agent contact, a rate higher than in any study neighborhood. Moreover, the incidence of reported canvassing activity was higher in five of six control neighborhoods. The nature of the contact is as important as the frequency, however.

As remembered by study neighborhood sellers, the majority of conversations were innocuous. Most simply said that the real estate agent inquired whether they were interested in selling their home and did not raise neighborhood issues. Only two of the responses suggest methods playing on racial fears. Both of these contacts occurred in the Ingle-side neighborhood of Norfolk; their specific comments are interesting.

One seller respondent recounted as follows: "One of them discussed the racial issue and said we should sell because blacks were moving in. We reported him to the Board of Realtors. This was a year before we decided to sell." The other respondent recalled as follows: "They discussed the changing of the neighborhood conditions. The property was going down and no whites would want to buy. If we wanted to sell without losing money, we had better sell now. That is the general trend they used."

These comments conform to the strategies as frequently charged. The practice was, however, rare in the neighborhoods studied: among all study neighborhood respondents, only two percent reported real estate agent activity explicitly designed to capitalize upon racial anxieties in stimulating turnover. At the same time, however, specific mention of racial considerations and such "doomsday" predictions are not the only way in which agent contact can affect consumer behavior. Particularly in racially changing neighborhoods, persistent and frequent contact --

no matter how innocuous -- may nonetheless intensify already present anxieties. From this standpoint, two study neighborhoods deserve special scrutiny.

While fewer than ten percent reported agent contact in the other study neighborhoods, approximately 30 percent of the sellers in Ingleside and Greenwich Village did so. Not only was Ingleside the neighborhood in which sellers reported "doomsday" predictions, but sellers in both neighborhoods reported all forms of solicitation: contact by mail, telephone and in person. In these two neighborhoods, then, canvassing activity was frequent and persistent. Having said this, however, it is extremely difficult to link such activity with actual consumer behavior, turnover or neighborhood market conditions.

Given the seeming intensity of agent contact in Ingleside and Greenwich Village, it was not necessarily associated with accentuated turnover. The turnover rate in Ingleside was the lowest of all study neighborhoods and slightly lower than in the Easton control area. While the Greenwich Village turnover rate was on the high side of the range, it was not much higher than in its paired control area. Moreover, in the neighborhood with the highest rate of turnover and the most rapid rate of racial change -- Ballentine Place -- real estate agent contact was among the least frequent: 7.7 percent of the sellers reported canvassing activity.

Canvassing Implications

Reflecting its universality as a marketing technique, canvassing was reported with equivalent frequency in both study and control neighborhoods. Moreover, only two percent of the study neighborhood sellers reported contacts in which the agent explicitly played upon racial

anxieties. Even in the two study neighborhoods where canvassing activity was most intense, there was no apparent link to increased turnover.

Nonetheless, frequent if innocuous canvassing activity can intensify the anxieties of white residents witnessing racial change in their neighborhoods. In such cases, an otherwise ethical practice can contribute to the tensions even if it has no apparent direct effect on residents' decisions to move or the ensuing rate of turnover. Over time, persistent contact in the context of continuing racial change may yet contribute to the "doomsday" psychology and affect white residents' decision calculus.

Market Guidance or "Steering"

Within the conventional wisdom, real estate agents are thought to have a detrimental influence on consumer behavior in racially changing neighborhoods because of what Anthony Downs has called "geographic exclusion" and Rose Helper has termed the "exclusion ideology." In essence, they are referring to a set of beliefs the most important of which are: that whites don't want blacks as neighbors, that property values decline when blacks move into a neighborhood, that stable residential integration will not occur in this country for a long time to come and that real estate brokers violate an unspoken code of conduct if they sell a home to a black in an all-white area.

Stemming from this set of beliefs, agents are thought to take prospective black clients only to available properties in all-black or racially changing areas. By the same token, agents are thought to discourage white families from looking for homes in transitional neighborhoods for fear of losing a long-term client relationship: if the white family did buy in a racially changing neighborhood, they would soon be inundated by blacks and resent the agent's role in locating them there. In combination, such "steering" reinforces and perpetuates residential segregation.

The steering issue is a very complex one and extremely difficult to address conclusively. It is difficult to ascertain, for example, the effect of the broker transition noted in the earlier portions of this chapter: diminished activity on the part of traditional brokers may well reflect the "exclusion ideology" and their reluctance to show study neighborhood properties to their normal clientele but this could not be documented. By the same token, white prospects who might otherwise have chosen a study neighborhood home had they not been "steered" away can never be identified or interviewed.

While the steering issue is complex and extremely slippery, several analytic elements can be drawn upon in achieving some insight:

- Consumer perceptions of neighborhood opportunities;
- The importance of the real estate agent in looking for and locating a home;
- The extent to which agents influenced neighborhood and property selection through specific positive and negative comments; and
- The racial proportions among prospective buyers shown homes in the study neighborhoods.

Each of these elements is addressed in the pages which follow.

Neighborhood Perceptions

On an overall basis, approximately 45 percent of the study area buyers had a specific neighborhood in mind when they began their search for housing. While a slightly higher proportion of control neighborhood buyers had specific neighborhoods in mind, the difference was not statistically significant and for all practical purposes, study and control neighborhood buyers were comparable in the extent to which their "mental map" of housing opportunity related to specific neighborhoods. Similarly, there was virtually no difference between white and black buyers in the study neighborhoods (44.9 and 44.2 percent, respectively). While there were no meaningful statistical differences, there were several important qualitative differences between blacks and whites.

In the first place, blacks had much more limited perceptions of neighborhood opportunities. By and large, their perceptions were confined to racially transitional areas within the city limits. While two Greenwich Village buyers mentioned suburban areas, both were either all black or in the process of racial change. Only three of the 33 black

households with specific neighborhoods in mind mentioned predominantly white suburbs as one of the options they had considered. All three were in Norfolk and mentioned the prosperous and predominantly white suburb of Virginia Beach. Quite apart from any steering influence, then, blacks themselves were almost exclusively interested in racially changing neighborhoods.

Whites, on the other hand, perceived their housing opportunities on a far broader geographic scale. In contrast to the nine percent rate among all black buyers, 42 percent of the white households mentioned a wide variety of suburban areas among the neighborhoods they considered. While they obviously did not move there, suburban locations were among those considered.

For a majority of both black and white buyers with a specific neighborhood in mind, the study neighborhood itself was among those mentioned. In fact, the rate was higher among whites than non-whites. Sixty-two percent of the whites living in a study neighborhood included it among those they considered at the outset. In contrast, 52 percent of the blacks were interested in the neighborhood before they began their search. This differential rate is attributable to four Greenwich Village buyers that mentioned Dayton View -- the adjacent racially changing neighborhood -- rather than Greenwich Village itself.

While whites had a broader geographic perception of residential opportunities, nearly two-thirds of both black and white home buyers with specific neighborhoods in mind mentioned the study neighborhood or nearby area as one of the neighborhoods they considered. For these families, the search for housing was specific and purposeful.

Influence of the Real Estate Agent

While the families described above undertook their search for housing with a clear sense of neighborhood options, a majority did not. Fully 56 percent of the study neighborhood buyers had no specific neighborhoods in mind when they began their search. The importance of the real estate agent and his potential influence are suggested by two facts: three-fourths of the study neighborhood buyers looked for houses with a real estate agent and 45 percent of them located the home they ultimately bought through a real estate agency. From this perspective, then, there are broad opportunities for agent influence in neighborhood and home selection.

Particularly among the majority of households with no particular neighborhoods in mind, the real estate agent's role in neighborhood selection could be decisive. However, among households whose search for housing was not neighborhood specific, the real estate agent played a comparable role in leading them to study neighborhood properties. For both groups of buyers -- those with and without specific neighborhoods in mind -- roughly 45 percent learned about the home they bought through a real estate agency.

In terms of racially stratified steering -- in which the real estate agent steers blacks to racially changing neighborhoods and whites away from them -- the role of the agent should be evident in the ways study neighborhood blacks and whites learned about the home they ultimately bought, particularly for those with no specific neighborhoods in mind. Such steering should be manifested in a higher proportion of such black buyers learning about the house they bought through a real estate agency. In the neighborhoods studied, however, the opposite was true. Roughly 40 percent of the blacks without specific neighborhoods in mind learned about the home they bought through a real estate agency. In

contrast, approximately 50 percent of the whites learned about the house in this fashion. Comparisons are presented in the table below.

Table III.3. HOW BLACK AND WHITE HOUSEHOLDS WITHOUT SPECIFIC NEIGHBORHOODS IN MIND LEARNED ABOUT THE STUDY NEIGHBORHOOD HOME THEY BOUGHT

	Black Households		White Households	
	Number	Percent	Number	Percent
Real Estate Agency	20	39.2%	33	50.8%
Newspaper	12	23.5	10	15.4
For Sale Sign	13	25.5	10	15.4
Friend or Relative	1	2.0	9	13.8
Other	5	9.8	3	4.6
Total	51	100.0%	65	100.0%

Source: Household Interviews.

Two points about the data in the table above are noteworthy. First, even among blacks without specific neighborhoods in mind, 60 percent first learned about the house on their own: through newspaper advertising, a For Sale sign on the property, friend or relative, etc. Second, half of the whites without specific neighborhoods in mind were in essence "steered" to the neighborhood by the real estate agent.

To further probe the frequency and character of agent influence on the consumer decision, all buyer households were asked whether the real estate agent discouraged them from looking in a particular neighborhood or encouraged them to look at a particular neighborhood. As a follow-up to affirmative responses, the respondent was asked to recount what the agent did or said.

Despite the broad opportunity for agent influence, few of the buyers recalled influences on neighborhood selection in either positive or negative terms. Among all study neighborhood buyers, only seven percent

reported that a real estate agent discouraged them from looking in a particular neighborhood; 12 percent reported that agents encouraged them to look in a particular neighborhood. These percentage rates were virtually identical to those among control neighborhood buyers. Similarly, there were no significant differences among neighborhoods or between blacks and whites. In reaching behind the quantitative response rate to grasp the qualitative nature of real estate agent influence, it is difficult to discern any adverse influences from a neighborhood point of view.

Three of the 12 whites reporting agent influence said that the agent discouraged them from looking in a certain neighborhood; all three were Rochester NEAD buyers. Agent comments ranged from a generalized one that a particular neighborhood would not be as good in a few years to what one respondent reported: "Well, in a round-about way, they told you you would not want to go to certain places. A lot of them stressed the west side of the city." To one family interested in the general NEAD area, another agent discouraged them from looking beyond a certain point because of "traffic, the yards were smaller and not as well kept up as other areas."

The influence against certain areas was not confined to whites, however. One black reported that the agent told him another neighborhood was better but at the time the buyer was so happy with the particular unit that he did not think much about it. At the same time, however, another black reported that the agent "showed me a neighborhood worse than the one I was leaving." With this one exception, the references to neighborhood conditions appear to be in the best interests of the buyer household and in close keeping with market conditions.

By far and away the most frequent type of agent influence related to the price of housing and the ability of the prospect to pay. Fully one-third of the responses were in this vein. One comment is typical: "The agent said that it would be more affordable for us and that we would not be getting ourselves in over our heads."

At the same time, a number of responses on agent behavior were very positive. Several praised the agents for their diligence and helpfulness. One comment in particular is notable: "He showed us the difference in the age of houses and showed us how much better built this one was than some of the others we were looking at. He wanted us to see how much better the neighborhood here was for the difference in prices." In two other cases, the buyers noted that the agent either specialized in the area or lived there and, as a consequence, most of his listings were in the vicinity. In sum, it is difficult to attribute more than a negligible adverse influence to real estate agents and their relationship with buyers who bought homes in these study neighborhoods. Of course, it must be emphasized again that decline was clearly evident in only two of the study neighborhoods and all were in the early stages of racial change. Real estate agent behavior and influence may be far different in other neighborhood settings.

Whites Shown Study Neighborhood Homes

The extent to which agents steered whites away from racially changing neighborhoods and steered blacks toward them can further be addressed by examining the extent to which whites were shown study neighborhood properties. While sellers are not always at home when the property is shown, their recollections are nonetheless instructive. All sellers were asked: "Were all, most, some, or none of the people who were shown your house white?" The neighborhood-specific response distributions to this question are presented in the table below.

Table III.4. STUDY NEIGHBORHOOD SELLER RESPONSES ON THE PROPORTION OF WHITES SHOWN THEIR PROPERTY

	<u>Number of Responses</u>	<u>Proportion Whites Shown</u>			<u>Percent of Buyers White</u>
		<u>All or Most</u>	<u>At Least Some</u>	<u>Nine</u>	
<u>Norfolk</u>					
Ballentine Place	12	50.0%	83.3%	16.7%	28.2%
Ingleside	10	18.2%	72.2%	18.3%	47.4%
<u>Rochester</u>					
North NEAD	11	72.7%	81.8%	18.2%	93.7%
South NEAD	20	70.0%	95.0%	5.0%	71.3%
<u>Dayton</u>					
Greenwich Village	17	23.6%	53.0%	47.0%	20.7%
Fairview	11	90.9%	100.0%	0.0%	96.9%
Total	81	54.4%	81.6%	18.4%	57.0%

Source: Household Interviews.

All of the neighborhoods were subject to the forces of racial transition to one degree or another. Even so, over half of the sellers reported that a majority of prospects were white. Less than 20 percent reported that no whites were shown the property.

In the three areas that have undergone the least racial transition and in which less than a majority of buyers were black -- North NEAD, South NEAD, and Fairview -- it is not surprising that 70 to 90 percent of the respondents indicated that a majority of those viewing the house were white. It is surprising, however, that in neighborhoods such as Ballentine Place and Greenwich Village -- in which 70 to 80 percent of the ultimate buyers were black -- that a quarter to one-half of the respondents still reported a majority of whites being shown their homes.

From another perspective, 80 percent of all sellers reported that at least some of the prospects were white. In five of the neighborhoods,

the response rate ranged from 70 to 100 percent. Only in Greenwich Village was there a significant number reporting exclusively black prospects: 47.0 percent.

Steering Implications

In the six neighborhoods analyzed in this study, there was no clear evidence that real estate agent steering played a detrimental role. This is not to say that steering didn't occur. The impact of broker transition can never be documented nor can white households steered away ever be identified. At the same time, most of these neighborhoods were very healthy and none was predominantly black. More substantial evidence of steering might well be found in other neighborhood settings.

Whatever the impenetrable influence of steering on the six study neighborhoods analyzed here, there is a notable backdrop formed of consumer attitudes and perceptions. From one perspective, blacks evidenced a clear preference for racially changing neighborhoods. Only three of the 33 with specific neighborhoods in mind mentioned all-white residential areas; all others mentioned a diverse array of racially changing neighborhoods. Even among blacks whose search for a home was not neighborhood-specific, 60 percent first learned about the home they ultimately bought on their own.

This pattern of black consumer preference may well reflect the racially discriminatory attitudes in the society at large. Fearing abuse, retribution or discomfort, some may not want to be "pioneers" as the only blacks in an otherwise "lily-white" neighborhood. Or, from another perspective, some may believe that homeowners in all-white neighborhoods wouldn't sell to them and that real estate agents wouldn't

show them properties there. Whatever the complex roots of the phenomenon, most of the blacks bought homes in the study neighborhoods as a matter of choice.

So, too, did whites. Among white buyers with specific neighborhoods in mind, 62 percent mentioned the study area. Even among those without specific neighborhoods in mind, half located the house through newspaper advertising, a For Sale sign, friend or relative.

While real estate agents and their marketing practices may have played a marginal role, steering was not a central element in the racial dynamics of the six neighborhoods studied. In terms of the "exclusion ideology" noted at the outset of this section, two other insights are notable.

One progressive white real estate broker in Dayton recalled his efforts to mount a "reverse steering" campaign. He instructed his agents to show properties in all-white suburban areas to every prospective black client. The campaign collapsed within months, however, because no blacks bought in the all-white suburban areas and the agents complained they were wasting their time in showing such properties. In this particular situation, it was as much a matter of economics as consumer preference, however. Doubtless because of the stigmatizing influence of racial change, blacks could buy comparable housing in the racially changing areas of Dayton for far less money than counterpart units in the all-white suburbs.

Also worth noting again anecdotally was the dissatisfaction rate among white buyers in the most racially changed neighborhoods. In the three neighborhoods where blacks currently account for 30 to 50 percent of the total population -- Ballentine Place, Ingleside and Greenwich

Village -- half of the white buyers were less satisfied since moving in. Though Greenwich Village clearly declined, the other two changed little except racially.

So long as considerations of color permeate the national consciousness, race will undoubtedly be a factor in neighborhood housing choices and other aspects of consumer behavior. In this setting, the real estate marketing practices examined in the six specific study neighborhoods mirrored the broad pattern of consumer attitudes.

Section D. Speculation and Investor Activity

In addition to specific marketing practices on the part of real estate brokers and agents, speculative buying and selling or unsavory investment activity on the part of brokers and other real estate investors can undermine the neighborhood's viability. Study findings in these two areas are presented in the remaining pages of this chapter.

Speculation

Particularly in neighborhoods where racial transition inspires "panic" sales, opportunities for speculation may ripen. A real estate broker or other type of operator may acquire a property from an anxious seller for a bargain price and resell it after a short period of time to a black at a price in keeping with prevailing market values. In such a chain of events, speculators can realize a windfall profit of substantial magnitude.

As in any market setting -- stocks, gold, commodities, etc. -- there are operatives consistently buying and selling in the hopes of securing short-term profits. In this sense, the real estate market is like any other and, within the context of the nation's market economy, a perfectly legitimate pattern of activity. In the case of declining neighborhoods or those undergoing racial transition, such activity takes on a more sinister aura.

In the course of this study, little evidence of such speculative activity was found. To identify possible cases of short-term speculative activity, all properties that changed hands within the same year were considered possible cases of speculation. The price in both transactions was then examined to determine the nature and magnitude of profits realized.

On an overall basis, two percent of the study neighborhood transactions involved properties that changed hands twice in the same year. A comparable 2.3 percent of the control neighborhood transactions were in this vein. On an overall basis, then, there was no difference in this activity rate between study and control neighborhoods. A comparison on a neighborhood-by-neighborhood basis is presented in the table below.

Table III.5. COMPARISON BETWEEN STUDY AND CONTROL NEIGHBORHOODS ON THE NUMBER OF PROPERTIES BOUGHT AND SOLD IN THE SAME YEAR

	<u>Study Neighborhood</u>		<u>Control Neighborhood</u>	
	<u>Number</u>	<u>Percent of Total</u>	<u>Number</u>	<u>Percent of Total</u>
<u>Norfolk</u>				
Ballentine Place	7	2.1%	8	2.7%
Ingleside	2	0.7%	2	1.1%
<u>Rochester</u>				
North NEAD	6	1.7%	5	1.5%
South NEAD	10	2.7%	2	1.2%
<u>Dayton</u>				
Greenwich Village	23	2.7%	11	3.2%
Fairview	<u>9</u>	1.5%	<u>22</u>	2.6%
Total	57	2.0%	50	2.3%

Source: Property Transaction Records.

Within specific neighborhoods, the rate ranged from less than one percent to slightly over three percent of all property transactions. Of particular note, the incidence in control neighborhoods exceeded the study neighborhood rate in four of the six cases. From this comparison, it is evident that speculative activity was no more pronounced in study neighborhoods and did not have a differentially adverse impact on

neighborhood market conditions. This is particularly meaningful given the broad range of dynamics, racial change and market characteristics in the neighborhoods studied.

Even within the low activity rate, there was no evidence of differential speculative profits. Not all such transactions were speculative in nature, of course. Some may simply have involved an intermediary transfer. In other cases, a parent may have bought a property and resold it to a son or daughter at a lower price with the difference constituting a gift. It is also quite possible that families could have moved into and out of the neighborhood within a single year.

To be sure, there were cases in which the recorded price in the second transaction was substantially higher than when first purchased. Of the 50 study neighborhood resale transactions within a single year for which price data was available, eight suggest short-term profits of 20 percent or more; in some cases, the price was almost double. Such profitable transactions, however, accounted for only 16.0 percent of the resale transactions and only three-tenths of one percent of all study neighborhood sales over the five year period. In comparative terms, such profitable transactions in the control neighborhoods accounted for 11.0 percent of the resale transactions, an almost equal rate. In sum, short-term speculative profits accounted for an equally miniscule proportion of sales in both study and control neighborhoods.

At the same time, some transactions suggest a loss. In both study and control neighborhood resale transactions, 20 to 25 percent sold for less in the second transaction than when first purchased. On an overall basis, the net differences among resale transactions were very modest. Though there were few such resales in several of the neighborhoods, the mean price difference on all resale transactions are presented in the table below.

Table III.6. MEAN PRICE DIFFERENCE ON AGGREGATE RESALE TRANSACTIONS IN STUDY AND CONTROL NEIGHBORHOODS, 1970-1974

	<u>Study</u> <u>Neighborhood</u>	<u>Control</u> <u>Neighborhood</u>	<u>Absolute</u> <u>Difference</u>
<u>Norfolk</u>			
Ballentine Place	11.1%	27.4%	-16.3
Ingleside	- 6.9%	-10.6%	- 3.7
<u>Rochester</u>			
North NEAD	15.1%	27.8%	-12.7
South NEAD	2.1%	7.4%	- 5.3
<u>Dayton</u>			
Greenwich Village	4.0%	1.7%	2.3
Fairview	7.6%	4.5%	3.1

Source: Property Transaction Records and Hammer, Siler, George Associates.

As illustrated, the mean rate ranged from negative values to as much as 27 percent in two of the control neighborhoods. Particularly in comparative terms, there is no evidence of differential speculative profiteering in the study neighborhoods.

Investment Activity and Conversions

In addition to speculative profiteering, investor activity and conversion from owner-occupancy to investor-owned rental status was analyzed. Among all six study neighborhoods, this feature was evident in only one: the South NEAD area of Rochester.

One particularly candid real estate broker in Rochester was very frank about his investment activity in the South NEAD neighborhood. In the context of a generally soft market, he specialized in acquisition of properties in the bargain-rate \$10,000 to \$12,000 range. He either

retained ownership himself or offered them to a wide range of well-do-do clients interested in investment opportunities. He estimated that he himself presently owned and operated 25 to 50 such properties in the South NEAD area. This investor would rent only to blacks because of their comparative lack of sophistication. Since they knew little of their rights as tenants, he could evict them immediately when the rent was in arrears without fear of landlord-tenant court intervention.

The economics of his operation favored consistent property tax delinquency. The city allowed a two-year grace period and minimal penalty on delinquent taxes. Knowing that he could achieve a higher rate of return by investing unpaid taxes in other ventures, he paid property taxes only at the end of the grace period. In South NEAD then -- one of two neighborhoods clearly declining -- the market climate permitted investment activity that did have a deleterious impact.

In none of the other neighborhoods were such practices found. A number of real estate brokers strongly asserted that the five other study neighborhoods did not provide good investment opportunities: they were not stable enough for a secure rental investment nor had purchase prices declined enough to generate an economic rate of return on the low-end rental market. From this perspective, the five study neighborhoods were in something of a no-man's land between secure property investment and specialists in the low-rent market.

Real estate brokers generally asserted that conversion activity was more frequently attributable to a homeowner moving from the neighborhood before the unit was sold. In such cases, the homeowner would be discouraged after keeping his home on the market for a long period of time, buy another home in a more desirable neighborhood and rent out the other until a buyer could be found. While this may have been true in some

instances and on a short-term basis, the rate of owner occupancy increased on an overall basis in all of the neighborhoods except South NEAD. These comparisons are presented in the following table.

Table III.7. OWNER OCCUPANCY IN STUDY NEIGHBORHOODS

	<u>Units Occupied by Owner, Latest Year</u>		<u>Absolute Percentage Change from 1970</u>
	<u>Number</u>	<u>Percent of Occupied Units</u>	
<u>Norfolk</u>			
Ballentine Place	619	71.1%	6.2%
Ingleside	838	65.6%	0.7%
<u>Rochester</u>			
North NEAD	1,136	77.5%	0.7%
South NEAD	780	54.7%	-4.8%
<u>Dayton</u>			
Greenwich Village	1,818	79.2%	3.9%
Fairview	1,814	55.6%	6.1%

Source: R.L. Polk Company reports.

Reflecting the investment climate recounted by the Rochester broker, the South NEAD market provided fertile opportunities for conversion activity. As a consequence, the rate of owner occupancy declined nearly five percent between the spring of 1970 and the spring of 1975; likewise, the proportion of single-family units occupied by renters increased from 22 to 29 percent. In contrast, the rate of owner occupancy remained stable or increased in the other five neighborhoods. In Ballentine Place and Fairview, the rate increased over six percent in a five-year period. In both of these neighborhoods, the increases are attributable to modest net additions to the single-family stock.

Speculation and Investment Implications

Speculative profiteering and investment activity had no apparent influence in five of the six study neighborhoods. Though some

speculative activity was doubtless present in the properties sold twice in the same year, such resale activity accounted for an almost negligible proportion of all neighborhood transactions and the rate was comparable in both study and control areas. At the same time, windfall profits were little evident in either.

These findings by no means discount the phenomenon of speculative profiteering but may simply indicate that different market conditions are required for it to flourish. In racially changing neighborhoods where white panic is rampant and black options so constrained as to intensify the level of demand, speculative profiteering may well occur on a large scale basis. In the one case where real estate operators clearly acquired properties at bargain rates -- South NEAD -- it was in conjunction with an ethically questionable listing agreement practice and conversion to rental status rather than profiteering resale.

In the soft market setting of South NEAD, investors were able to obtain properties at bargain rates and convert them into profitable rental units at the low end of the market. In the other neighborhoods, prices perhaps had not yet reached the point where profitable conversion activity was feasible. Though weak in several cases, owner-occupant demand was sufficient to sustain the owner/renter balance.

Chapter IV. LONG-TERM FINANCING

Chapter IV. LONG-TERM FINANCING

Section A. Introduction

The Financing Scenario

The conventional wisdom and much of the academic literature stresses the withering or withdrawal of long-term mortgage finance from institutional sources as a contributing factor if not a precipitating force in the early stages of neighborhood decline. As recounted in the literature, conventional lending institutions perceive increasing risk as the neighborhood enters the downward spiral of decline. They may make an a priori decision to make no more conventional loans in such a neighborhood or establish more stringent terms in making conventional commitments. As institutional financing dries up or becomes less accessible because of the stringent terms, home buyers turn with increasing frequency to unorganized mortgage channels: the land installment contract or individual mortgage.

Under this scenario, the constricted availability of long-term institutional financing and the unfavorable terms under alternative lending sources create barriers to home ownership and place discriminatory financial burdens on home owners that do secure financing. This process is seen as both artificially diminishing market demand among potential owner-occupants -- the bulwark of neighborhood stability -- and establishing financial burdens that preclude proper attention to property maintenance, repairs and replacements as they become necessary. The downward spiral is thus reinforced and accelerated.

While this scenario may well apply at other times and in later stages of neighborhood decline, it is not an appropriate characterization of the processes represented in the six neighborhoods selected

for detailed study. Rather, the long-term financing scenario is far more subtle and complex.

In mingling issues of neighborhood decline and racial change, this chapter addresses a complex series of issues hinging on long-term residential financing. In the first cluster of issues are those directed at the ready availability of financing from regulated and controlled institutional sources -- FHA and VA as well as conventional trusts -- as opposed to less desirable individual mortgages and land installment contracts.

Within the range of institutional sources are those issues hinging on mortgage type: to what extent has FHA/VA activity substituted for conventional mortgages, what accounts for the transition and what are the impacts on residential finance in the neighborhood, homeowner reinvestment and neighborhood decline. Related to the question of mortgage type are those focusing on the types of institutions originating loans: to what extent have depository institutions continued to play a role in neighborhood financing, what is the role of mortgage companies, from what types of institutions do blacks obtain mortgages and what are the implications for the future of the neighborhood.

The final set of research questions are addressed at the terms of conventional mortgages actually made the neighborhoods: are perceptions of greater risk reflected in more stringent loan-to-value ratios and mortgage term.

Use of Terms

A variety of terms used throughout this chapter deserve brief definition. In discussing institutions that provide mortgage financing, the terms "thrift" and "depository" institutions are frequently used. The thrift institutions include the savings and loan associations and the mutual savings banks, institutions that accumulate most of their capital from the savings of individual depositors and invest most of their funds in residential mortgages. When commercial banks are also included in the discussion, the broader term "depository institutions" is used. While commercial banks accept depositor savings and make some residential mortgage loans, their roles in finance are far broader in scope.

In discussing mortgage terms, "loan-to-value ratio" expresses the percentage relationship between the mortgage amount and the sale price of the unit; it is, in essence, the proportion of the sale price financed through a long-term mortgage. For example, if a home is sold for \$25,000 and a \$20,000 mortgage is granted to finance the purchase, the loan-to-value ratio is said to be 80 percent. Mortgage term represents the number of years over which the loan must be repaid. For example, if the mortgage term is 25 years, it means that the loan must be paid off at the end of that period and monthly payment amounts are structured accordingly.

Chapter Contents

This chapter contains six substantial sections. Following this introduction, Section B establishes an overall context by reviewing mortgage lending characteristics in the U.S. and the three metropolitan areas studied over the five-year research period. Section C considers

the ready availability of institutional financing while the succeeding three sections examine the role and impacts of different mortgage types and originating institutions. The final Section G evaluates the impacts of long-term financing attributes on the neighborhoods and consumer re-investment.

Section B. Mortgage Market Overview

The long-term financing dimensions explored in this study at the neighborhood scale operate in a larger context of national monetary cycles and the infrastructure of financial institutions serving the local market. This section presents a brief review of these parameters to set the context for detailed neighborhood examination.

National Trends

Mortgage Volumes

Mortgage originations in the U.S. increased at a phenomenal rate during the first half of this decade. Savings and loan institutions and commercial banks were in fierce competition to obtain their share of investment dollars. In 1970, the Federal Home Loan Bank Board and Federal Deposit Insurance Corporation allowed the savings institutions and banks to pay higher interest rates on deposits to put them in a more competitive position vis a vis other consumer investment opportunities. This factor coupled with the Federal Home Loan Bank Board liberalization of conventional mortgage terms -- permitting loan-to-value ratios up to 95 percent -- produced an environment conducive to unsurpassed mortgage loan volumes. The following table indicates mortgage originations nationally from 1970 through 1974.

Table IV.1. VALUE OF LONG-TERM MORTGAGE LOAN ORIGINATIONS ON ONE-TO-FOUR FAMILY UNITS IN THE U.S., 1970-1974, IN BILLIONS OF DOLLARS

	<u>Mortgage Loan Volume</u>	<u>Percent Change From Previous Year</u>
1970	\$26.5	-
1971	\$45.1	70.1%
1972	\$63.5	40.7%
1973	\$71.4	12.6%
1974	\$66.0	-7.5%

Source: Data collected from various Federal agencies and compiled by Hammer, Siler, George Associates.

Expanding rapidly in the first three years, 1973 volumes were nearly three times the 1970 level. With the national recession taking hold in 1974, however, retrenchment was evident in the 7.5 percent decrease from the preceding year. Nonetheless, the 1974 dollar value of new mortgage originations was still two and a half times the 1970 mark. In sum, the five-year study period was one of rapidly expanding nationwide mortgage volumes.

Sources of Mortgage Funds

Throughout the five-year period the savings and loan associations dominated the long-term residential mortgage market. From 1970 to 1974 savings and loan originations averaged just over 54 percent of all mortgages made in the U.S. The thrift institutions' share of the market peaked at 59 percent in 1971 before dropping down to 47 percent in 1974. In contrast, commercial banks accounted for approximately one-fourth of the mortgage originations during the five-year period and mutual savings banks less than one-tenth.

There were no major shifts in the percentage distribution of mortgage activity in the U.S. until 1973 and 1974. By 1973, aggressive

mortgage companies began to make significant inroads into the domain of the savings and loan institutions. This increase is reflected in the "All Other Lenders" category of the following table.

Table IV.2. PERCENTAGE DISTRIBUTION OF MORTGAGE LOAN ORIGINATIONS AMONG INSTITUTIONAL SOURCES, 1970-1974

<u>Institutions</u>	<u>1970-74 Average</u>
Savings & Loan Associations	54.1%
Commercial Banks	27.1
Mutual Savings Banks	7.9
All Other Lenders	10.9
Total	100.0%

Source: Data collected from various Federal agencies and compiled by Hammer, Siler, George Associates.

Interest Rates

From the 1976 perspective, residential mortgage interest rates were substantially lower during most of the study period. The average for each of the five years is shown in the table below.

Table IV.3. AVERAGE MORTGAGE INTEREST RATE ON EXISTING HOMES FOR ALL MAJOR TYPES OF LENDERS IN THE U.S., 1970-1974

<u>Year</u>	<u>Average Interest Rate</u>
1970	8.20%
1971	7.54%
1972	7.38%
1973	7.86%
1974	8.84%

Source: Data collected from various Federal agencies and compiled by Hammer, Siler, George Associates.

As illustrated, the average was below eight percent in all years except those at the beginning and end of the period. Of particular note, FHA and VA rates dropped to seven percent in early 1971 and remained at that low level through mid-1973.

Mortgage Types

Conventional mortgage loans have been and remain the predominant type of long-term residential financing in the United States. For the five-year period from 1970 to 1974, conventional mortgage loans accounted for 80 to 90 percent of the total originated. In contrast, combined FHA/VA originations accounted for no more than 19 percent in any one year. The average over the five-year period is presented in the table below.

Table IV.4. DISTRIBUTION OF ONE- TO FOUR-FAMILY MORTGAGE LOAN ORIGINATIONS BY TYPE, 1970-1974

<u>Type</u>	<u>1970-74 Average</u>
FHA Insured	6.0%
VA Guaranteed	6.9
Conventional	<u>87.1</u>
Total	100.0%

Source: Data collected from various Federal agencies and compiled by Hammer, Siler, George Associates.

VA guaranteed loan activity remained relatively stable over the period and averaged 6.9 percent of the total. With a roughly comparable average, FHA insured loans nonetheless fluctuated from four to nearly ten percent of the market on an annual basis during the study period.

In sum, the five-year study period included years of massive mortgage loan originations and periods of sustained low interest rates. On

a national basis, conventional loans consistently accounted for 80 to 90 percent of the total with FHA and VA splitting the remainder in varying proportions.

Local Mortgage Infrastructure

Lending Institutions

In each of the three study cities, the residential mortgage infrastructure includes six to eight locally based savings and loan associations complemented by a variety of commercial banks. Alone among the three, Rochester includes three large locally-based mutual savings banks. The basic financial institution infrastructure in each is briefly described in the paragraphs which follow.

Norfolk

In comparative terms, Norfolk's dominant savings and loan associations are smaller than those in the other study cities. In total assets, four of the six locally-based institutions range in size from roughly \$100 million to \$140 million. Each serves the metropolitan area with five to seven branches. Two smaller institutions -- one of them minority-owned -- complete the savings and loan complement.

There are three state-wide banking chains among the eight commercial banks represented in Norfolk. With total assets over one billion dollars in two of the locally-based chains, totals are not disaggregated so that Norfolk may be analyzed on an individual basis. Atlantic National Bank with assets of \$6.9 million is a minority-owned bank. The basic characteristics of the financial infrastructure are presented in the table below.

Table IV.5. FINANCIAL INSTITUTIONS IN NORFOLK, VIRGINIA,
BY TYPE, ASSET SIZE, AND NUMBER OF OFFICES,
DECEMBER 31, 1973

	<u>Total Assets</u> (millions)	<u>Number of</u> <u>Offices</u>
<u>Savings and Loan Associations</u>		
Life Federal Savings and Loan	\$138.0	7
Mutual Federal Savings and Loan	\$137.8	5
Home Federal Savings and Loan	\$122.0	6
Atlantic Permanent Savings and Loan	\$ 97.5	6
Chesapeake Savings and Loan	\$ 39.0	3
Berkeley Citizens Mutual Savings and Loan*	\$ 4.9	1
<u>Commercial Banks</u>		
Virginia National Bank	\$1,815.8	17
First and Merchants National Bank	\$1,251.9	2
United Virginia Bank	\$ 323.6	10
First Virginia Bank of Tidewater	\$ 111.3	16
Citizens Trust Bank	\$ 56.8	1
First National Bank	\$ 50.2	4
Atlantic National Bank*	\$ 6.9	1
Bank of the Commonwealth	\$ 6.6	5

*Minority institution.

Source: Polk's World Bank Directory, Federal Home Loan Bank Board.

Rochester

Three of the Rochester savings and loan associations are larger than any in Norfolk. With total assets on the order of \$400 to \$550 million, two of these institutions cover the metropolitan market with 13 to 19 offices. The third largest -- Eastman Savings and Loan -- is a Kodak-based institution primarily serving employees.

The three Rochester-based mutual savings banks range in size from approximately \$350 million to over \$800 million in total assets. The

three are represented by a total of 27 offices in the metropolitan area. The basic characteristics of these and other financial institutions are summarized below.

Table IV.6. FINANCIAL INSTITUTIONS IN ROCHESTER, NEW YORK, BY TYPE, ASSET SIZE, AND NUMBER OF OFFICES, DECEMBER 31, 1973

	<u>Total Assets</u> (millions)	<u>Number of</u> <u>Offices</u>
<u>Savings and Loan Associations</u>		
First Federal Savings and Loan	\$554.0	19
Columbia Banking Savings and Loan	\$395.0	13
Eastman Savings and Loan	\$198.2	1
Dime Banking and Loan	\$ 31.3	6
Genesee Federal Savings and Loan	\$ 19.6	2
Home Federal Savings and Loan	NA	6
<u>Mutual Savings Banks</u>		
Community Savings	\$819.3	11
Rochester Savings	\$615.8	9
Monroe Savings	\$357.9	7
<u>Commercial Banks</u>		
Lincoln First Bank of Rochester	\$1,216.8	14
Marine Midland Bank-Rochester	\$ 721.4	12
Security Trust Company	\$ 517.1	4
Central Trust Company	\$ 475.7	6
Bankers Trust Company	\$ 56.2	3
Chase Manhattan Bank of Greater Rochester	\$ 23.3	1

Source: Polk's World Bank Directory, Federal Home Loan Bank Board.

Dayton

The savings and loan market in Dayton is dominated by one institution in the half-billion dollar range; it has twice the total assets of its nearest competitor. Ranging in size from roughly \$250 million down

to \$6 million, seven other institutions are also locally-based. Reflecting state regulatory policies, several institutions based in other Ohio cities maintain branch locations in Dayton and a number of others originate loans in the area.

Mirroring the savings and loan pattern, one commercial bank outranks its nearest competitor by two to one in total assets. The second and third largest are comparable in size while the fourth -- a minority-owned bank -- has assets only slightly in excess of \$8 million. The characteristics of Dayton financial institutions are summarized below.

Table IV.7. FINANCIAL INSTITUTIONS IN DAYTON, OHIO, BY TYPE, ASSET SIZE, AND NUMBER OF OFFICES, DECEMBER 31, 1973

	<u>Total Assets</u> (millions)	<u>Number of</u> <u>Offices</u>
<u>Savings and Loan Associations</u>		
Gem City Savings and Loan	\$481.1	8
Citizens Federal Savings and Loan	\$226.7	9
State Fidelity Savings and Loan	\$133.0	4
Homestead Federal Savings and Loan	\$ 77.9	1
Home Savings and Loan	\$ 61.1	3
Montgomery County Building and Loan	\$ 30.1	1
First Federal Savings and Loan	\$ 18.5	1
Central Savings and Loan	\$ 6.0	1
<u>Commercial Banks</u>		
Winters National Bank and Trust	\$688.8	10
Third National Bank and Trust Company	\$342.7	7
First National Bank of Dayton	\$323.7	8
Unity State Bank*	\$ 8.4	2

*Minority institution.

Source: Polk's World Bank Directory, Federal Home Loan Bank Board.

Mortgage Volumes

Over the study period, mortgage loan originations closely paralleled the national trends in two of the three metropolitan areas. In both Norfolk and Dayton, mortgage volumes increased rapidly from the 1970 base but peaked one year earlier than the nation as a whole in 1972. In Rochester, on the other hand, mortgage originations increased each consecutive year over the five-year period. Annual volumes are summarized below.

Table IV.8. VALUE OF MORTGAGE LOANS ORIGINATED
IN NORFOLK, ROCHESTER, AND DAYTON,
1970-74, IN MILLIONS OF DOLLARS

	<u>Norfolk</u>	<u>Rochester</u>	<u>Dayton</u>
1970	\$ 71	\$116	\$229
1971	\$141	\$206	\$363
1972	\$177	\$221	\$427
1973	\$161	\$228	\$402
1974	\$122	\$236	\$335

Source: Hammer, Siler, George Associates.

Mortgage Types

While clearly dominating residential lending, the proportion of conventional loans in all three metropolitan areas was below the national average. In Norfolk, not quite two-thirds of the dollar volume was attributable to conventional loans. In Rochester and Dayton, they ranged between 75 and 80 percent of the total. Comparisons among the three areas are presented below.

Table IV.9. DISTRIBUTION OF MORTGAGE LOANS ORIGINATED BY INSTITUTIONS IN THE NORFOLK, ROCHESTER AND DAYTON METROPOLITAN AREAS, 1970-1974

	<u>Norfolk</u>	<u>Rochester</u>	<u>Dayton</u>
FHA Insured	12.6%	10.9%	12.9%
VA Guaranteed	22.7	8.3	11.0
Conventional	<u>64.7</u>	<u>80.8</u>	<u>76.1</u>
Total	100.0%	100.0%	100.0%

Source: Hammer, Siler, George Associates.

Though nearly twice the national average, FHA activity was approximately the same in all three areas. Accounting for a decreasing proportion of loans in all three areas over the years since 1970, the FHA rate dropped most precipitously in Norfolk: from 26 percent in 1970 to four percent in 1974. Reflecting the influence of the Navy in Norfolk, over a fifth of the area's mortgages were VA guaranteed.

In sum, there were diverse conventional lending sources in all three cities. While VA and FHA accounted for a significant share of the market, the study period included years of peak conventional lending. This overview sets the context for specific neighborhood analysis.

Section C. Institutional Financing

Financing From Institutional Sources

One important measure of residential finance in neighborhoods is the extent to which transactions are financed with long-term mortgages from institutional sources as opposed to the less desirable land installment contract and individual trust. At this point in the analysis, the full range of institutional sources are included: assumptions, new conventional mortgage commitments as well as FHA and VA originations. While this evaluation glosses over the implications of these alternative mortgage instruments, it does confront the very basic issue of whether residential finance was predominated by controlled and regulated institutional sources.

Unfortunately, the record keeping system in Dayton hampered an identification of transactions in which the mortgage was assumed as opposed to those without a mortgage. Only if a mortgage was originated at the time of sale was complete data available. As a consequence, the proportions of assumed mortgages in the Dayton neighborhoods were imputed based on household interview data.

Quite clearly, institutional financing predominated in the six study neighborhoods. Of the nearly 2,800 transactions in these neighborhoods over the five-year study period, nearly 90 percent (88.3 percent) were financed on an institutional basis. This overall rate was virtually identical to that in the control neighborhoods (89.5 percent). In both of the Dayton study neighborhoods, institutional activity exceeded 90 percent and in only two cases -- Ballentine Place and South NEAD -- was it as low as 80 percent. A comparison between specific study and control neighborhoods is presented in the table below.

Table IV.10. PERCENT OF TRANSACTIONS FINANCED THROUGH INSTITUTIONAL SOURCES

	<u>Study</u>		<u>Control</u>		<u>Absolute</u> <u>Percentage</u> <u>Difference</u>
	<u>Neighborhood</u> <u>Number</u>	<u>Percent</u>	<u>Neighborhood</u> <u>Number</u>	<u>Percent</u>	
<u>Norfolk 1/</u>					
Ballentine Place	265	80.8%	238	78.1%	2.7
Ingleside	235	87.4%	149	79.3%	8.1
<u>Rochester 1/</u>					
North NEAD	308	84.9%	273	83.5%	1.4
South NEAD	305	80.7%	139	79.9%	0.8
<u>Dayton 2/</u>					
Greenwich Village	794	93.2%	338	97.1%	-3.9
Fairview	554	92.8%	819	97.0%	-4.2
Total	2,461	88.3%	1,956	89.5%	-.12

Source: 1/ Property Transaction Data.
2/ Property Transaction Data supplemented
by Household Interviews.

In four cases, the study neighborhood rate exceeded that in the control neighborhood; in the other two cases, the reverse was true. Little meaning can be attached to these Dayton study neighborhood differentials since the data was drawn partly from household interviews; sampling error could as well account for the differences. In sum, institutional financing predominated in the study neighborhoods and, in comparison to more stable control areas, the rate of institutional activity was little different.

With institutional activity averaging 90 percent in the aggregate, the residual is accounted for by those who received the home as a gift, cash purchases, individual trusts and, perhaps, land installment

contracts. Among buyer households interviewed in study and control neighborhoods, gift and cash purchases accounted for 5.2 and 6.7 percent, respectively. Such transactions have no adverse financing implications but the individual mortgage and land installment contract are both considered unfavorable long-term borrowing vehicles. These are addressed in sequence below.

Individual Mortgages

Some sellers such as "empty nesters" moving into an apartment or nursing home may prefer the income stream from an individual mortgage to cash proceeds at the time of sale. While there may be such exceptions, the individual mortgage frequently occurs when a buyer cannot qualify for institutional financing and the seller is forced to "take back" the first trust in order to conclude the sale. In essence, the seller finances the sale and like any mortgagee, recoups his equity over the term of the loan; he must service the loan himself and attend to any delinquency problems.

From the buyer's point of view, the individual mortgage is often equally disadvantageous. Under the terms of an individual mortgage, the loan-to-value ratio is typically lower and the mortgage term shorter than those available from institutional sources. As a consequence, both the downpayment and monthly payment are higher. Rarely do sellers or buyers prefer this financing mechanism and, as a consequence, the extent of individual financing is an important indicator of the availability of more desirable institutional financing.

Based on the findings in this study, individual mortgages were not a significant phenomenon in the neighborhoods analyzed. Among all study neighborhood transactions, individual mortgages accounted for only 3.1

percent of the total. In contrast, 3.7 percent of the transactions in the six control neighborhoods were financed with individual mortgages. Measured in tenths of percentage points, the slightly higher incidence in control neighborhoods underscores the comparable scale and minimizes the importance of individual financing in the racially changing neighborhoods studied. Neighborhood-by-neighborhood comparisons are presented in the table below.

Table IV.11. PERCENT OF NEW MORTGAGES FINANCED THROUGH INDIVIDUAL TRUSTS

	<u>Study</u> <u>Neighborhood</u>		<u>Control</u> <u>Neighborhood</u>		<u>Absolute</u> <u>Percentage</u> <u>Difference</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	
<u>Norfolk</u>					
Ballentine Place	7	4.3%	6	3.9%	-0.6
Ingleside	6	3.7%	6	6.9%	-3.2
<u>Rochester</u>					
North NEAD	11	3.6%	20	7.6%	-4.0
South NEAD	20	7.1%	9	6.9%	0.2
<u>Dayton</u>					
Greenwich Village	5	0.8%	1	0.3%	0.5
Fairview	11	2.4%	11	1.8%	0.6
Total	60	3.1%	53	3.7%	-0.6

Source: Property Transaction Data.

From the above table, it is noteworthy that in three of the study neighborhoods the proportion of individual mortgages was smaller than in the control neighborhood counterpart, a difference that ranged up to four percent. In the three cases where the incidence of individual mortgages exceeded the rate in the control neighborhoods, the difference is measured in tenths of percentage points.

Land Installment Contract Potential

The land installment contract is another long-term financing mechanism with adverse implications. The buyer does not obtain title to the property until the final payment is made, his payments in the meanwhile do not represent recoverable equity and, typically, interest rates are higher than for institutional loans.

Since land installment contracts are not recorded, it is an extremely elusive phenomenon and one that could not be documented with certainty in this study. If any study neighborhood properties were financed in this fashion, however, it was a negligible phenomenon. Using the household interview results to supplement property transaction data, 97.4 percent of the sales were accounted for by long-term institutional financing, gift or cash transactions and individual mortgages. While the 2.6 percent residual could reflect some land contract activity, it could as well be attributable to sampling error. Land contract activity, then, is far more likely in more deteriorated neighborhoods.

Difficulties in Obtaining Institutional Financing

The ready availability of institutional financing is further borne out by the small number of buyers reporting financing difficulties. The interview instrument administered to households purchasing homes over the 1970-1974 period contained an elaborate series of questions probing the sources from which they sought long-term financing and the difficulties they encountered. All were asked to specify the institutions they contacted, whether any loan applications were rejected, the reasons given and whether they sought financing elsewhere because of unfavorable terms.

Significantly, of the 211 study neighborhood households interviewed, only four (1.9 percent) applied to more than one institution in seeking long-term financing. Only two of the buyer households interviewed (1.0 percent) reported application rejection or unfavorable terms. One individual reported that his FHA loan application was rejected because of his wife's previous conviction on a felony charge. The other individual reported that he sought financing elsewhere because the downpayment requirement under the mortgage terms offered him was too high. In the control neighborhoods, an equivalent one out of 183 respondents (0.6 percent) reported a loan application rejection.

Quite clearly, then, for households that purchased homes and moved into the neighborhoods, long-term financing was readily available. Allowing for sampling error, no more than two percent of 2,800 home buyers in the study neighborhoods had their loan application rejected or sought financing elsewhere because of unfavorable terms.

While the analysis in the paragraphs above applied to transactions concluded in the neighborhood, it still begs the issue of sales transactions that fell through for want of institutional financing. Some insight into this issue can be obtained from an analysis of data from households that sold homes and moved from the neighborhood during the five-year period. In the course of this interviewing process, respondents were asked whether prospective buyers had any difficulty obtaining long-term financing.

In contrast to the miniscule number of buyers reporting problems, just under one-fifth (19.1 percent) of the study neighborhood sellers reported financing problems in selling their home. Among control neighborhood sellers, the rate was 12.0 percent. While measurable, this

difference is not statistically significant and must be attributed to chance rather than lending practices or policies. In sum, financing difficulties were equivalent in both study and control neighborhoods and did not have a differentially adverse effect.

Summary

As recounted in the preceding pages, long-term institutional financing predominated in the neighborhoods studied. There was no evidence of differentially significant individual mortgage or land installment contract activity to suggest that institutional financing was not readily available. Neither did buyers or prospective buyers have unusual difficulties in obtaining long-term institutional financing. Among institutional financing sources, however, there are important issues hinging on the availability and terms of conventional mortgages and the use of FHA and VA mortgage programs. These issues are addressed in the sections which follow.

Section D. Types and Sources of Institutional Financing

Assuming that buyers can meet the downpayment requirements and underwriting standards, conventional mortgages are generally considered more desirable than FHA or VA loans because of the shorter processing time and less "red-tape." Among the most intriguing set of issues in this study are those hinging upon the sources of institutional financing and the availability of conventional mortgages: (1) to what extent were study neighborhood sales financed with conventional mortgages? (2) to what extent did FHA and VA mortgage programs substitute for conventional loans? (3) did depository institutions withdraw entirely and refuse to make any conventional loans in the study neighborhoods? (4) were more of the depository institution mortgages backed by government insurance or guarantees? This section establishes basic perspectives on the issues of this nature while the succeeding section more thoroughly evaluates the determinants of mortgage type.

Conventional Mortgage Commitments

In penetrating institutional lending behavior, one point of perspective is the extent to which home purchases in the study neighborhoods were financed with conventional mortgages. Quite clearly, there were pronounced disparities between conventional lending in the study neighborhoods and broader metropolitan averages. On an overall basis, less than 40 percent of the mortgage originations in the study neighborhoods were conventional loans. Comparisons between study neighborhood conventional lending activity and metropolitan averages are presented in the table below.

Table IV.12. CONVENTIONAL MORTGAGES AS A PERCENT OF ALL MORTGAGE ORIGINATIONS IN THE STUDY NEIGHBORHOODS AND THE METROPOLITAN AREAS OF WHICH THEY ARE A PART

	<u>Percent Conventional Commitments</u>
	<u>Study Neighborhood</u> <u>Metropolitan Area</u>
<u>Norfolk</u>	64.7%
Ballentine Place	17.0%
Ingleside	22.4%
<u>Rochester</u>	80.8%
North NEAD	38.3%
South NEAD	29.9%
<u>Dayton</u>	76.1%
Greenwich Village	25.7%
Fairview	54.8%

Source: Property Transaction Records and Data compiled by Hammer, Siler, George Associates.

At a metropolitan level, conventional loans accounted for roughly 65 to 80 percent of the mortgage commitments in the three study areas. In contrast, no more than 55 percent of the study neighborhood originations were conventional loans. More frequently, conventional loans accounted for 20 to 40 percent of the total. With conventional mortgage activity in the study neighborhoods typically one-fourth to one-half the metropolitan average, disparities of such a great magnitude are more associated with general central city location than specific study neighborhood characteristics.

To a certain extent, the availability and terms on conventional mortgage credit operate in a market with supply and demand characteristics. In a broad sense, different sectors of the economy and, in a more

particular sense, different homebuyers compete for available funds. Conventional mortgage lending decisions are made in such a market context, often in terms of alternative lending opportunities and on the basis of comparative levels of risk. Available funds are, in a sense, rationed among alternative lending opportunities. In this credit allocation process, general lending patterns are determined not only on the basis of specific actuarial risk but in terms of least risk situations. As had been frequently charged and occasionally documented, conventional lenders generally favor suburban properties for two reasons:

- Historically, rates of property value appreciation have been greater in suburban areas than in older central cities; in case of default and foreclosure, market value appreciation provides an extra margin of safety in recouping the mortgagee's equity in case of default.
- Since mortgage servicing costs do not vary significantly with the size of the loan, the higher property values and consequent mortgage amounts associated with suburban properties minimize the servicing costs for the loan portfolio.

This research effort has not been directed at the disparities between suburban and central city mortgage investment flows at large, but the comparative differences between central city study neighborhoods subjected to the forces of racial change and their control neighborhood counterparts. Though interesting in establishing a general perspective, the metropolitan/study neighborhood disparities are not nearly as important in this research effort as the differences between the specific central city study and control neighborhoods themselves. Even in this comparison, however, the disparities are evident though of a less substantial magnitude. Neighborhood-by-neighborhood comparisons are presented in the table below.

Table IV.13. CONVENTIONAL MORTGAGE COMMITMENTS IN STUDY AND CONTROL NEIGHBORHOODS

	<u>Study</u>		<u>Control</u>		<u>Absolute</u> <u>Percentage</u> <u>Difference</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	
<u>Norfolk</u>					
Ballentine Place	27	17.0%	34	23.8%	- 6.8
Ingleside	36	22.4%	36	29.6%	-17.2
<u>Rochester</u>					
North NEAD	113	38.3%	132	50.8%	-12.5
South NEAD	83	29.9%	48	38.4%	- 8.5
<u>Dayton</u>					
Greenwich Village	166	25.7%	60	26.1%	- 0.4
Fairview	258	54.8%	318	50.8%	4.0
Total	683	36.6%	628	42.5%	- 5.9

Source: Property Transactions Records.

With Fairview as the sole exception, conventional lending activity in the study neighborhoods was below that found in control neighborhoods. On an overall basis, there was a six percent spread between the proportion of neighborhood transactions financed with conventional mortgage loans. In sum, there were marked if not dramatic differences. Particularly in neighborhoods such as Ballentine Place, Ingleside and North NEAD where objective neighborhood indicators were so very similar to those in the control neighborhoods, these disparities suggest the constricted availability of conventional financing.

FHA/VA Mortgage Activity

In keeping with the overall availability of institutional financing, however, FHA and VA mortgages took up the slack. Combined, these two

government-backed mortgage programs accounted for the differences in conventional mortgage commitments. As illustrated in the table below, higher FHA/VA activity rates were virtually the mirror image of diminished conventional commitments.

Table IV.14. COMBINED FHA/VA MORTGAGE COMMITMENTS
IN STUDY AND CONTROL NEIGHBORHOODS

	<u>Study</u>		<u>Control</u>		<u>Absolute Percentage Difference</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	
<u>Norfolk</u>					
Ballentine Place	118	72.7%	93	64.6%	8.1
Ingleside	114	70.8%	41	45.1%	25.7
<u>Rochester</u>					
North NEAD	163	55.3%	103	39.6%	15.7
South NEAD	164	59.0%	63	50.4%	8.6
<u>Dayton</u>					
Greenwich Village	464	72.1%	169	73.5%	- 4.7
Fairview	<u>196</u>	41.6%	<u>290</u>	46.3%	- 1.4
Total	1,219	64.7%	759	55.7%	9.0

Source: Property Transaction Records.

In all but one study neighborhood -- Fairview -- government loans accounted for the majority of new mortgage commitments. While FHA and VA financing were also important in the control neighborhoods, the differences were marked in several cases. Since conventional mortgages are often considered a bell-weather of neighborhood viability, even the subtle differences in conventional and FHA/VA activity deserve scrutiny.

Institutional Withdrawal

While conventional originations were lower in the study neighborhood, there is no evidence to suggest complete institutional withdrawal and an a priori decision to make no conventional loans in the study neighborhoods. Only in Norfolk is there even circumstantial evidence that some institutions refused to make study neighborhood loans. Two of the six Norfolk savings and loan associations made no loans in the study neighborhoods but did so in both control areas. The other four Norfolk institutions, however, made at least some loans in all study and control neighborhoods. In all other city and neighborhood settings, institutions originating conventional loans in the control neighborhoods also made such loans in the study neighborhoods. In the six study neighborhoods that were the focus for this research effort, then, flat out institutional withdrawal was not evident except on a very minor scale. Rather, depository institutions were important sources of long-term financing even if more of their loans were made with government programs underwriting the risk.

Originations by Depository Institutions

Though activity levels varied considerably, depository institutions -- savings and loan associations, mutual savings banks and commercial banks -- played roughly equivalent mortgage originating roles in both study and control neighborhoods. At the neighborhood level, they accounted for 20 to over 95 percent of the new mortgage commitments. Neighborhood-by-neighborhood comparisons are presented in the table below.

Table IV.15. MORTGAGES ORIGINATED BY DEPOSITORY INSTITUTIONS AS A PROPORTION OF ALL NEW MORTGAGE COMMITMENTS, STUDY AND CONTROL NEIGHBORHOODS

	<u>Study</u> <u>Neighborhood</u>		<u>Control</u> <u>Neighborhood</u>		<u>Absolute</u> <u>Percentage</u> <u>Difference</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	
<u>Norfolk</u>					
Ballentine Place	31	21.1%	35	28.2%	- 7.1
Ingleside	43	29.8%	36	48.7%	-18.9
<u>Rochester</u>					
North NEAD	263	97.0%	209	95.9%	1.1
South NEAD	231	94.7%	107	97.3%	- 2.6
<u>Dayton</u>					
Greenwich Village	339	53.9%	103	45.8%	8.1
Fairview	<u>346</u>	76.9%	<u>432</u>	71.6%	5.3
Total	1,253	66.5%	922	68.1%	- 1.6

Source: Property Transaction Records.

As illustrated, depository institutions in both Rochester and Dayton originated the vast majority of mortgages in both study and control neighborhoods. In fact, with the exception of South NEAD, they originated more of the mortgages in the study neighborhoods than in the control areas.

With a small savings and loan asset base, Norfolk's depository institutions accounted for a far smaller number of mortgage originations in all four neighborhoods. Accounting for 20 to 30 percent of the loans in the study neighborhoods, activity levels were somewhat higher in both control neighborhoods.

Despite some evidence of receding depository institution involvement in Norfolk, fully two-thirds of the mortgages on study neighborhood properties were originated by depository institutions. This rate was virtually identical to the 68.1 percent level in the control neighborhoods. With this one basic perspective established, activity on the part of specific types of institutions varied widely.

The Institutional Infrastructure

Reflecting the diverse financial infrastructure in each of the three cities, the types of institutions originating mortgages played varying roles. The proportions of new mortgages originated by each major source of financing are illustrated in the table below.

Table IV.16. MORTGAGE LOAN ORIGINATIONS IN THE STUDY NEIGHBORHOODS BY INSTITUTIONAL TYPE

	<u>Savings</u>	<u>Savings</u>	<u>Commercial</u>	<u>Mortgage</u>	<u>Total</u>	
	<u>and Loan</u> <u>Associations</u>	<u>Banks</u>	<u>Banks</u>	<u>Companies</u>	<u>Number</u>	<u>Percent</u>
<u>Norfolk</u>						
Ballentine Place	17.7%	--	3.4%	78.9%	147	100.0%
Ingleside	22.9%	--	6.9%	70.2%	144	100.0%
<u>Rochester</u>						
North NEAD	22.1%	61.2%	13.7%	3.0%	271	100.0%
South NEAD	23.8%	55.3%	15.6%	5.3%	244	100.0%
<u>Dayton</u>						
Greenwich Village	49.3%	--	4.6%	46.1%	629	100.0%
Fairview	71.8%	--	5.1%	23.1%	450	100.0%
Total	43.0%	16.0%	7.5%	33.5%	1,885	100.0%

Source: Property Transaction Records.

As illustrated, savings and loan associations in both Norfolk and Rochester accounted for less than one-fourth of the study neighborhood mortgage originations. Having noted this, however, the majority of originations are attributable to two very different types of sources that reflect the financial infrastructure in each of the two cities.

Again, reflecting the small asset base of the Norfolk savings and loan associations as well as a rich array of mortgage companies, the mortgage companies accounted for 70 to 80 percent of the originations in the study neighborhoods.

In Rochester, on the other hand, the few existing mortgage companies originated less than five percent of the NEAD area loans. Rather, reflecting their dominant role in the city's residential finance infrastructure, the Rochester savings banks were most active in the NEAD study neighborhoods and accounted for roughly 55 to 60 percent of the total.

With total assets exceeding one billion dollars, the Dayton savings and loan associations originated over 70 percent of the mortgages in Fairview and not quite half of those in Greenwich Village, the highest activity levels among study neighborhoods.

Since commercial banks typically make first trust commitments only to their regular customers -- and then on an infrequent basis -- such institutions typically accounted for three to seven percent of the mortgages. Rochester commercial banks are somewhat more active in residential finance and the percentage levels in NEAD were somewhat higher: about 15 percent of the total.

Though active to some extent in every neighborhood, mortgage company activity ranged the gamut from less than five to over 85 percent of the

commitment activity. In sum, there was rich diversity in the institutions originating study neighborhood mortgages and mortgage company activity was a prevailing feature only in Norfolk. In the other two cities, depository institutions accounted for nearly three-fourths (74.0 percent) of the mortgages originated.

FHA/VA Shift

Despite the continued involvement of depository institutions in the study neighborhoods, they generally made more of their loans with VA guarantees or FHA insurance. Whether this reflects a heightened sense of risk or simply the financial and credit characteristics of the borrower can never really be determined. These differences, however, are evident in the table below.

Table IV.17. FHA/VA LOANS AS A PROPORTION OF THE TOTAL ORIGINATED BY DEPOSITORY INSTITUTIONS, STUDY AND CONTROL NEIGHBORHOODS

	<u>Study Neighborhood</u>		<u>Control Neighborhood</u>		<u>Absolute Percentage Difference</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	
<u>Norfolk</u>					
Ballentine Place	19	61.3%	16	45.7%	15.6
Ingleside	22	51.2%	11	30.6%	20.6
<u>Rochester</u>					
North NEAD	152	57.8%	94	45.0%	12.8
South NEAD	150	64.9%	60	56.1%	8.8
<u>Dayton</u>					
Greenwich Village	184	54.3%	53	51.5%	2.8
Fairview	<u>98</u>	28.3%	<u>128</u>	29.6%	- 1.3
Total	625	49.9%	362	39.3%	10.6

Source: Property Transaction Records.

With Fairview as the sole exception, the majority of mortgages originated by depository institutions -- savings and loans, savings banks and commercial banks -- were government-backed instruments. While this aspect was evident also in the control neighborhoods, the differentials were particularly marked in Norfolk and Rochester. This is a particularly meaningful finding.

Unlike mortgage companies, which specialize particularly in FHA and VA loans, the conventional institutions have an option. If the borrower meets their underwriting standards and down payment requirements, the institution will more likely make a conventional loan rather than an FHA or VA one to avoid the Federal processing procedures. The differentials in the table above, however, suggest that more study neighborhood buyers were routed to FHA and VA financing. From the data available in this study, though, it is not possible to determine whether more study neighborhood mortgages were considered too risky for the institution to place them on a conventional basis or whether more buyers simply couldn't meet prevailing community-wide underwriting standards. Whatever the specific circumstances -- some of which will be addressed in the following section -- the differentials indicate that on many more study neighborhood properties, the risk warranted Federal insurance or guarantee.

Originating Institutions Serving Blacks

While depository institutions remained active in the study neighborhoods as sources of conventional or FHA/VA financing, this may change in the future.

Blacks far more often obtain their mortgages through mortgage companies than through depository institutions. As illustrated in the

table below, almost two-thirds of the blacks interviewed applied to mortgage companies while an almost equivalent proportion of whites applied to a savings and loan association or savings bank.

Table IV.18. TYPE OF INSTITUTION TO WHICH MORTGAGE APPLICATION WAS SUBMITTED, WHITE AND NON-WHITE STUDY NEIGHBORHOOD BUYERS

	White		Non-White	
	Number	Percent	Number	Percent
Savings and Loan, Savings Bank	58	67.4%	20	33.9%
Commercial Bank	7	8.1	2	3.4
Mortgage Company	21	24.5	36	61.0
Other	0	0.0	1	1.7
Total	86	100.0%	59	100.0%

Source: Household Interviews.

From the data gathered in this study, it is difficult to determine the reasons underlying this patronage pattern or the impacts and implications. Whether blacks more frequently applied to mortgage companies because of racial discrimination in depository institution practices or the lingering perception of it on the part of real estate agents and black buyers themselves cannot be determined. If and as the study neighborhoods become increasingly black, however, more and more mortgages will undoubtedly be originated through mortgage companies. Originating activity on the part of depository institutions will probably diminish as a consequence.

Summary

As reported at the outset of this section, diminished conventional mortgage activity was evident in the study neighborhoods. By and large, the differences were offset by increased FHA and VA mortgages. There

was no evidence to suggest that depository institutions had withdrawn completely from the study neighborhoods: virtually all of the thrift institutions that made conventional loans in the control neighborhoods also made them in the study areas. Rather, depository institutions played largely comparable originating roles in the study and control neighborhoods but more of their loans were made with FHA insurance or VA guarantees.

During the study period, mortgage companies only dominated the originating activity in the Norfolk neighborhoods. If and as the study neighborhoods become increasingly black, however, their role will undoubtedly increase since blacks more frequently obtain financing through them. Diminished activity on the part of depository institutions is likely because of these racially stratified patronage patterns.

The impacts and implications of these racial differences in originating institution activity were not amenable to reliable analysis with the data collected in this study. Some insights into the factors determining mortgage type and the differentials between study and control neighborhoods in conventional mortgage activity are possible. They are the subject of the following section.

Section E. The Availability of Conventional Financing
and the Determinants of Mortgage Type

As recounted in Section D, the differential conventional lending activity in the study neighborhoods raises issues centering on the constricted availability of this type of long-term financing. The availability of conventional financing is an extremely difficult issue to address. It hinges, in large part, on the demand for conventional loans and the extent to which it was or was not met. This relationship is highly elusive. In focusing this research effort over a retrospective five-year period, for example, the number of sales transactions that fell through for want of suitable conventional financing can never be determined.

By the same token, conventional downpayment requirements are higher than that required to obtain FHA or VA loans and available cash at the time of sale may well determine the appropriate mortgage type. In addressing this aspect particularly, the complete financial circumstances of buyers in the study and control neighborhoods were beyond the scope of this research effort.

In drawing upon the diverse data that was collected, however, the availability of conventional mortgage funds and the factors underlying the conventional lending disparities can be addressed in several analytic components:

- The extent to which depository institution officials perceived greater risk in the study neighborhoods and adopted compensatory underwriting procedures;
- The role of the real estate agent in arranging long-term financing and his perceptions of constricted conventional loan availability;

- Downpayment capability and possible racial discrimination; and
- Statistical correlations between conventional lending activity and various neighborhood indicators.

Each of these elements is addressed in the pages which follow.

Perceived Risk and Underwriting Adjustments

The extent to which depository institution officials perceive increased risk in racially changing neighborhoods and adjust underwriting procedures to compensate for it can play a crucial role in the ready availability of conventional mortgages. There are two basic strategies in compensating for greater perceived risk. One strategy focuses on the adjustment in mortgage terms while the other focuses on borrower screening.

Adjustments in mortgage terms can include reduction in the loan-to-value ratio, the mortgage term or a combination of both. In reducing loan-to-value ratio, the lender's financial exposure is reduced. In addition, lenders seek to reduce risk by ensuring greater owner commitment in both financial and maintenance terms through higher owner equity at the outset. Adjustment in the mortgage term more frequently reflects perceived economic life of a property (age and obsolescence) but also market uncertainties over the future of the neighborhood. With a shortened term, the lender recoups his equity more quickly and hedges against the prospect that at some point in the future the market value may be less than the outstanding loan balance or weakened demand will render the property difficult to dispose of in case of default.

Either approach -- loan-to-value or mortgage term adjustment -- singly or in combination can increase the financial burden for the borrower. A lower loan-to-value ratio, quite obviously, requires a steeper downpayment whereas the foreshortened mortgage term boosts the monthly housing costs. While lessening the risk in mortgage lending, such adjustments diminish the number of buyers who can qualify financially. If not outright denial of mortgage loans and total institutional withdrawal, underwriting policy changes of this nature have a de facto effect on the ready availability of conventional financing.

In contrast to an adjustment in mortgage terms, a more thorough applicant screening process is another approach in responding to risk. This increased attention may involve a more intensive credit check, a more critical evaluation of employment and income stability, or simply a more rigorous evaluation of the borrower's character. This strategy does not place a greater financial burden on the home owner; rather, it is addressed at screening out the marginal buyer, thus minimizing the likelihood of delinquency and default. To the extent that borrower underwriting standards are not changed but only more strictly applied, this underwriting response has no adverse impact on residential finance in the neighborhood. To the extent that borrower standards are made more stringent, however, there is an equally adverse de facto effect by diminishing the number of buyers who could qualify.

To determine the underwriting policy standards applied to study neighborhoods, lending officials in all local institutions were asked whether they considered loans in study neighborhoods more of a risk than in control areas. As a follow-up to affirmative replies, officials

were then asked what underwriting adjustments would be made. While some undoubtedly concealed their true policies and standards, many were open and candid.

There was no consensus among lending institution officials interviewed in Norfolk and Rochester concerning the risks in study neighborhood loans. In contrast, lending institution officials in Dayton were nearly unanimous in their perception of increased risk. The pattern of responses is indicative of varying city perspectives; these perspectives are highlighted in the paragraphs which follow.

Norfolk

While almost half of the lenders acknowledged increased risk in the study neighborhoods, all were emphatic in denying an a priori neighborhood decision and insisted that each loan application would be considered on its own merits. Of the five who acknowledged greater risk, three cited the age of the housing stock in Ballentine Place as the critical variable. Depending on the age and condition of the house, adjustments in the loan-to-value ratio or mortgage term would be made to compensate for the greater risk associated with the specific property. Such adjustments would be made to the prevailing 90 percent loan-to-value ratio. A term of 20, 25 or 30 years would be adopted depending on the specific property. One official cited mortgage term as the adjustable variable, another mentioned loan-to-value ratio, while a third made an either/or response.

While this line of reasoning associated with an aging stock predominated in comments on the Ballentine Place neighborhood, the Ingle-side neighborhood elicited three widely divergent responses. One loan officer cited the uncertainty of the neighborhood's future because of

racial change and industrial encroachment as the major risk considerations whereas another identified neighborhood school problems as the principal risk factor. Depending on the specific property, loan-to-value ratio might be cut to 75 percent and mortgage term set at 20 to 25 years. The third lending official cited the adverse influence of the interstate on adjacent properties and said that the greater risk would be reflected in the property appraisal: it would include a value adjustment to compensate for the blighting influence of the highway.

Rochester

Since nearly all of the housing in Rochester is over 35 years old and an aging housing stock is not a distinguishing neighborhood characteristic, Rochester lenders stressed the importance of the prospective borrower rather than the age of the housing unit as the principal risk consideration. Again, however, risk was said to be assessed on a case-by-case basis with the borrower as the focus of attention. Among the six lenders responding in this fashion, the borrower focus was expressed in a variety of ways: undertaking a more thorough credit check, more careful attention to the income ability of the borrower to pay, the economic status of the home buyer or simply an assurance that the borrower would meet his financial obligations.

In contrast to this emphasis on borrower screening, only three of the lenders said they might adjust the mortgage terms to reflect greater risk. All three mentioned loan-to-value ratio as an adjustable variable while none cited mortgage term as the vehicle through which risk would be accommodated.

Dayton

Unlike the mixed response on study neighborhood risk in both Norfolk and Rochester, there was a near unanimous acknowledgement among lenders

in Dayton that conventional mortgages were considered more risky in both Greenwich Village and Fairview. Only in Dayton did lenders repeatedly mention uncertainties in the market and the future of the neighborhood as risk concerns in the underwriting decision. Among those lenders perceiving greater risks, there was a near even split between those that focused on borrower characteristics in assuring themselves of loan feasibility and those that would make adjustments in the loan-to-value ratio and mortgage term. Again, those mentioning borrower characteristics phrased their responses somewhat differently but the emphasis was on a more thorough credit check and closer evaluation of the borrower's ability to pay.

For those that would adjust the mortgage terms, a flexible approach in adjusting loan-to-value ratio, mortgage term or both were mentioned. The ceiling on loan-to-value ratio ranged from 70 to 80 percent while a 20-year term was cited as a maximum by all three lenders.

Risk and Underwriting Summary

Some lenders in every city acknowledged an increased sense of risk in making conventional loans in the study neighborhoods. Though some emphasized the characteristics of the borrower as the principal concern, others conceded that underwriting adjustments would be considered. The responses are summarized in the table below.

Table IV.19. THE UNDERWRITING RESPONSE TO INCREASED RISK

<u>Underwriting Strategy</u>	<u>Norfolk</u>	<u>Rochester</u>	<u>Dayton</u>	<u>Total</u>
Adjust Mortgage Terms	3	3	3	9
Greater Attention to Borrower	-	6	4	10
Adjust Appraisal	1	-	-	1

Source: Real Estate Actor Interviews.

As illustrated in the table, three lenders in each city acknowledged that loan-to-value ratio, mortgage term or both would be adjusted in specific circumstances to compensate for greater perceived risk. In both Rochester and Dayton, lenders would devote greater scrutiny to the characteristics of the borrower in assuring themselves of loan feasibility. Since some responded in both areas, there are multiple responses contained in the table above. Only in Norfolk did one lender say that the appraisal would be adjusted to compensate for the blighting influence of the freeway.

Whether this sense of greater study neighborhood risk was warranted or shared by others who denied it during the interview, the important point for now is that lenders in all three cities did perceive greater study neighborhood risk and conceded that underwriting adjustments might be made on a case-by-case basis. The extent to which this was reflected in actual mortgage decisions will be explored in the remainder of this chapter.

The Role of the Real Estate Agent

In single-family sales transactions, the real estate agent may play an important role in securing long-term financing and directing buyers to appropriate sources. Since most sales contracts are contingent upon the buyer's ability to secure long-term financing, the agent's commission hangs in the balance until the mortgage commitment is made and closing assured. Stemming from this self-interested desire to facilitate the long-term financing arrangement, the agent frequently "shops the market" to determine availability and terms.

Moreover, the agent is interested in an unfettered loan decision. Delays or rejection drag out the period between sales contract and settlement; the sale may fall through in the meantime. The agent, then, may play a crucial role in determining the type and source of financing. He may size up the buyer, available downpayment and credit characteristics, matching them against his perception of mortgagee requirements. The agent may then recommend the appropriate type of mortgage and frequently even the specific institution to which the buyer should apply.

Though his influence is undoubtedly important in many other cases, the real estate agent's knowledge and advice would be particularly important to the 70 to 75 percent of the study and control neighborhood buyers who had previously rented and never before sought long-term mortgage financing. Particularly when coupled with the rifle-shot response of buyers in study and control neighborhoods that they applied to only one institution, the agent's role in directing them to appropriate sources is increasingly apparent. In fact, the real estate agent's influence is an important factor in the differential conventional lending activity in the study neighborhoods.

Based on study findings, the real estate agent played an important role in directing study neighborhood buyers to FHA or VA financing rather than conventional mortgages. On an overall basis, roughly 40 percent of the study neighborhood buyers reported that the real estate agent recommended FHA or VA financing. Compared to a 27 percent rate among control neighborhood buyers, this difference is statistically significant. Neighborhood-by-neighborhood comparisons are presented below.

Table IV.20. COMPARISON BETWEEN STUDY AND CONTROL NEIGHBORHOOD BUYERS REPORTING THAT THE REAL ESTATE AGENT RECOMMENDED FHA OR VA FINANCING

	<u>Study Neighborhood</u>		<u>Control Neighborhood</u>		<u>Absolute Percentage Difference</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	
<u>Norfolk</u>					
Ballentine Place	9	33.3%	2	10.5%	22.8
Ingleside	8	42.1%	7	30.4%	11.7
<u>Rochester</u>					
North NEAD	8	44.4%	4	36.4%	8.0
South NEAD	16	45.7%	8	47.1%	- 1.4
<u>Dayton</u>					
Greenwich Village	15	65.2%	8	26.7%	38.5
Fairview	6	24.0%	5	20.8%	3.2
Total	62	42.2%	34	27.4%	14.8

Source: Household Interviews.

As illustrated, as few as 24 percent and as many as 65 percent of the study neighborhood buyers reported that the real estate agent specifically recommended FHA or VA financing. While control neighborhood buyers also reported an FHA or VA financing recommendation, a differential is evident in almost every paired comparison. The differential is most pronounced in the two study neighborhoods where the proportion of black buyers exceeded 70 percent: Ballentine Place and Greenwich Village. In fact, there was a statistically significant difference in the sample as a whole between black and white respondents reporting an agent's FHA or VA finance recommendations.

Though it is impossible to determine their precise relative importance, there are four important factors underlying the agent's

recommendation to apply for FHA or VA financing and the lower conventional activity rate in the study neighborhoods: (1) some brokers' perception that conventional loans were more difficult to obtain; (2) the buyer's available cash in meeting downpayment requirements; (3) possible racial discrimination; and (4) underwriting policies concerning the income stability of working women.

Brokers' Perception of Conventional Loan Availability

Reflecting the attitudes of many conventional lenders themselves that mortgage loans in the study neighborhoods would be a greater risk and therefore deserve greater scrutiny on a case-by-case basis, some real estate brokers in every city thought that conventional loans would be more difficult to obtain.

Some thought that loan terms would be more stringent, others that appraisals would be cut. Several of those interviewed said that conventional mortgages would be more difficult to obtain, not because of specific underwriting or appraisal adjustments, but in terms of a general reluctance to make loans in the study neighborhood that would be reflected in delays or expressed in unrelated excuses. Though the number of brokers responding to this issue in terms of specific neighborhoods was small, brokers serving every study neighborhood perceived greater difficulties in obtaining conventional mortgages. The neighborhood distributions are presented in the table below.

Table IV.21. REAL ESTATE BROKERS PERCEIVING DIFFICULTIES
IN OBTAINING STUDY NEIGHBORHOOD CONVENTIONAL
LOANS

	<u>Number</u>	<u>Percent of Brokers Responding</u>
<u>Norfolk</u>		
Ballentine Place	1	16.7%
Ingleside	2	28.6%
<u>Rochester</u>		
NEAD	1	14.5%
<u>Dayton</u>		
Greenwich Village	4	50.0%
Fairview	4	80.0%
Total	12	24.2%

Source: Real Estate Actor Interviews.

In both Norfolk and Rochester, one or two of the half dozen or so brokers responding to this neighborhood-specific question thought that conventional loans were more difficult to obtain. In Dayton, four brokers in each neighborhood setting thought so. On an overall basis, one-fourth of the brokers perceived constricted conventional loan availability.

The basis upon which brokers made such a determination is difficult to penetrate because a veil of informality shrouds the relationship between brokers and loan officers. They are, quite obviously, in frequent telephone contact as brokers shop the market seeking financing opportunities. Whether this broker perception was based on explicitly expressed but unofficial lending institution policies or cumulative experience in

testing the response to specific sales situations can never really be known. Such perceptions could also reflect a similar mental set: to the extent that real estate professionals react to similar forces, brokers may simply imagine how lenders would respond without specific cues.

Whatever it is, the source of this perception hardly matters. If an agent intent on closing a sale perceives conventional lender reluctance, he or she will probably recommend more certain FHA or VA financing to all but the most solid conventional prospects. At least among one-fourth of the brokers interviewed and particularly in Dayton, such a pattern may account for some of the FHA/VA recommendations and subsequent mortgage loans.

Downpayment Capability and Possible Racial Discrimination

On an overall basis, previous tenure status had a lot to do with the type of mortgage obtained. Primarily attributable to the equity buildup during previous ownership and the amount available for downpayment, prior ownership and mortgage payment experience also contribute to the lender's underwriting evaluation. In both study and control neighborhoods, previous rental status was a statistically significant factor in determining mortgage type. Nonetheless, other data from the study suggests pronounced racial differences.

As noted previously, there was a statistically significant difference between study neighborhood blacks and whites reporting an agent's FHA or VA financing recommendation. By the same token, there was a statistically significant difference between blacks and whites in the

type of mortgage actually obtained. As illustrated in the table below, twice as many whites obtained conventional loans.

Table IV.22. TYPE OF MORTGAGE OBTAINED BY WHITE AND NON-WHITE BUYERS IN THE STUDY NEIGHBORHOODS

	<u>Number of Respondents</u>	<u>Type of Mortgage</u>		
		<u>Conventional</u>	<u>FHA Insured</u>	<u>VA Guaranteed</u>
White	87	40.1%	26.4%	33.3%
Non-White	58	19.0%	44.8%	36.2%
Total	145	31.8%	33.1%	35.1%

Source: Household Interviews and Property Transaction Records.

Among the total sample, conventional, FHA and VA loans each accounted for roughly a third of the mortgages. Little difference is evident in the proportion of blacks and whites receiving VA loans but the differences between conventional and FHA mortgages are striking. While 40 percent of the white buyers obtained conventional loans, only 19 percent of the blacks did so. Conversely, nearly twice as many blacks were financed through FHA. Some blacks clearly were able to obtain conventional mortgages, but the spectre of racial discrimination is nonetheless raised.

Real estate brokers often asserted that any differentials in conventional lending activity could be attributed to the inability of black buyers to meet conventional downpayment requirements: since most were previous renters with limited cash resources, the low downpayment requirements of FHA and VA programs rendered them the only viable mortgage sources.

Though no data was collected specifically on the downpayment buyers could afford, study neighborhood blacks and whites -- as well as study and control buyers in toto -- were all alike in the proportion previously renting. Moreover, there were no statistically significant income, occupational or educational differences. To probe beneath these overall surrogate indicators of financial standing, an effort was made to identify and evaluate the financial capability of the FHA households interviewed.

FHA Mortgage Application Review

In a complicated procedure that involved identification of the mortgage servicing institution, telephone contact to obtain the FHA case number and retrieval from the HUD record storage system, the original mortgage application jackets of 34 study neighborhood households with FHA mortgages were obtained. While this represents a very small sample of the 1,200 FHA mortgages originated over the five-year period, it accounts for 70 percent of the FHA households interviewed and the evaluation is nonetheless revealing.

In reviewing the financial status of both black and white households at the time of home purchase, the central questions were: (1) could any of these households have qualified financially for a conventional mortgage, and (2) were any directed to FHA financing because of constricted conventional loan availability or racial bias?

With data available on monthly household income, assets for closing, outstanding installment debt, sale price of the unit and closing costs, buyers' financial standing and capability could be evaluated. Based on this analysis, real estate brokers were by-and-large correct in asserting

that downpayment requirements were the critical factor in determining mortgage type.

Downpayment Capability

Of the 34 case files obtained, 28 were standard 203(b) FHA mortgage loan applications. The remainder were financed under special higher risk programs. In determining whether or not the 203(b) applicants could have met conventional downpayment requirements, several steps were involved: (1) liquid assets at the time of closing -- cash in checking and savings accounts, the value of bonds and negotiable securities, equity in a previous home, etc. -- plus the deposit already made on the purchase were considered the total available for downpayment and closing; (2) while a portion of the closing costs can be wrapped into an FHA mortgage, conventional lenders normally require cash payment for closing costs and other prepayable items so this amount was deducted from liquid assets to determine the amount available for mortgage downpayment; (3) the available mortgage downpayment amount was computed against the sale price to determine the required loan-to-value ratio.

The majority of the FHA buyers evaluated had \$2,000 or less to meet downpayment, closing cost and prepayable requirements. These distributions are illustrated in the table below.

Table IV.23. ASSETS FOR CLOSING, BLACK AND WHITE FHA BUYER HOUSEHOLDS IN THE STUDY NEIGHBORHOOD

	<u>Number of Cases</u>	<u>Less than \$1,000</u>	<u>\$1,000 to \$2,000</u>	<u>Over \$2,000</u>
White	11	0.0%	36.4%	63.6%
Non-White	17	29.4%	25.3%	35.3%
Total Sample	28	17.9%	35.7%	46.4%

Source: FHA Mortgage Application Files.

As illustrated, almost a third of the blacks had less than \$1,000 to use toward the purchase of their home while all of the whites had at least \$1,000 and two-thirds had over \$2,000. These comparisons are, of course, meaningless until purchase price and necessary loan-to-value ratio are considered.

In completing the analytic procedure described above, it quickly became apparent that few of the FHA buyers examined could have met the downpayment requirements for conventional mortgages. Having subtracted closing costs and prepayables from liquid assets, the required loan-to-value ratio was computed given the remaining available downpayment amount and sale price of the unit. The distribution among ranges is presented in the table below.

Table IV.24. CONVENTIONAL MORTGAGE LOAN-TO-VALUE RATIOS REQUIRED BY FHA BUYERS

	<u>Number of Cases</u>	<u>80 Percent or Less</u>	<u>81 to 90 Percent</u>	<u>Over 90 Percent</u>
White	11	9.1%	63.6%	27.3%
Non-White	17	0.0%	17.6%	82.4%
Total Sample	28	3.6%	25.7%	60.7%

Source: FHA Mortgage Application Files.

Only one of the buyers -- a white -- could have qualified for an 80 percent conventional loan, the normal maximum without private mortgage insurance, and even his FHA mortgage decision could have been made on a purely personal financial basis. This applicant's liquid assets included \$4,300 in negotiable securities; because of current market conditions or other financial considerations, he may have decided to retain ownership rather than sell and apply the proceeds toward a mortgage downpayment.

For both blacks and whites, it was determined that any buyer requiring a mortgage with a loan-to-value ratio over 90 percent was a legitimate FHA mortgage candidate. While some conventional loans with private mortgage insurance do exceed 90 percent, they are rare in such central city neighborhoods and FHA is a far more likely source of such financing. As illustrated, over one-fourth of the whites and over 80 percent of the blacks would have required loan-to-value ratios in excess of 90 percent. For these households, quite clearly, the decision to go FHA was legitimate. Those requiring loan-to-value ratios between 80 and 90 percent require more careful scrutiny.

All seven of the whites with sufficient cash reserves to qualify for 80 to 90 percent conventional loans bought homes in the NEAD area of Rochester. All would have required mortgages with loan-to-value ratios ranging between 87 and 89 percent. Because of the age of the housing stock in Rochester as a whole, loan-to-value ratios are rarely this high. Since no more than a fourth of the conventional loans either in NEAD or the Maplewood control area over the five-year period had loan-to-value ratios over 85 percent, it is not surprising that these households obtained FHA mortgages. There is no evidence to suggest that they were unfavorably steered away from conventional financing.

Other Underwriting Considerations

The story is different among the three blacks who could meet the downpayment for 80 to 90 percent conventional loans. While one had sufficient cash to put down 14 percent of the \$17,700 sale price, his fixed monthly payments would have exceeded conventional lender rules-of-thumb. The monthly mortgage payment amount plus installment debt and child support accounted for 52 percent of his gross monthly income. Even

his FHA application was at first rejected until a modest reduction in child support payments resulted in favorable reconsideration.

In the second case, a female head of household with three children had over \$3,000 in savings to pay down on the \$16,000 unit she bought. Even were it not for child support payments, only 20 percent of her gross income as a food service worker would have been required to cover the monthly payments under an 80 percent conventional mortgage. In this situation, however, three factors combined to make her an unlikely conventional mortgage prospect: female-headed household status, no established credit references or installment debt experience as well as being black. In this case, then, racial discrimination was not the sole consideration. Neither was it in the third case.

One black Ingleside family had \$5,400 in liquid assets against the purchase of a \$35,000 house. With both husband and wife employed, annual household income was a comfortable \$20,000 per year. Given the traditional reluctance of conventional lenders to give equal weight to the income of secondary wage earners, the husband/wife employment profile of this household may have played as much a role as race in the decision to seek FHA rather than conventional financing. It should also be noted in passing that this loan was made before recent legislation was passed outlawing such discrimination in considering a woman's income contribution to household finances.

As these cases suggest, there was no blatant racial discrimination evident in the FHA mortgage applications reviewed. Among 17 blacks, 14 (82.4 percent) could not have met prevailing conventional downpayment requirements. In the three cases where blacks could have met the downpayment requirements for 80 to 90 percent conventional loans, other

factors apart from race could as well explain the decision to seek an FHA loan: female-headed household status, no previous credit history, the installment debt burden and a double husband/wife income base. Though the sample reviewed is by no means statistically reliable, these cases are at least indicative of the mortgage considerations encountered.

Racial Implications

Particularly in this decade following major civil rights gains and anti-discrimination legislation, racial discrimination is increasingly difficult to detect: the most flagrant forms of abuse have undoubtedly diminished. While there certainly may have been cases of blatant racial discrimination, race was entwined with other underwriting considerations that could as well explain FHA rather than conventional financing in the cases available for review. Covert racial bias can of course be reflected in a variety of ways and the suspicion of its influence lingers. Nonetheless, the impact of racial bias on mortgage financing remains undetectable in the data analyzed.

The Incomes of Working Women

As noted previously in one black FHA case, conventional lenders have traditionally been reluctant to accept the full value of a working woman's income in mortgage underwriting evaluations. Concerned that women in child-bearing ages particularly would quit work and thus eliminate this source of household income, lenders have either discounted it or ignored it entirely in evaluating the ability of the household to meet monthly payments. While legislation has since been adopted to outlaw this form of discrimination, such regulations were not in force

during the study period and this is yet another subtle factor of indeterminate magnitude affecting conventional lending activity in the study neighborhoods.

As reported in Chapter II, there was a statistically significant difference between study and control neighborhoods in the proportion of husband/wife households in which both were employed. Comparisons for both blacks and whites are presented in the table below.

Table IV.25 HUSBAND/WIFE HOUSEHOLDS IN WHICH BOTH WERE EMPLOYED

	<u>Study</u> <u>Neighborhoods</u>		<u>Control</u> <u>Neighborhoods</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
White	48	44.0%	55	34.0%
Non-white	<u>42</u>	58.3%	<u>0</u>	--
Total	90	49.7%	55	34.0%

Source: Household Interviews.

As illustrated, in approximately half of the husband/wife study neighborhood households, both were employed. In contrast, roughly a third of the control neighborhood households had this characteristic. While there was a measurable difference between black and white study neighborhood households interviewed, the difference was not statistically significant.

Total household incomes were comparable but more study neighborhood households derived it from two wage earners. Given the conventional lenders' long-standing attitudes toward the income stability of working women, this was undoubtedly a contributing factor in determining FHA or VA financing.

Correlations with Neighborhood Indicators

Apart from the preceding analysis documenting the critical influence of the real estate agent in determining the type of mortgage financing and the relevant underwriting considerations, quantitative analysis was conducted to relate conventional mortgage commitment activity with selected neighborhood and household characteristics. With the set of 12 study and control neighborhoods constituting the data points, simple correlations were computed to determine the relationship between conventional mortgage commitments (the dependent variable) and the independent variables presented on the following page.

Table IV 26. INDEPENDENT VARIABLES TESTED IN SIMPLE CORRELATION ANALYSIS OF CONVENTIONAL MORTGAGE ACTIVITY

Neighborhood Socioeconomic Indicators

Percent One-Person Households 1/
Percent Female-Headed Households 1/
Percent Jobless Heads 1/
Percent of Heads with Professional, Technical or Managerial Occupations 1/
Reported Crimes per Hundred Population 2/

Neighborhood Housing Indicators

Percent of Structures Built Before 1940 3/
Percent Owner-Occupied Units 3/
Percent of Units Currently Vacant 1/
Percent of Units with No Maintenance Deficiencies 4/
Percent of One- and Two-Family Structures Sold (Turnover) 5/
Percent of Units Sold for \$20,000 or More 5/

Households Interview Data

Percent Non-white 6/
Percent with High Annual Income (over \$17,000) 6/
Percent with Education Beyond High School 6/
Percent Previously Renting 6/
Percent with Household Size for Four or Fewer 6/

Sources: 1/ R. L. Polk Company Reports
2/ Local Police Departments.
3/ U.S. Census of Housing, 1970.
4/ Windshield Structural Survey.
5/ Property Transaction Records.
6/ Household Interviews.

For virtually all the neighborhood indicators -- crime and units with no maintenance deficiencies being the only exceptions -- conventional mortgage commitments over the entire five-year period were tested against neighborhood measures in 1970. The resulting coefficients for these variables, then, explain the extent to which subsequent activity was related to conditions, at the outset, not the subtle and perhaps

mutually reinforcing interactions over the study period. For the other variables listed in the table, 1970 data was not available.

From among the variables tested, seven had positive or negative correlation values with particular meaning. With all study and control neighborhoods constituting the twelve data points used in computing the correlation coefficients, a positive correlation value indicates that the greater the value of the independent variable in a neighborhood, there is a tendency for the dependent variable -- in this case, conventional mortgage commitments -- to be higher as well. Conversely, a negative correlation indicates an inverse relationship: the greater the value of the independent variable, the lower the value of the dependent variable.

Race was among the independent variables negatively correlated with conventional mortgage activity: in other words, the greater the proportion of blacks buying homes in the neighborhood, the lower the conventional mortgage activity rate. As described previously in the evaluation of FHA mortgage applicants, however, this association could reflect downpayment capabilities and other legitimate underwriting considerations as well as racial discrimination.

In terms of neighborhood socioeconomic indicators, female-headed households and jobless heads were both also negatively correlated with conventional mortgage commitments. In a contrary vein, one-person households were positively correlated. While one-person households are an indicator of family status, they have no particular economic or social connotation, as do female heads and joblessness. In part, then, conventional lending activity over the five-year period reflected the socioeconomic status of the neighborhood at the outset before

large-scale racial change. The correlation values for these and other variables of measurable significance are presented in the table below.

Table IV. 27. SIMPLE CORRELATION VALUES BETWEEN SELECTED INDEPENDENT VARIABLES AND CONVENTIONAL MORTGAGE COMMITMENTS

<u>Independent Variable</u>	<u>Simple Correlation</u>
Percent Non-white	-.47
Percent Female Headed Households	-.45
Percent Jobless Heads of Household	-.55
Percent One-Person Households	.67
Percent of One- and Two-Family Structures Sold (Turnover)	-.76
Percent of Units Sold for \$20,000 or More	.51
Percent of Structures Built Before 1940	.47

Source: Westat Incorporated.

Among the housing indicators, three are particularly notable. With the highest correlation value of all (-.76) turnover in the single-family stock had a strong relationship with conventional lending activity. This relationship is difficult to interpret in a straightforward manner. In several neighborhoods, a high rate of turnover accompanied racial change: Ballentine Place, South NEAD and Greenwich Village, for example. In others -- Norview and Eastmont -- racial change was not a factor in relatively high rates of turnover. The high correlation does suggest, however, that conventional lending activity was very sensitive to turnover and the neighborhood instability that implies.

Conventional lenders typically are predisposed to make mortgages on higher-priced properties. Since servicing costs vary little with the size of the loan, costs for servicing the entire portfolio are lower

if it is weighted toward relatively high value mortgages. This feature was also important in neighborhood conventional activity: there was a strong correlation between the number of units sold for \$20,000 or more and the proportion of conventional commitments.

Equally important, the age of the housing itself had little to do with conventional lending within these twelve specific neighborhoods. In fact, the proportion of units built before 1940 was positively correlated with conventional mortgage commitments. Quite obviously, price and perceived remaining economic life and other factors were more important than physical age in conventional lending decisions affecting these particular neighborhoods.

In sum, statistical correlations indicate rational conventional lending behavior along several socioeconomic and housing dimensions. While race was clearly a factor, the impact of racial discrimination was impossible to isolate from these other considerations.

Summary of Mortgage Financing Determinants

In part, conventional lending behavior over the study period reflected the overall socioeconomic status of the neighborhood at the outset (as measured by joblessness and female-headed households) and subsequent market behavior. Reflecting the predisposition of lenders toward higher-priced housing and mortgage values, the value of units sold was one important factor. Another was neighborhood instability reflected in turnover of the single-family stock.

Within this broader context of neighborhood conditions, the real estate agent was the key actor in determining the type of financing. In their self-interested desire to facilitate long-term financing

arrangements, agents often sized up buyers and specific financial circumstances, matched them against known underwriting standards and recommended the appropriate type of financing.

While conventional lenders themselves perceived greater risks in the study neighborhoods, this was not transmitted through direct contact with the borrower: neither through application rejection nor the stipulation of stiffer terms. Rather, the heightened sense of risk shaped real estate agent perspectives in assisting the buyer arrange financing. The impacts of perceived risk on the terms of conventional mortgages actually made are the subject of the next section.

Broker recommendations were undoubtedly affected to some extent by those who perceived that conventional loans would be more difficult to obtain. Beyond this, however, household characteristics and prevailing underwriting considerations also played important roles. Of foremost importance, previous tenure status, limited cash resources and the inability to meet conventional mortgage downpayment requirements were a critical determinant. Moreover, husband/wife employment and the traditional reluctance of conventional lenders to accept a woman's earnings as a stable source of household income also played a role. In marginal cases, female-headed household status, the absence of an established credit history and outstanding installment debt entered the picture. Based on the data available in this study, the vast majority of FHA mortgage recommendations and the consequent frequency of FHA commitments were based on prevailing conventional underwriting standards in the community at-large.

While race was clearly associated with increased FIA/VA activity, it was deeply entwined with the other underwriting considerations noted above. Considerations of race may have played a role and blatant cases of racial discrimination may have occurred but overt racial discrimination was not evident in the cases available for review.

Section F. Discrimination in Conventional Mortgage Terms

Quite apart from the perceptions of study neighborhood risk and the influence of these perceptions on the type of mortgage financing obtained or the institutions originating them, this section addresses a question central to conventional mortgages actually made in the neighborhoods: did conventional lenders reduce the loan-to-value ratio and mortgage term on the loans they originated in the study neighborhoods to compensate for the risk perceived. This section, then, focuses on the extent to which differential mortgage terms were evident in the conventional loans in the study neighborhoods. This aspect of the analysis has been undertaken in several subcomponents:

- The differences in mean loan-to-value ratio between study and control neighborhoods,
- The differences in mean mortgage term between study and control neighborhoods, and
- The extent to which conventional loans were made under the most favorable terms: a loan-to-value ratio of 80 percent or more and a term of 30 years.

In addition to study/control comparisons, simple correlations were computed on the twelve neighborhood data points to test the relationships between these conventional mortgage characteristics and the neighborhood and households indicators listed previously in Section D. The results of the analysis are presented below.

Loan-to-Value Ratios

Differences in loan-to-value ratio can occur for two different and very important reasons: loan-to-value ratio can be imposed by a lending institution or it may simply reflect the financial position of

the buyer and the amount he can provide as a downpayment. In the former case, the imposition of a reduced loan-to-value ratio can have a deleterious effect on neighborhood residential finance whereas the latter case simply reflects the financial position of the buyer.

As illustrated in the table below, the mean loan-to-value ratio on conventional loans in study neighborhoods over the entire five-year period ranged from approximately 70 percent to nearly 87 percent. In only one case -- the Ingleside neighborhood in Norfolk -- did the mean loan-to-value ratio exceed 80 percent. The mean-to-loan ratio in the control neighborhoods embraced a roughly equal range: from roughly 70 percent to approximately 86 percent.

Table IV.28. MEAN LOAN-TO-VALUE RATIO ON CONVENTIONAL MORTGAGES, STUDY AND CONTROL NEIGHBORHOODS

	<u>Study Neighborhood</u>		<u>Control Neighborhood</u>		<u>Absolute Percentage Difference</u>
	<u>Number</u>	<u>Mean Loan- To-Value Ratio</u>	<u>Number</u>	<u>Mean Loan- To-Value Ratio</u>	
<u>Norfolk</u>					
Ballentine Place	30	79.0%	35	85.5%	-6.5
Ingleside	36	86.8%	36	81.7%	5.1
<u>Rochester</u>					
North NEAD	113	74.6%	132	76.0%	-4.1
South NEAD	82	70.8%	47	76.4%	-5.6
<u>Dayton</u>					
Greenwich Village	166	77.9%	60	76.9%	2.0
Fairview	258	75.6%	318	72.4%	3.2
Average for Six Neighborhoods	-	78.9%	-	76.9%	2.0

Source: Property Transaction Records.

As illustrated, the mean loan-to-value ratio was higher in three of the study neighborhood comparisons. In only two cases -- Ballentine Place and South NEAD -- were the differences of such a magnitude to suggest the imposition of more stringent loan-to-value ratios.

Surprisingly, mean loan-to-value ratios were positively correlated with race but in an unexpected direction: the more blacks buying homes in the neighborhood, the higher the mean loan-to-value ratio on the conventional mortgages made. No other correlations were meaningful.

Mean Term Comparisons

In like manner, the mean term on conventional mortgage loans in the study and control neighborhoods can be examined to discern differences in conventional lending behavior. Unlike the ambiguous possibilities on the circumstances determining loan-to-value ratio, mortgage term is almost always determined by the lending institution.

Unfortunately, data on mortgage term is not required as a matter of public record. As a consequence, mortgage term data was available for only about 20 percent of the conventional loan commitments made in study and control neighborhoods. As a consequence, this comparison must be approached with some caution. It is nonetheless instructive.

With the exception of the two neighborhoods built up since World War II, the mean conventional mortgage term in study neighborhoods ranged from 20 to 22 years. In the two newer neighborhoods, the term was 23 and 26 years respectively. These data for study and control neighborhoods are presented in the following table.

Table IV.29. MEAN TERM UNDER CONVENTIONAL MORTGAGES
IN STUDY AND CONTROL NEIGHBORHOODS

	<u>Study Neighborhood</u>		<u>Control Neighborhood</u>		<u>Absolute Difference</u> (years)
	<u>Number</u>	<u>Mean Term</u> (years)	<u>Number</u>	<u>Mean Term</u> (years)	
<u>Norfolk</u>					
Ballentine Place	25	21	27	26	-5
Ingleside	32	26	29	27	-1
<u>Rochester</u>					
North NEAD	22	20	26	21	-1
South NEAD	21	20	6	23	-3
<u>Dayton</u>					
Greenwich Village	15	23	10	22	1
Fairview	20	22	29	21	1

Source: Property Transaction Records.

With the same two exceptions -- Ballentine Place and South NEAD -- there were no meaningful differences in mortgage term. In the other four cases, there was a difference of only one year and these were split evenly in positive and negative directions. Reflecting rational underwriting behavior and physical conditions as an important determinant of term, mean term in the neighborhood was highly correlated with the proportion of units with no maintenance deficiencies.

Since the mean is so highly sensitive to values at either end of the range, a more meaningful comparison between study and control neighborhoods focuses on the conventional loan terms at the upper end of the spectrum: the proportion of conventional mortgages with a loan-to-value ratio of 80 percent or more and the proportion with a term of 30 years.

Loan-to-Value Ratios of 80 Percent or More

Fully 40 percent of the conventional loans originated on properties in all study neighborhoods had a loan-to-value ratio of 80 percent or more, the maximum allowable without private mortgage insurance at that time. Neighborhood comparisons are presented in the table below.

Table IV.30. CONVENTIONAL LOANS WITH A LOAN-TO-VALUE RATIO OF 80 PERCENT OR MORE

	<u>Study Neighborhood</u>		<u>Control Neighborhood</u>		<u>Absolute</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Percentage</u>
					<u>Difference</u>
<u>Norfolk</u>					
Ballentine Place	15	55.6%	26	74.3%	-18.7
Ingleside	38	71.4%	21	63.6%	7.8
<u>Rochester</u>					
North NEAD	40	35.4%	54	40.9%	- 5.5
South NEAD	27	32.9%	21	44.7%	-11.8
<u>Dayton</u>					
Greenwich Village	86	51.8%	27	45.0%	6.8
Fairview	<u>119</u>	46.1%	<u>129</u>	40.6%	5.5
Total	325	39.7%	278	46.9%	- 7.2

Source: Property Transaction Records.

Particularly striking, the proportions were higher in three of the study neighborhoods: Ingleside, Greenwich Village and Fairview. In yet the third set of comparisons, however, the differentials were pronounced in Ballentine Place and South NEAD.

At this point, a note on Rochester lending practices is appropriate. Unlike mortgage terms in the other two cities, loan-to-value ratios in

Rochester are highly volatile and reflect the ebbs and flows of the money market to a far greater degree than in Dayton or Norfolk. Depending on supply and demand, maximum loan-to-value ratios may fluctuate from 50 to 80 percent. At the time the interviews were conducted, for example, several institutions were offering nothing better than a 50 percent loan, regardless of property, borrower or neighborhood location. While the differences between study and control neighborhoods in Rochester are clearly evident, the generally lower level of 80 percent loans reflects broad fluctuations in mortgage terms throughout the Rochester metropolitan area.

Mortgage Term of 30 Years or More

A comparison in the percent of conventional loans with a term of 30 years is also striking: in only one of the six study neighborhoods did the incidence of 30-year loans fall below the rate in the control neighborhood. These comparisons are presented in table 31.

As data in the table illustrates, 30-year loans accounted for approximately a third of all the conventional mortgages made on study neighborhood properties. This rate was closely in keeping with and slightly above the rate in the set of control neighborhoods as a whole. Among the study neighborhoods, the proportion of 30-year mortgages ranged from a high of 60 percent in Dayton's Greenwich Village to a low of 9 percent in Rochester's South NEAD area. Only in Ballentine Place was the proportion smaller than in the control neighborhood.

Among the statistical tests, the number of non-whites moving into the neighborhood were again positively correlated with a high proportion of 30-year conventional loans.

Table IV.31. CONVENTIONAL LOANS WITH A TERM OF 30 YEARS OR MORE

	<u>Study Neighborhood</u>		<u>Control Neighborhood</u>		<u>Absolute Percentage Difference</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	
<u>Norfolk</u>					
Ballentine Place	10	40.0%	15	55.6%	-15.6
Ingleside	16	50.0%	14	48.2%	1.7
<u>Rochester</u>					
North NEAD	2	9.1%	2	7.7%	1.4
South NEAD	2	9.5%	0	0.0%	9.5
<u>Dayton</u>					
Greenwich Village	9	60.0%	5	50.0%	10.0
Fairview	<u>5</u>	25.0%	<u>5</u>	17.2%	7.8
Total	44	32.6%	41	32.3%	0.6

Source: Property Transaction Records.

Summary and Implications

In three of the study neighborhoods -- Ingleside, Greenwich Village and Fairview -- overall conventional mortgage terms were consistently more favorable than in the control neighborhoods along each of the measures evaluated: mean loan-to-value ratio, mean term, the proportion with a loan-to-value ratio of 80 percent or more and the proportion of mortgages with a term of 30 years.

In only two of the neighborhoods -- Ballentine Place and South NEAD -- was there consistent evidence to suggest that lenders established more stringent terms in originating conventional mortgages. Whether this reflects the cumulative effect of purely reasonable underwriting decisions on individual properties over the years or a consistent neighborhood policy can never be determined from the data available in the study.

Interpretations concerning Ballentine Place are particularly difficult. The consistent differential in conventional mortgage comparisons between the study and control neighborhood may reflect the lenders' response to racial change: over 70 percent of the Ballentine Place buyers were non-white. At the same time, however, this was the only study/control neighborhood pairing in which there was a great difference in the age of the housing stock: nearly half of the Ballentine Place units were constructed before 1940; in Norview, less than 15 percent of the housing was that old. While the overall statistical correlations indicate that age of the stock was not an important factor influencing conventional mortgage terms, it may have been in this particular case. In sum, it is difficult to disentangle racial change from the age of the housing stock as a factor influencing conventional mortgage terms in the Ballentine Place study neighborhood.

In South NEAD, the conventional mortgage differentials may in part reflect a legitimate underwriting response to the higher levels of physical deterioration evident in the windshield survey. More stringent conventional mortgage terms were, however, one aspect of a broader pattern with deleterious consequences for the neighborhood. This pattern is addressed in Chapter V.

While there are ambiguities that cloud the analysis in Ballentine Place and South NEAD, racial change was not associated with adverse conventional mortgage terms on an overall basis. While the depository institutions made fewer conventional loans and more often to whites than to blacks both mean loan-to-value ratios and proportion of mortgages with a term of 30 years were positively correlated with the number of blacks moving in. Lenders may perceive greater risks in such neighborhoods and

adopt compensating underwriting policies but the net effect in most cases has heightened FIIA/VA activity, not more stringent terms on the conventional loans made.

Section G. Mortgage Financing Impacts

As reported in previous portions of this Chapter, institutional financing predominated in both the study and control neighborhoods. While some conventional lenders perceived greater risks in the study neighborhoods, the net effect in most cases was increased FHA and VA activity rather than more stringent conventional mortgage terms. While race was clearly associated with FHA and VA activity, it was entwined with other prevailing underwriting considerations that may as well explain diminished conventional lending.

Though the differences in conventional mortgage originations in the study neighborhoods were clearly evident, there was no simple and direct connection between the type of mortgage financing and decline in the neighborhoods studied. In one of the two clearly declining neighborhoods -- Greenwich Village -- the proportion of conventional commitments was virtually identical to that in the control neighborhood: conventional mortgages accounted for 26 percent of the total originated in both cases. By the same token, in the two study/control comparisons where the differentials in conventional lending activity were most pronounced -- Ingleside and North NEAD -- both study neighborhoods remained strong along virtually all the objective indicators.

Quite clearly, FHA and VA mortgage financing compensated for diminished conventional lending, sustained the homeownership opportunities and owner-occupancy rate. Whether all the conventional underwriting decisions were legitimate or not, the neighborhoods probably would have declined more rapidly were it not for continued FHA and VA involvement.

In keeping with scenarios developed before the late 1960's FHA policy commitment to be more responsive to central city financing needs, buyers unable to qualify for conventional mortgages would have been forced to seek less favorable financing vehicles such as the individual trust and land installment contract. With the opportunities for homeownership thus constricted, investor intervention and conversion to rental status would have been far more likely. As it was, however, FHA and VA financing opportunities sustained homeownership in all but one of the study neighborhoods.

More specific issues associated with long-term financing and the impacts in the study neighborhoods are as follows:

- overall measures of residential financing in the neighborhoods regardless of mortgage type;
- the mortgage payment burden on household income; and
- the influence of mortgage type on homeowner reinvestment actions

Each is addressed in the pages which follow.

Overall Measures of Residential Finance

Quite clearly, the heightened FHA/VA activity rate had a favorable impact on overall residential finance in the study neighborhoods: loan-to-value ratios and mortgage term were at least as favorable if not better than comparable aggregates in the control neighborhoods. As illustrated in the table below, for example, mean loan-to-value ratios ranged up to 93 percent and were very closely in keeping with the comparable measure in the control neighborhoods.

Table IV.32. MEAN LOAN-TO-VALUE RATIO AMONG ALL TYPES OF MORTGAGES, STUDY AND CONTROL NEIGHBORHOODS

	<u>Study Neighborhood</u>		<u>Control Neighborhood</u>		<u>Absolute Difference in Mean</u>
	<u>Number of Mortgages</u>	<u>Mean Loan-to-Value Ratio</u>	<u>Number of Mortgages</u>	<u>Mean Loan-to-Value Ratio</u>	
<u>Norfolk</u>					
Ballentine Place	162	92.5%	144	91.8%	0.7
Ingleside	161	93.1%	90	88.2%	4.9
<u>Rochester</u>					
North NEAD	295	82.6%	260	80.5%	2.1
South NEAD	278	82.3%	125	82.5%	-0.2
<u>Dayton</u>					
Greenwich Village	644	90.9%	230	89.4%	1.5
Fairview	471	84.2%	626	83.5%	0.7

Source: Property Transaction Records.

In Rochester, mean loan-to-value ratios were not much over 80 percent but neither were they in the control areas. Particularly in contrasting the levels of deterioration in South NEAD with the consistent strength of North NEAD indicators, it is notable that the loan-to-value ratios were nonetheless almost identical. Differences were evident in mean term, however. Lower in Rochester than in either of the other two cities, the mean mortgage term in North NEAD was 19 years compared to 15 years in South NEAD. Again, however, the control neighborhoods were not much different. Comparisons between neighborhoods are presented in the following table.

Table IV.33. MEAN TERM AMONG ALL TYPES OF MORTGAGES,
STUDY AND CONTROL NEIGHBORHOODS

	<u>Study Neighborhood</u>		<u>Control Neighborhood</u>		<u>Absolute Difference in Mean (years)</u>
	<u>Number of Mortgages</u>	<u>Mean Term (years)</u>	<u>Number of Mortgages</u>	<u>Mean Term (years)</u>	
<u>Norfolk</u>					
Ballentine Place	160	27.0	130	27.0	0.0
Ingleside	152	29.0	76	27.0	2.0
<u>Rochester</u>					
North NEAD	73	19.0	75	16.0	3.0
South NEAD	78	15.0	39	15.0	0.0
<u>Dayton</u>					
Greenwich Village	479	30.0	323	30.0	0.0
Fairview	217	29.0	179	29.0	0.0

Source: Property Transaction Records.

As illustrated, mean term in the Norfolk and Dayton neighborhoods was at or near 30 years. Since mortgage term was not available for all transactions, the data base was not complete; while still useful for comparative purposes, then, data on mortgage term is not totally reliable.

Mortgage Payment Burdens

To gauge the residential finance burden in terms of household income, the proportion of families devoting more than 25 percent of their gross monthly income to mortgage payments was computed and comparisons between study and control buyers made. Since buyers reported their incomes on an annual basis and in terms of \$2,000 ranges, gross monthly income was computed as one-twelfth of the mid-point in the reported range.

On an overall basis, 17 percent of the control neighborhood buyers made mortgage payments requiring more than 25 percent of their gross income; in contrast, only 8 percent of those in the study neighborhoods did so. This statistically significant difference suggests that more control neighborhood buyers were financially burdened in meeting monthly mortgage payments. In sum, long-term residential financing in the study neighborhoods was favorable on an overall basis as measured by mean loan-to-value ratios, mean term and the proportion of income devoted to mortgage payments.

Reinvestment Impacts

To determine whether mortgage type had any influence on consumer behavior in home improvement and repair activity, differences between FHA/VA and conventional mortgagors in the study and control neighborhoods along a wide variety of reinvestment dimensions were tested with the Chi Square technique: those unable to maintain as they would like, those making additions, alterations, replacements and repairs. At this level, there were no significant differences between mortgagors of either type in the study or control neighborhoods.

In aggregating all responses to the series of home improvement and repair questions -- in essence a composite index of reinvestment actions -- there was one comparison of statistical significance: control neighborhood buyers with FHA or VA loans reported more reinvestment actions than FHA/VA mortgagors in the study neighborhoods. Comparisons are presented in the table below.

Table IV.34. CUMULATIVE CONVENTIONAL AND FHA/VA BUYER RESPONSES ON HOME IMPROVEMENT AND REPAIR ACTIONS, STUDY AND CONTROL NEIGHBORHOODS

	<u>Study Neighborhoods</u>		<u>Control Neighborhoods</u>	
	<u>Number of Responses</u>	<u>Cumulative Reinvestment Response</u>	<u>Number of Responses</u>	<u>Cumulative Reinvestment Response</u>
Conventional Buyers	188	54.3%	220	51.8%
FHA/VA Buyers	<u>404</u>	52.5%	<u>280</u>	61.1%
Total	592	53.0%	500	57.0%

Source: Household Interviews.

Since control neighborhood buyers with FHA or VA mortgages reported far more reinvestment actions than FHA/VA buyers in study neighborhoods and more than conventional mortgagors in either, mortgage type itself had little bearing on homeowner reinvestment. Rather, neighborhood setting had a powerful influence on FHA/VA mortgagor behavior. Whether motivation or other impenetrable factors account for it, the control neighborhoods attracted FHA and VA financed buyers who more frequently reinvested in their properties.

Neighborhood Implications

Within the broad research net cast in the study, there was no evidence to indicate that different mortgage types had a bearing on neighborhood decline or consumer behavior. Overall residential finance measures were as favorable in the study neighborhoods as in the control neighborhoods. If anything, more households in the control neighborhoods were devoting a higher portion of their incomes to monthly mortgage payments. Whether buyers obtained FHA/VA or conventional mortgages had little to do with their reinvestment decisions; rather, the neighborhood context was important. Unfortunately, the

Chapter V. REAL ESTATE SECTOR PERCEPTIONS,
INTERACTIONS AND INFORMATION FLOWS

Chapter V. REAL ESTATE SECTOR PERCEPTIONS,
INTERACTIONS AND INFORMATION FLOWS

Section A. Introduction

While previous chapters probed the consequences of actor decisions in the neighborhood -- the impacts of real estate marketing practices and long-term lending behavior -- this chapter focuses on the broader attitudinal and perceptual framework of real estate brokers, appraisers, lenders and the accuracy of their neighborhood assessments as best they can be measured.

An important set of issues hinges on the nature and accuracy of the real estate sector's perceptions:

- To what extent is there consensus on the decline of study neighborhoods?
- What attributes constitute the principal signals that decline is underway?
- Do they make their decisions based on an accurate assessment of market conditions, socioeconomic characteristics and physical attributes or do they over-react to change and magnify the indicators of deterioration?
- What are the interactions and information flows among the various actors and institutions that comprise the real estate sector and how are their perceptions transmitted?

At the outset of this study, it was hypothesized that real estate actors exaggerate the negative aspects of the neighborhood and thus base their decisions on deleterious distortions of actual neighborhood conditions. Some have referred to this phenomenon as a self-fulfilling prophesy: if real estate brokers, lenders and appraisers base their

decisions on erroneous perceptions of actual neighborhood conditions, they may in fact precipitate or accelerate deterioration when it might not otherwise have occurred.

In structuring the analysis, there are three principal components:

- Perceptions of Decline: The consensus among actors that the study neighborhoods have in fact declined and the signals that make it evident.
- Specific Neighborhood Conditions: The accuracy of real estate sector perceptions of housing market, socio-economic and physical conditions in the neighborhood.
- Interactions and Information Flows: The sources from which they obtain neighborhood information and the ways in which they interact in making specific marketing, lending and appraisal decisions.

Chapter Contents

This chapter contains three substantive sections. The first addresses real estate actor perceptions of study neighborhood decline. The second examines the accuracy of their perceptions concerning a series of specific study neighborhood indicators while the third describes the basic interactions and information flows.

Section B. Perceptions of Decline

In discussing the specific study neighborhoods during field interviews, real estate actors in each city were all asked whether the areas had in fact declined over the study period, what they perceived as the causative factors and the first signals that conveyed decline. The questions were cast as flexible probes to fully pursue the issues raised.

Because of the detailed nature of the interview guide, each Norfolk and Dayton interview focused on one of the two study neighborhoods with occasional reference to the other. In Rochester, the interviews related to the combined NEAD study area with distinctions made between the two tracts as appropriate.

Consensus on Decline

Across the spectrum of study neighborhoods, there was no clear consensus that all had declined over the five-year study period. In Norfolk particularly, actors disagreed that conditions of decline were evident in the two study neighborhoods. Concerning Ballentine Place, the responses were evenly divided between those who perceived decline and those that didn't; on Ingleside the distribution was 60 to 40 percent with the majority affirming decline. Among those demurring, the following factors were cited to support their judgment: continued property maintenance, the strong homeowner base and the adequate income levels of those moving in. Comparisons between Norfolk responses and those in other cities and neighborhoods are presented in the table on the following page.

Table V.1. CONSENSUS AMONG REAL ESTATE SECTOR
ACTORS ON STUDY NEIGHBORHOOD DECLINE

	Response Distribution			
	Declined		Didn't Decline	
	Number	Percent	Number	Percent
<u>Norfolk</u>				
Ballentine Place	7	50%	7	50%
Ingleside	10	59%	7	41%
<u>Rochester</u>				
North NEAD	18	78%	5	22%
South NEAD	21	91%	2	9%
<u>Dayton</u>				
Greenwich Village	17	100%	0	0
Fairview	15	83%	3	17%
Total	88	79%	24	21%

Source: Interviews with real estate brokers, lending institutions and appraisers.

Rochester respondents often made a strong distinction between North and South NEAD and several divided the area into four smaller subareas in relating to the issues of decline. In sorting out the pattern of responses -- some of which relate to the entire area while others relate to one or more smaller subareas -- a decided majority acknowledged decline to varying degrees in the NEAD study area.

With only three exceptions, there was far greater unanimity among Dayton respondents on decline in the study neighborhoods. All agreed that Greenwich Village had declined since 1970, with some saying the process began in the late 1960's after the race riots of one particularly "hot" summer. Of the three asserting that Fairview had not declined, one real estate broker said it was more a question of fluctuating ups and downs in response to specific situations such as racial incidents

in the schools and blacks moving into pockets within the neighborhood. On an overall basis though, he like two others did not believe the neighborhood had declined.

Based on the neighborhood characteristics and dynamics reviewed in Chapter II, only two of the study neighborhoods evidenced clear and consistent signs of decline over the study period. In these two cases -- South NEAD and Greenwich Village -- virtually all of the real estate respondents concurred in this perception.

The objective indicators of neighborhood condition were by and large healthy in the other four study neighborhoods but in all of them consumer confidence was seriously weakened. While at least some real estate actors in every such setting insisted that the neighborhoods had not declined, the majority perceived it. For these real estate sector actors, their perceptions were largely congruent with erosion in consumer confidence even if objective evidence of deterioration was not pronounced. From this standpoint, changing attitudes in both spheres anticipated decline in objective neighborhood conditions. Whether they become truly self-fulfilling or not, they form an important perceptual framework influencing attitudes and behavior.

The Signals of Decline

While the real estate sector's generalized perception of neighborhood decline are important, the signals through which they perceive it are perhaps even more important from a decision-making point of view. When the signs -- as they define them -- first become evident, their attitude toward the neighborhood is affected.

In the course of the interviews, all real estate brokers, lending institution officials and appraisers were asked to specify the most

important signals of neighborhood decline. Property maintenance attributes were far and away the most frequently mentioned. Nearly half (48 percent) cited physical deterioration in a generalized way while many others were very specific in identifying the subtle signs they notice: overgrown grass or bare spots on the lawn, flaking paint, rusted gutters and downspouts, broken window panes, worn spots on the roof, etc. The variety of factors mentioned by real estate actors are arrayed in the table below by descending order of frequency.

Table V.2. SIGNALS OF NEIGHBORHOOD DECLINE MENTIONED BY REAL ESTATE ACTORS IN DESCENDING ORDER OF FREQUENCY

	<u>Number of Mentions</u>	<u>Percent of Respondents</u>
Physical condition		
General maintenance levels	30	48%
Lawn and yard	14	22%
Paint needed	9	14%
Worn roof	4	6%
Broken windows	2	3%
Needed repairs	2	3%
Gutters and downspouts	2	3%
Increase in market activity	14	22%
Junked automobiles	11	17%
Increase in renters	8	13%
Declining property values	3	5%
Absentee owners	3	5%
School problems	3	5%
Increase in blacks	3	5%
Slow sales	2	3%
Crime	2	3%
FHA/VA activity rate	2	3%
Old cars	2	3%
Other	9	14%
Number of Respondents	63	

Source: Interviews with real estate brokers, lenders and appraisers.

Since many of the real estate actors cited several signals, each one mentioned has been included in the table above. The percentage frequencies, however, reflect the number of respondents mentioning a specific signal singly or in combination with others.

Apart from signs of physical deterioration, the second most important set of signals related to increasing market activity. To some, the signal was a concentration of For Sale signs, to others the increasing frequency with which neighborhood residents called to list their homes. Approximately a fifth of the respondents mentioned a signal in this vein. Somewhat fewer noticed inoperable vehicles as the first sign of decline: a car up on blocks for repair, a junked car parked in the drive or yard.

Apart from such visible signs, a number of others were mentioned with rapidly declining frequency. Included among them were an increase in renters or absentee owners, declining property values, problems in the schools, slow market sales and crime.

To two of the respondents, an increasing FHA/VA mortgage activity rate evident from periodic Multiple Listing Service reports signalled decline in their minds. Among a miscellany of signals mentioned by only one respondent were the following: a high vacancy rate, investor activity, land contract sales, sellers taking a second trust, businesses leaving, vandalism, an absence of curtains on the windows and increasing black enrollments in the schools.

In sum, signs visible when driving through the neighborhood and particularly those associated with decreasing property maintenance were the real estate sector's principal signals of neighborhood decline. It is impossible to separate these signals, however, from an overall mental set in which racial change plays a crucial role.

In discussing issues of neighborhood decline, underlying factors and signals, race was often a consideration either explicitly mentioned or masked. While some actors mentioned race in conjunction with socioeconomic or housing market factors in rather sophisticated cause-effect terms, others associated racial change with neighborhood decline in very generalized ipso facto terms. In still other interviews, race was rarely mentioned but clearly shaped otherwise neutral responses.

While the real estate actor responses on the factors affecting neighborhood decline were generally apt characterizations of the forces affecting study neighborhoods, most all except racial change were equally important in control neighborhood dynamics. The extent to which real estate actor associations with racial change distort their perceptions of the study neighborhoods are addressed in the following sections.

Section C. Specific Neighborhood Conditions

While the preceding section sets the context for how actors in the real estate sector perceive neighborhood decline, this section focuses particularly on their assessment of specific study neighborhood attributes and the accuracy of their perceptions in judging neighborhood conditions.

In addressing these perceptual considerations, the real estate sector can have distorted perceptions in a variety of neighborhood attributes that would influence their decisions in an adverse manner. In this analysis, five major neighborhood aspects have been considered:

- Property values and trends;
- Racial composition;
- Levels of property maintenance and repair;
- Social disorganization as measured by crime rates and welfare case loads; and finally
- Socioeconomic change.

The assessment of perceptual accuracy is a particularly slippery area. Of paramount importance, there are questions of precision: To what extent can those in the real estate sector be expected to know neighborhood attributes in quantifiable terms? How can real estate actor impressions be translated into measurements for comparative purposes? What are permissible margins of error? These issues can never be fully resolved but research procedures were adopted to probe a variety of perceptual dimensions and compare actor perceptions with actual indicators as a loose yet meaningful basis for evaluation.

In the structured interview process, respondents were asked to comment on various aspects of the five major attribute areas listed above. In some cases, such as property value trends and racial composition, they were asked to express quantitative judgments. In others, they were asked to make qualitative comparisons between study and control neighborhoods or between buyer and seller households. Their responses were in turn compared against available data on each indicator.

To frame these comparisons within a meaningful measure of accuracy, a "range of tolerance" was established for each indicator sometimes on the basis of statistical tests and other times on the basis of judgment. While this approach does not permit thoroughly rigorous assessments or yield a quantitative "accuracy" score, it does provide meaningful insights.

In the pages which follow, the perceptions of the real estate sector concerning nine specific neighborhood indicators are analyzed. The first three sets of comparisons address specific quantitative indicators in the study neighborhoods themselves: five-year property value trends, current market values and racial composition. The succeeding analysis evaluates the qualitative comparisons between study and control neighborhoods for three indicators: property maintenance levels, crime rates and welfare case loads. The final set of comparisons tests the accuracy of respondents concerning the socioeconomic differences between study neighborhood buyer and seller households in terms of income levels and educational attainment.

Property Values

A perceptual distortion of property values on the part of real estate brokers, appraisers and lenders can have several deleterious effects on the neighborhood. If a real estate agent underestimates past

trends and current values, he may recommend a lower asking price to sellers, thus artificially eroding market values. In like manner, appraisers may underappraise a specific property, thus contributing to market erosion and arbitrarily diminishing the appraised-value base upon which loan-to-value ratio is established. With an erroneous perception of past trends, lenders may foresee future price deterioration and establish more stringent mortgage terms to minimize their loss exposure.

To test the real estate sector perceptions concerning property values, two indicators were the focus for analysis: (1) property value trends over the five-year study period; and (2) the current market value of a specific property in each study neighborhood. Each assessment is described below.

Five-Year Property Value Trends

All real estate actors were asked to estimate the percentage increase or decrease in property values over the five-year 1970-1974 study period. Respondents frequently were reluctant to express trends in percentage terms. They were far more willing to make qualitative comparisons with the general rate of inflation or prevailing trends in the metropolitan area as a whole. When pressed, however, approximately 85 percent of those interviewed ventured an estimate.

Though not particularly meaningful in isolation from actual value changes within specific neighborhoods, it is nonetheless notable that real estate actors as a whole did not associate current dollar value decline with the study neighborhoods: while virtually all of the actors felt that prices had not kept pace with inflation or area-wide trends, over half of the respondents believed that property values had increased;

one-fourth believed that property values had remained stable. Only one-fifth of the respondents indicated that property values had in fact declined. The response pattern, is, however, much more meaningful in the context of specific neighborhood experience.

Real estate actor estimates for each neighborhood were compared with the change in mean value of homes sold in 1970 and 1974 as an indicator of property value trends. To permit comparisons between real estate sector responses and market realities within the diverse range of neighborhood market behavior, "ranges of tolerance" were established based on precoded interview response categories. The range of tolerance represented a 20 percentage point band bracketing the actual percentage rate change. For example, if property values increased 10 percent over the five-year period, any response between zero and plus 20 percent was included. Specific ranges of tolerance are as follows:

- For the two Norfolk neighborhoods in which values appreciated roughly 50 percent, those responding that values increased 30 percent or more were included in the range of tolerance.
- For North NEAD in which property values increased just over 20 percent, those responding that values increased 10 to 19 percent or 20 to 29 percent were included in the range of tolerance.
- For the two neighborhoods in which values increased less than 10 percent over the five-year period, those responding that values had not changed at all or had increased as much as 20 percent were included in the range of tolerance.
- In the one neighborhood where dollar values actually declined -- Fairview -- responses indicating no change or an increase or decrease of 10 percent in either direction were included.

On an overall basis, just over two-thirds of the responses were within the range of tolerance established for specific neighborhoods. In counterpoint, however, roughly one-fourth underestimated the five-year trends. Specific neighborhood comparisons are presented in the table below.

Table V.3. REAL ESTATE SECTOR ACCURACY IN FIVE-YEAR PROPERTY VALUE TRENDS BY NEIGHBORHOOD

	<u>Change in Mean Value 1970-74</u>	<u>Response Distribution</u>			<u>Number of Responses</u>
		<u>Over-estimated Trends</u>	<u>Within Range of Tolerance</u>	<u>Under-estimated Trends</u>	
<u>Norfolk</u>					
Ballentine Place	50.4%	0.0%	75.0%	25.0%	8
Ingleside	47.7%	0.0%	58.3%	41.7%	12
<u>Rochester</u>					
North NEAD	21.8%	3.5%	79.3%	17.2%	29
South NEAD	7.8%	3.5%	55.1%	41.4%	29
<u>Dayton</u>					
Greenwich Village	5.1%	0.0%	82.4%	17.6%	17
Fairview	-1.1%	16.7%	61.1%	22.2%	18
Total	-	4.4%	68.2%	27.4%	113

Source: Real Estate Actor Interviews and Hammer, Siler, George Associates.

As illustrated, two cases are particularly notable. In both Ingleside and South NEAD, slightly over 40 percent underestimated the trends. Though the market contexts were radically different -- Ingleside values increased nearly 50 percent and South NEAD values less than 10 percent -- a large proportion of the actors misjudged the strength of the market over the most recent five-year period. In isolation, it is very difficult to construct a link between these distortions and actual behavior.

In Ingleside, understated property value trends may have contributed to the decision on the part of depository institutions to originate more mortgages with FHA insurance or VA guarantee: with equivalent property value appreciation over the five-year period, there was a 20 percent differential between Ingleside and its control neighborhood in the proportion of depository institution mortgages originated on an FHA/VA basis. Though this link cannot be clearly established, any greater risk associated with perceptions of weakened property value appreciation would be assumed by the federal government rather than the institution itself. By the same token, however, the terms on conventional mortgages made were not affected: loan-to-value ratios and mortgage term on conventional loans originated were at least as favorable if not better than those in the control neighborhood.

In South NEAD, however, the implications are different. Not only were more depository institution mortgages originated on an FHA/VA basis but the terms on conventional mortgages were more stringent than in the control neighborhood. This feature will be tied in with other South NEAD considerations at the conclusion of this chapter.

For the other neighborhoods in which 17 to 25 percent of the actors misjudged the strength of value appreciation, it is difficult to ascribe broader meaning: there is no standard of comparable perceptual accuracy in healthy neighborhoods against which to judge this rate of error. Nonetheless, for these specific actors erroneous property trend perceptions formed one facet of their neighborhood perspective.

Accuracy in Prototype House Value

As the second dimension in testing real estate actor perceptions concerning property values, each was asked to estimate the current

market value of a specific house typical of the stock in the study neighborhood. The ones selected are pictured in Chapter II. For each house, the respondent was given a five-inch by seven-inch color photograph, a map pinpointing its location and other pertinent data available from property assessment records: lot size, year built, the square footage of living space, number of bedrooms and bathrooms, property improvements and other major features.

As was the case in estimating property value trends, many real estate sector respondents were reluctant to venture an opinion without consulting Multiple Listing Service comparables or undertaking more detailed research including on-site inspection. Nonetheless, 95 of the 137 interviewed ventured an opinion.

The estimates were, in turn, compared to fair market value using local rules-of-thumb to convert assessed or appraised values. Both Rochester study neighborhood properties had actually sold within several months of the interviews; in these two cases, respondent estimates were compared to actual sale price.

In undertaking this particular assessment, the "range of tolerance" was plus or minus 10 percent of fair market value. Since the values of specific houses ranged from \$12,000 to nearly \$35,000, the dollar range of tolerance varied accordingly: on a \$12,000 property, the range of tolerance would be plus or minus \$1,200; on a \$35,000 property, the range of tolerance would be plus or minus \$3,500.

On an overall basis, the perceptions of the real estate sector on current market values were substantially less detrimental to the study neighborhoods than those concerning five-year trends. While only half

of the respondents fell within the range of tolerance, there was a far more marked tendency to overvalue the specific property: 41 percent of those responding overestimated current market value. In contrast less than 10 percent underestimated the current market value. The patterns were, of course, different among neighborhoods. These are illustrated in the following table.

Table V.4. REAL ESTATE SECTOR ACCURACY IN PROTOTYPE HOUSE VALUE BY STUDY NEIGHBORHOOD

	Fair Market Value of Photo House	Response Distribution			Number of Responses
		Over-estimated Value	Within Range of Tolerance	Under estimated Value	
<u>Norfolk</u>					
Ballentine Place	\$21,200 <u>1/</u>	35.7%	35.7%	28.6%	14
Ingleside	\$34,800 <u>1/</u>	17.7%	64.6%	17.7%	17
<u>Rochester</u>					
North NEAD	\$15,900 <u>2/</u>	30.0%	60.0%	10.0%	10
South NEAD	\$12,000 <u>2/</u>	83.3%	16.7%	0.0%	12
<u>Dayton</u>					
Greenwich Village	\$14,400 <u>1/</u>	47.8%	47.8%	4.4%	23
Fairview	\$18,500 <u>1/</u>	36.8%	63.2%	0.0%	<u>19</u>
Total	-	41.0%	49.5%	9.5%	95

1/ Appraised fair market value.

2/ Actual sale price in autumn of 1975.

Source: Real Estate Sector Actor Interviews and Hammer, Siler, George Associates.

In three of the study neighborhoods, roughly two-thirds of the respondents fell within the range of tolerance. In the other three neighborhoods, as few as 16.7 percent and as many as 47.8 percent fell within the range of tolerance. In all of those cases where less than a

majority fell within the range of tolerance, there was a pronounced tendency to overestimate rather than underestimate value. This was particularly true in the South NEAD area where more than 80 percent of the respondents overestimated the value.

The prototype house for South NEAD is a conspicuous example of the types of market aberrations that can occur in central city neighborhoods like South NEAD where the market is rather soft. Unlike solid central city neighborhoods and newer suburban areas, there are occasional market lapses in such neighborhoods. A seller may be so anxious to move that he will accept a sacrificial price for his dwelling or as recounted previously in Chapter III, bargain-rate acquisition on the part of investors may be involved. In such cases, the actual sale price on a particular property may not be in keeping with prevailing market values in the neighborhood. This appears to be the case with the South NEAD property. After making their own estimate, virtually all of the real estate actors were surprised to learn its actual sale price. Most attributed the low sale price to just such a market aberration.

Summary

With over 90 percent of the real estate actors falling within the range of tolerance or above it in judging the value of a specific property, their perceptions of current market values do no disservice to the study neighborhoods. Future expectations are not founded on a single point in time, however, but are more firmly rooted in extrapolations of past trends. From this point of view, future expectations of those misjudging the past may be more important particularly in the two neighborhoods most maligned.

In both Ingleside and South NEAD these expectations may well be reflected in the higher FHA/VA rate among the mortgages originated by depository institutions. Moreover, the differentially more stringent conventional mortgage terms in South NEAD may likewise be partly attributable to distorted property value trend perceptions. If and when similar perceptual distortions on the part of the real estate sector occur in the other four neighborhoods, they could be adversely affected in like manner.

Racial Composition

Accuracy in racial perceptions is one of the most difficult to test because it is virtually impossible to obtain a reliable estimate of racial composition for intercensal years. As described previously in Chapter II estimates of the non-white population within each study neighborhood were developed for this study using the best available data. Making allowances for sampling error and differential rates of racial change in rental units, estimates were expressed in terms of a 10 percent range. Real estate actor responses were similarly grouped and precoded according to 10 percent intervals.

On a subject such as racial composition in which no reliable intercensal data exists and all perceptions are a matter of rough approximation, the range of tolerance in testing real estate sector perceptions included the 10 percent bands on either side of the study estimate range. Thus, if the non-white population was estimated at 40 to 50 percent, any actor response between 31 percent and 60 percent was included in the range of tolerance. This expanded range of tolerance permits an error of ten percentage points on top of that expressed in the ranges developed for this study.

From this perspective, two-thirds of the respondents fell within the range of tolerance. Roughly 10 percent underestimated the non-white population while about 20 percent overestimated it. Specific neighborhood comparisons are presented in the table below.

Table V.5. REAL ESTATE SECTOR ACCURACY IN NON-WHITE POPULATION PERCEPTION BY NEIGHBORHOOD

	<u>Estimated Non-white Population</u>	<u>Response Distribution</u>			<u>Number of Responses</u>
		<u>Over- estimated Non-whites</u>	<u>Within Range of Tolerance</u>	<u>Under- estimated Non-whites</u>	
<u>Norfolk</u>					
Ballentine Place	40-50%	0.0%	71.4%	28.6%	7
Ingleside	30-40%	0.0%	92.9%	7.1%	14
<u>Rochester</u>					
North NEAD	1-10%	23.6%	76.4%	-	17
South NEAD	10-20%	35.3%	64.7%	-	17
<u>Dayton</u>					
Greenwich Village	40-50%	11.2%	44.3%	44.5%	18
Fairview	1-10%	42.1%	57.9%	-	17
Total	-	22.8%	66.4%	10.9%	90

Source: Real Estate Actor Interviews and Hammer, Siler, George Associates.

For the three neighborhoods in which the estimated black population was no more than 20 percent, the range of tolerance included every estimate down to zero; as a consequence, it was impossible to underestimate. These were the neighborhoods in which the highest percentage of actors overestimated: slightly over one-third of the neighborhood responses combined. Since so many attitudes, if not specific decisions, are connected with racial associations, these distortions

can have subtle effects across a broad spectrum of behavior. The extent of the distortions are particularly meaningful because of the broad bands of tolerance already built into the analysis.

Again, it is extremely difficult to tie these perceptual distortions in with actual behavior during the study period. Real estate agents may have "steered" prospective white buyers away from these neighborhoods because of their exaggerated perception of racial change. Appraisers and lenders too may have associated future property value decline, uncertainty and greater risk with inaccurate perceptions of the black population component. To be sure, in both North and South NEAD, depository institutions originated more mortgages with government backing. Moreover, in both these neighborhoods, the terms on conventional mortgages were at least somewhat more stringent than in the control areas. In Fairview, however, all aspects of long-term financing were superior to comparable measures in the control neighborhood.

In the three neighborhoods where the current black population ranged between 30 and 50 percent -- Ballentine Place, Ingleside and Greenwich Village -- exactly two-thirds of the overall responses fell within the range of tolerance. In these neighborhoods there was, if anything, a tendency to underestimate the black population: on a composite basis, one-fourth of the respondents did so.

In sum, when neighborhoods are in the early stages of racial transition, there is an apparent tendency on the part of real estate actors to overestimate the extent of racial change. As the black population approaches the half-way mark, however, their perceptions are more closely in keeping with actual racial composition, even if the rate of change is relatively rapid.

Qualitative Neighborhood Comparisons

In the previous portion of this section, the benchmark of comparison in testing the accuracy of real estate sector perceptions was actual data indicators within the study neighborhoods. There is an equally important comparative framework in judging the accuracy with which the real estate sector perceives neighborhood conditions: the differences between racially changing neighborhoods and their all-white counterparts. In this portion of the report these comparisons will be examined.

In establishing the comparative neighborhood framework, six indicators were determined to be important in measuring the relative viability between study and control neighborhoods: property maintenance levels, crime rates, property tax delinquency, welfare case loads, the frequency of fires and housing code violations. For all six, it was hoped that comparative data would be available to test the real estate sector perceptions of neighborhood differences.

In fact, however, reliable data was consistently available for only two of the indicators and partially useful data was available for a third. A comparison between property maintenance levels in study and control neighborhoods was available from the structural condition survey undertaken as a part of this study. The number of Part I crimes (a standardized reporting category which includes major crimes) was available at the census tract level from each of the city police departments. In addition, the number of Aid to Dependent Children (ADC) cases was also available on a roughly comparable neighborhood basis for Norfolk and Dayton. As a consequence, the accuracy of real estate sector perceptions concerning the comparative differences between study

and control neighborhoods could be tested consistently for two of the indicators and partially for a third.

For each neighborhood indicator, the respondent was asked whether the incidence in the study neighborhood was higher, about the same or lower than in the control neighborhood. The higher and lower categories were further refined by asking the respondent whether there was a "little" or "alot" of difference, providing in all five possible response categories. As in all other comparisons, a range of tolerance was established in testing the accuracy of the real estate sector perceptions.

In previous sections, the distinction was maintained between the North and South portions of the NEAD and Maplewood neighborhoods in Rochester. Because of the time-consuming nature of the structured interview questions concerning study and control neighborhood comparisons, responses and data comparisons in this section have been combined for the two NEAD study neighborhoods and for the two Maplewood control neighborhoods. Throughout the remainder of this chapter, then, there are five rather than six neighborhood comparisons. The results of the comparisons for the three indicators in which data was available are presented in the paragraphs which follow.

Property Maintenance Levels

The accuracy of the real estate sector in perceiving comparative property maintenance levels is perhaps the most significant of all since it was the most frequently mentioned signal of neighborhood decline. Either in terms of specific structural elements -- gutters and downspouts, peeling paint, bare spots in the lawn, etc. -- or in

terms of more general impressions, the vast majority of the real estate actors cited it as a leading indicator of neighborhood deterioration.

On an overall basis, a 54 percent majority of the respondents felt that property maintenance levels were lower in study neighborhoods than in their control counterparts; 40 percent believed that maintenance levels were about the same and only six percent thought they were higher. In general terms, then, a slight majority of real estate actors did associate lower maintenance levels with the study neighborhoods.

In establishing the comparative framework and range of tolerance for this evaluation, several steps were involved. As an indicator of property maintenance levels, the percentage of structures with three or more deficient components was used. In the two neighborhoods where lower property maintenance levels were statistically significant -- the combined NEAD area and Greenwich Village -- all respondents perceiving lower comparative maintenance levels were included in the range of tolerance.

For the other four neighborhoods in which there were no statistically significant differences, all those saying that maintenance levels were about the same quite naturally were included in the range. In addition, however, in keeping with the measurable differences in the sample of units surveyed, those indicating that maintenance levels differed a little in the appropriate direction were also included. For example, if 15 percent of the sampled units in the study neighborhood had three or more deficiencies compared to only 10 percent in the control neighborhood, those responding that study neighborhood maintenance levels were a little lower were included in the range of tolerance.

Because of possible sampling error in the windshield survey, it can be said that these respondents weren't right but it can't quite be said that they were wrong either. Hence, they've been included in the range of tolerance.

On an overall basis, nearly two-thirds fell within the range of tolerance with the remainder almost evenly split. Despite the importance of property maintenance signals to the real estate sector and the significance of their perceptual accuracy, the evaluation is not clean-cut and particularly as it applies to Ingleside and NEAD.

While the table following indicates that 46 percent of the respondents underrated the Ingleside neighborhood, this reflects the choice of a single indicator rather than the pattern of observed deficiencies as a whole. While fewer of the Ingleside units had three or more deficiencies, it was also true that fewer were completely without fault: many more Ingleside units were deficient in one or two components. From this perspective, fewer units were seriously deficient but minor deficiencies were more pervasive. The 46 percent indicating that maintenance levels in Ingleside were a little lower, then, were right to some extent but not in terms of the single specific measure chosen. In a sense, everyone was right. The other neighborhood response patterns are presented in the table below.

Table V.6. REAL ESTATE SECTOR ACCURACY IN COMPARATIVE MAINTENANCE LEVELS BY NEIGHBORHOOD

	<u>Study/ Control Comparison*</u>	<u>Response Distribution</u>			<u>Number of Responses</u>
		<u>Over- estimated Main- tenance</u>	<u>Within Range of Tolerance</u>	<u>Under- estimated Main- tenance</u>	
<u>Norfolk</u>					
Ballentine Place	21/15%	8.4%	91.6%	0.0%	12
Ingleside	1/5%	0.0%	53.9%	46.1%	13
<u>Rochester</u>					
NEAD	21/12%	20.8%	79.2%	0.0%	24
<u>Dayton</u>					
Greenwich Village	13/3%	58.8%	82.3%	0.0%	21
Fairview	7/11%	4.7%	57.2%	38.1%	17
Total	14/10%	19.5%	64.4%	16.1%	87

*Note: Percent of units surveyed in study/control neighborhoods with three or more deficient components.

Source: Real Estate Actor Interviews and Hammer, Siler, George Associates,

The NEAD area in Rochester casts another cloud over straightforward interpretation. Because of the large number of deficient units in South NEAD, data for the combined area as a whole indicates statistically significant lower maintenance levels. As a consequence, the vast majority of the respondents were correct in perceiving lower maintenance levels but the important distinctions between the quality of North NEAD and deterioration in South NEAD are masked.

In returning to somewhat firmer analytic ground, it is noteworthy that 38.1 percent of the Fairview respondents underestimated property

maintenance conditions. Unlike the case in Ingleside, property maintenance levels were superior along every measure. In this one case, clearly, a large proportion of respondents inappropriately discounted physical conditions in the neighborhood. Having said this, however, the distortion was not reflected in mortgage financing: the proportion of conventional originations was the highest among all study and control neighborhoods, conventional loan-to-value ratios and mortgage term in Fairview were all superior to comparable measures in the control neighborhood.

Despite the importance of property maintenance conditions in evaluating the perceptions of the real estate sector, the analysis is muddied by ambiguities. In only one case did real estate actors clearly misjudge neighborhood conditions and even then it could not be linked with deleterious behavior.

Crime Rates

The perception of crime influences the sense of personal security and the general impression of neighborhood quality. In contrast to property maintenance perceptions -- in which about 40 percent of the respondents felt that study and control neighborhoods were roughly comparable -- there was a far greater tendency to associate higher crime rates with the study neighborhoods. Nearly three-fourths of those responding thought that crime rates in the study neighborhood were higher than in the control neighborhood; fully a fourth thought they were alot higher.

With one exception, there was actually little difference in the crime rates between study and control neighborhoods. On a composite basis, there were 5.5 crimes per 100 population in the study

neighborhoods compared to 5.2 crimes per 100 population in the control neighborhoods, a difference of .3. Only in Greenwich Village did the crime rate substantially exceed that in the control neighborhood (6.3 compared to 3.5).

In establishing the range of tolerance to evaluate real estate sector perceptions, only the Greenwich Village crime rate was considered significantly higher than the control counterpart. In this case, the range of tolerance included all responses saying that crime rates were a little or a lot higher. In all other cases, the range of tolerance included those responses indicating that the crime rates were about the same or a little different in the appropriate direction. The neighborhood-by-neighborhood comparisons are presented in the table below.

Table V.7. REAL ESTATE SECTOR ACCURACY IN COMPARATIVE
CRIME RATES BY NEIGHBORHOOD

	<u>Study/ Control Comparison*</u>	<u>Response Distribution</u>			<u>Number of Responses</u>
		<u>Over- estimated Crime</u>	<u>Within Range of Tolerance</u>	<u>Under- estimated Crime</u>	
<u>Norfolk</u>					
Ballentine Place	5.4/5.0	0.0%	85.7%	14.3%	7
Ingleside	4.9/4.6	0.0%	100.0%	0.0%	8
<u>Rochester</u>					
NEAD	4.4/4.4	70.0%	30.0%	0.0%	20
<u>Dayton</u>					
Greenwich Village	6.3/3.5	0.0%	88.3%	11.8%	17
Fairview	6.1/7.4	82.4%	17.7%	0.0%	17
Total	5.5/5.2	40.6%	55.1%	4.3%	69

*Note: The number of Part I crimes per 100 population in study/control neighborhoods.

Source: Real Estate Actor Interviews, City Police Departments and Hammer, Siler, George Associates.

As illustrated in the table, misapprehensions concerning crime rates in the study neighborhoods are entirely attributable to two neighborhoods. In the NEAD area, crime rates were identical to the Maplewood control area; in Fairview, crime rates were even lower than in the control neighborhood. In these two cases, the vast majority of the real estate sector respondents did not perceive this favorable comparison. In the three neighborhoods where crime rates were in fact higher than the control area, 80 to 100 percent of the respondents fell within the range of tolerance.

In sum, then, real estate sector actors generally perceived higher crime rates in the study areas. In three of the five cases, their perceptions were correct. Real estate people were not well attuned, however, when study neighborhood crime rates compared favorably to their control counterparts.

Welfare Case Loads

The perception of welfare case loads is yet another facet of overall neighborhood impression if not a specific decision determinant. Mirroring the response pattern on crime rates, approximately 75 percent of the respondents indicated higher welfare rates in the study neighborhoods with approximately one-fourth asserting that the incidence was a lot higher.

In comparing the real estate sector responses to actual data, there were several problems. Unfortunately, welfare data was not available for Rochester at all. As a consequence, real estate sector perceptions could only be evaluated in the Norfolk and Dayton neighborhoods. Even then, however, the evaluation was limited. In Norfolk, welfare case load data was only available for planning districts within the city, areas that are approximately but not exactly coterminous with census tracts. Despite these limitations, the comparison is nonetheless useful.

The Aid to Dependent Children case load was consistently higher in the four study neighborhoods. In two cases -- Ballentine Place and Fairview -- the differences were not substantial but in Ingleside and Greenwich Village, the differences were pronounced. On an overall basis, there was roughly twice the incidence of ADC cases among study area households. With tolerance levels the same as established for crime --

only the Greenwich Village and Ingleside rates were considered significantly higher -- the accuracy of real estate sector perceptions is presented in the table below.

Table V.8. REAL ESTATE SECTOR ACCURACY IN COMPARATIVE WELFARE CASE LOADS BY NEIGHBORHOOD

	<u>Study/ Control Comparison*</u>	<u>Response Distribution</u>			<u>Number of Responses</u>
		<u>Over- estimated Welfare</u>	<u>Within Range of Tolerance</u>	<u>Under- estimated Welfare</u>	
<u>Norfolk</u>					
Ballentine Place	5.4/4.7	0.0%	85.7%	14.3%	7
Ingleside	7.6/3.1	0.0%	100.0%	0.0%	8
<u>Rochester</u>					
NEAD	NA	NA	NA	NA	-
<u>Dayton</u>					
Greenwich Village	6.8/1.4	0.0%	92.4%	7.7%	13
Fairview	2.8/2.2	0.0%	84.7%	15.4%	13
Total	5.1/2.6	0.0%	90.2%	9.8%	41

*Note: The number of ADC cases per 100 households in study/control neighborhoods.

Source: Real Estate Actor Interviews, County welfare records and Hammer, Siler, George Associates.

Given the consistent pattern of higher study neighborhood welfare case loads, the real estate actors were extremely accurate in their perceptions. Fully 90 percent of the respondents overall fell within the range of tolerance.

Comparisons Between Buyer and Seller Households

Along with analyses testing the accuracy of real estate sector perceptions concerning overall neighborhood qualities, others were directed at their perceptions of socioeconomic change in the neighborhood: differences in incomes and educational levels between buyer and seller households. As recounted in Chapter II, replacement households -- both white and black -- were statistically comparable and sometimes even measurably higher in socioeconomic status. The accuracy in real estate sector perceptions for these two major indicators is presented in the sections which follow.

Income Levels

In the course of the real estate sector interviews, each respondent was asked whether the income level of buyer households was generally higher, about the same or lower than seller households. On an overall basis, slightly over half of the respondents (52.3 percent) thought that buyer household incomes were, in fact, lower than those of seller households; roughly a third of the respondents thought that income levels were about the same, and 15 percent thought they were higher.

In evaluating income differences between buyers and sellers, two measures were drawn upon: the percent above and below \$13,000 (the overall sample mean) and mean household income. The \$13,000 split was used in Chi Square tests at the neighborhood scale to determine if there were any statistically significant differences. Since in no case was there a statistically significant difference, mean income comparisons were then drawn upon to establish the range of tolerance: it included all responses saying that income levels were about the same and those

indicating a difference in the appropriate direction. The results are presented in the table below.

Table V.9. REAL ESTATE SECTOR ACCURACY IN BUYER/SELLER HOUSEHOLD INCOME DIFFERENCE BY NEIGHBORHOOD

	<u>Buyer/ Seller Differences*</u>	<u>Response Distribution</u>			<u>Number of Responses</u>
		<u>Over- estimated Buyer Income</u>	<u>Within Range of Tolerance</u>	<u>Under- estimated Buyer Income</u>	
<u>Norfolk</u>					
Ballentine Place	-15.6%	0.0%	100.0%	0.0%	9
Ingleside	- 8.6%	10.0%	90.0%	0.0%	10
<u>Rochester</u>					
NEAD	6.5%	0.0%	47.1%	52.9%	17
<u>Dayton</u>					
Greenwich Village	8.4%	0.0%	53.0%	47.0%	17
Fairview	-23.8%	25.0%	75.0%	0.0%	16
Total	- 2.8%	7.3%	68.1%	24.6%	69

*Note: Percent difference in mean income between buyer and seller households.

Source: Real Estate Actor and Household Interviews, Hammer, Siler, George Associates.

It is not at all surprising that 75 to 100 percent of the responses were within the range of tolerance in the three neighborhoods where buyer mean income was somewhat lower. In both NEAD and Greenwich Village, however, where mean incomes were in fact higher roughly half of the respondents were wrong in their perceptions. Despite household income gains in these two areas, then, an important number of real estate actors misjudged the economic levels of replacement households.

Educational Attainment

In contrast to the slight majority believing the buyer household income levels were lower, responses on educational attainment were divided roughly into thirds with near equal numbers believing they were higher, lower or about the same. In establishing the range of tolerance for their judgments, the percentage of all respondents and spouses with education beyond high school was the basic measure. Chi Square tests were used to determine the statistical significance of any differences. Only in the case of NEAD was it significant: buyer households were more highly educated. The range of tolerance for NEAD, then, included only those respondents perceiving higher educational levels. For all other neighborhoods, the range included those thinking educational attainment was similar and those perceiving a difference in the appropriate direction. The results are presented in the table on the following page.

Table V.10. REAL ESTATE SECTOR ACCURACY IN BUYER/
SELLER EDUCATIONAL DIFFERENCES

	<u>Buyer/ Seller Comparison*</u>	<u>Over- Estimated Buyer Education</u>	<u>Within Range Of Tolerance</u>	<u>Under- Estimated Buyer Education</u>	<u>Number Of Responses</u>
<u>Norfolk</u>					
Ballentine Place	17/12%	0.0%	37.5%	62.5%	8
Ingleside	44/50%	11.1%	88.9%	0.0%	9
<u>Rochester</u>					
NEAD	30/13%	0.0%	27.8%	72.2%	18
<u>Dayton</u>					
Greenwich Village	29/20%	0.0%	70.6%	29.4%	17
Fairview	37/40%	50.0%	50.0%	0.0%	<u>16</u>
Total	33/25%	13.6%	54.6%	31.8%	68

*Note: Percent of respondents and spouses with education beyond high school in buyer/seller households.

Source: Real Estate Actor and Household Interviews, Hammer, Siler, George Associates.

Again in the NEAD area, a large proportion of actors (72.2 percent) misjudged the socioeconomic status of buyer households moving into the area. In only one other neighborhood -- Ballentine Place -- was there such a severe misjudgment.

Patterns of Misjudgment

There were few clear and consistent patterns in the evaluation of specific study neighborhood perceptions. As noted before, a fourth to one-half of the actors grossly overestimated the non-white populations in the least racially changed neighborhoods and this distortion subtly affects many other attitudes as well. While there were such glaring inaccuracies in judgment on specific items in specific neighborhoods, rarely do they coalesce to indicate badly distorted perceptual sets affecting the neighborhood across a broad front.

In Fairview, for example, 38 percent of the actors misjudged property maintenance levels and 82 percent misjudged crime rates; in only two of the other indicators, however, did even as many as 20 percent underrate the neighborhood. Similarly, as many as a third to one-half of the Greenwich Village respondents misjudged buyer socioeconomic status but in no other indicator did more than 15 percent err in underrating the neighborhood. In Ballentine Place and Ingleside, there was only one case each in which a substantial number misjudged: 62 percent of the Ballentine Place respondents underestimated educational attainment and 42 percent of the Ingleside respondents failed to perceive the magnitude of property value appreciation. Some of these indicators are extremely important in specific actor decisions and these will be addressed in a subsequent section. By and large, however, in these neighborhoods the real estate sector as a whole had reasonably accurate perceptions of neighborhood conditions.

In NEAD, on the other hand, the perceptual set was more frequently distorted. In evaluating five-year property value trends, racial composition, crime and buyer socioeconomic status, one-fourth to over 70 percent of the actors misjudged the quality of the area. This pattern

of distortion may reflect the extent to which accurate knowledge of decline in South NEAD affected their attitudes toward the entire area. Whatever the source, this extensive framework of misjudgment can have deleterious effects on many decisions in the neighborhood. Some links will be more sharply drawn into focus in the section which follows.

Section D. Interactions and Information Flows

Having reviewed perceptions of the real estate sector as a whole concerning neighborhood conditions in the preceding section, this one focuses particularly on the interactions among real estate agents, lending institution officials and appraisers and the information they draw upon in making specific decisions. At issue is the extent to which distorted perceptions can be related to the real estate market practices and long-term financing activities over the five-year study period and actor behavior in the future as well. This section, then, reviews the overall pattern of interactions, the specific influence of key actors on the neighborhood and the future implications of their attitudes.

In virtually every real estate transaction, all of the actors surveyed in the course of this study -- real estate agents, appraisers, lending institutions or mortgage companies -- have a specific role. Their interactions are keyed to their role in the process.

Real Estate Agents and Lending Institutions

Only those buyers with sufficient cash and desire to purchase a property outright have no need for long-term financing. In the vast majority of cases, however, a long-term financing commitment is a prerequisite for completion of the sale. To realize his or her commission, the real estate agent has a strong self-interest in securing long-term financing and usually plays a key role in directing a buyer to sources of institutional finance.

Most agents and brokers closely monitor the availability of mortgage funds and the terms on which they are being offered. Several

brokers noted, for example, that in a standard weekly routine one of their staff members telephones the lending institutions in the area to obtain information on current loan terms; this information is subsequently posted in the office for ready reference by the agents.

Over the years of repeated business contact, brokers may have established continuing relationships with several lending institution officials. Given the manageable number of institutions within each city, however, all of them may be approached at one time or another in seeking a specific commitment.

Though clearly linked in a necessary business relationship, thrift institutions and real estate agents are by no means in league. In fact, it can sometimes become an adversary relationship. Since the agent's primary interest is in obtaining his or her commission once long-term financing is secured, the tendency is to cast the mortgage applicant in the most favorable light. Since their stake in the transaction extends for years, savings and loan officials are somewhat wary of brokers and clearly make an independent evaluation.

In recent years, mortgage companies have accounted for a growing proportion of FHA and VA loan originations. In contrast to the savings and loan associations -- which tend to be more passive in the generation of new business -- many mortgage companies are aggressive in seeking originating opportunities. One Dayton mortgage company official noted that they seek to generate business in several ways: they publish a newsletter on the economy and interest rate trends, make personal calls to real estate brokers and offer a training session for young real estate agents on the "ins and outs" of government financing. In this particular case, the company deals with 40 to 45 brokers on a regular basis and routinely calls them each three to four times per week soliciting business.

Within this marketing context, an agent will call a mortgage company when he has a prospective loan client. If the company's interest rate and "points" are in line, the agent will set up an appointment for the buyer. At that time, the mortgage company takes a credit application on the individual and verifies bank deposits and employment. While the credit confirmation process is underway, an appraisal is ordered for the property. The loan application and appraisal report are then packaged and dispatched to the appropriate FHA or VA insuring office.

Appraisers and the Mortgage Underwriting Process

Of 27 thrift institutions contacted, three-fourths had an in-house appraisal staff that undertook all or virtually all of the appraisals on properties under loan consideration. Generally, the appraisal staff ranged between one and three members; at three particularly large institutions, the appraisal staff ranged up to five or seven members. While several of these institutions reported occasional use of outside fee appraisers during particularly heavy periods, only in Dayton did any of the institutions rely exclusively on outside fee appraisers; this was true at seven of the 12 institutions interviewed. In these cases, the institutions generally have a continuing relationship with one or two independent appraisers who undertake virtually all of the assignments.

Virtually all of the thrift institutions made a strong distinction between the underwriting and appraisal processes. The loan officer is responsible for evaluating the loan applicant and his credit characteristics and the appraiser is solely responsible for establishing fair market value upon which the loan amount can be based.

While most stressed the totally independent nature of these processes, a number of respondents acknowledged occasional and sometimes

important interaction between the two. As one lending official put it, he felt that the appraiser had a responsibility to put the property in context with the neighborhood and report on notable features. In other cases, the lending institution official noted the role of the appraiser in reporting on the physical condition of the unit and the need for repairs or replacements in the future. Though not universally acknowledged, the appraiser -- knowledgeable in specific neighborhood market conditions as well as general trends -- is often consulted in the loan evaluation process. There was a distinct impression that the appraiser frequently serves as the "eyes and ears" of the institution concerning neighborhood conditions and trends.

Information Sources

The professions in the real estate sector are highly peripatetic. As evidenced by the proportion of real estate actors reporting visible signals of decline, many of their perceptions are formed from driving through the city and its neighborhood components. This first-hand, "drive through" familiarity with the city is a principal source of perceptions on neighborhood trends.

In addition, however, all actors in the real estate sector have access to a wealth of specific market information. Since so many specific decisions are tied to current market data, each of the actors and institutions has developed systems for maintaining accurate and up-to-date information on property sales. A common denominator in all three cities is Multiple Listing Service (MLS) reports.

Under the Multiple Listing Service scheme; typically the city is divided up into submarket areas; in many cases, they correspond with property tax assessment districts. Organized in terms of these subarea units, the periodic MLS reports contain a wealth of current market

information. The reports in Dayton, for example, contain the address of the property, the list price, sale price, basic characteristics of the unit, the real estate firm that handled the listing, the type of financing, etc. Beyond this, there are a variety of other sources available in each city.

In Norfolk, the local real estate board has a complete set of records duplicating those of the city property tax assessor. Along with plat maps, an indexed card system contains specific information for every residential unit in the city: a photograph of the dwelling, data on the property characteristics and record of improvements as well as a complete sales history. In addition, a private firm -- the Rufus Lusk Company -- prepares and circulates weekly market information to its subscribers. Organized by subdivision plat, this weekly report includes information on the legal description and address of properties sold, the names of the buyer and seller along with the sale price, amount of mortgage, interest rate, term and mortgagee. A number of the savings and loan associations in Norfolk also subscribe to a Society of Real Estate Appraisers service -- SREA Data Center, Inc. -- which compiles mortgage information submitted by member institutions and supplies periodic reports to its subscribers.

Every few days, the Rochester real estate board publishes a mimeographed report listing completed sales, offers subject to mortgage, properties on which the asking price has been reduced as well as listing expirations. In addition, a daily business and legal newspaper -- the Daily Record -- includes property sales and mortgage recordings along with legal notices and other business information.

Dayton area real estate actors rely on several sources for market information: a Deed Transfer Reference Manual published by the Dayton

Board of Realtors, the Home Buyer Index (a multi-list publication) and the SREA data reports also mentioned by Norfolk respondents.

In sum, real estate actors have access to a diverse range of sources for current real estate market information. They consider it the life-line of data for decision-making and most individuals and institutions maintain systematic files for storage and retrieval of this information. In the course of many interviews, brokers, lenders and appraisers referred to their files or proudly displayed them in making their comments on neighborhood trends or specific property values. From this perspective, real estate actors have access to rich sources of up-to-date property data.

Information Flows

Preceding paragraphs established the generalized pattern of interactions and information sources. The process itself and the information flows are very informal, however. In cities the size of Norfolk, Dayton and Rochester, the real estate and financial communities are small. Apart from formal group meetings of the respective professional organizations, there are encounters at clubs, restaurants and social gatherings. Telephone conversations between real estate brokers and loan officers are frequent. Informal conversations between the appraiser and loan officer are also common.

Because of this informality, most interactions and information flows were beyond the reach of this research effort. The extent to which deleterious information or distorted perceptions on the part of one actor is transmitted to another and adversely affects neighborhood decisions can never be grasped directly. However, two very important aspects can be addressed to some extent with available research

materials: (1) the extent to which distorted perceptions on the part of one key set of actors could influence the decisions of others, and (2) the extent to which the distorted perceptions in the nine neighborhood indicators reported previously represent occasional lapses on the part of all actors or consistent misjudgment on the part of a few specific and vitally important ones. Each of these is addressed below.

Perceptions of Brokers, Lenders and Appraisers

In making decisions relevant to the neighborhoods, perceptions concerning racial change are important to all actors in terms of a generalized perspective that can influence a wide variety of decisions. Particularly for lending institutions and appraisers, perceptions concerning current market values and property value trends are important in the underwriting decision and specific property appraisals. To examine the extent to which specific actor types are alike in their perceptions of the neighborhood, their responses in these three key areas were broken out and evaluated. The proportions underrating the study neighborhoods in each indicator are arrayed below.

Table V.11. PERCENT OF REAL ESTATE BROKERS, LENDING INSTITUTION OFFICIALS AND APPRAISERS UNDER-RATING SELECTED STUDY NEIGHBORHOOD ATTRIBUTES

	<u>Real Estate Brokers</u>	<u>Lending Institution Officials</u>	<u>Appraisers</u>	<u>Total Sample</u>
Racial Composition	23.9%	25.8%	13.3%	22.8%
Property Value Trends	33.3%	11.1%	37.9%	27.4%
Current Market Value	14.9%	0.0%	12.0%	9.5%
Number of Respondents	48	36	29	113

Source: Real Estate Actor Interviews and Hammer, Siler, George Associates.

While appraisers were somewhat more accurate in their perceptions concerning current non-white populations in the neighborhoods, comparable proportions of real estate brokers and lending institution officials overstated it. Little significance can be attached to these differences. In terms of specific decisions, perceptions concerning property values are perhaps more central.

As illustrated in the table, lenders were generally the most optimistic in judging current market values and the most accurate in judging five-year trends: none undervalued the prototype unit and only 11 percent understated the five-year trends. Though not shown on the table, over 60 percent overvalued the photograph house and nearly 90 percent were within the range of tolerance on property value trends. In sum, lending institution officials underrated the study neighborhoods only rarely in these two important areas. By and large, these favorable perceptions are mirrored in the conventional mortgage terms reported in Chapter IV on long-term financing.

Attitudes on the part of appraisers are far more difficult to evaluate. Their judgment is key in establishing the appraised value base upon which the mortgage amount is established and their impressions on property value trends are often drawn upon in the underwriting process. Though real estate brokers sometimes believed that true fair market value was being discounted in the appraisal process, appraisal reports were not available for review and evaluation. The table above, certainly, presents contradictory data on the accuracy of appraiser perceptions and the extent to which distortions may have affected their evaluations.

Only 12 percent of the appraisers responding (3 of the 29) undervalued the prototype house by more than ten percent. In fact, a third of them overvalued it. From this standpoint, their sense of current

values was no detriment to the neighborhood. At the same time, however, nearly 40 percent understated the five-year value trends. The extent to which this perception adversely affected specific appraisals or underwriting evaluations is difficult to determine, but more appraisers misread the strength of the market over a five-year period than other actor types.

In the end, nothing conclusive can be said about the appraiser's role in very specific terms apart from these perceptual observations. The appraisal process itself focuses on a specific property and involves close on-site inspection rather than cursory glimpses of photographs and related data used in this study. By the same token, the typical time frame in evaluating comparable sales reaches over the prior six-month period not the preceding five years. In undertaking specific appraisal assignments, then, appraisers may in fact discount present value to reflect their perceptions of future trends and neighborhood conditions but no data is available from this study to confirm or deny it.

Consistency in Actor Misjudgments

With the important and specific exceptions noted in Section C., perceptions in the real estate sector as a whole were reasonably accurate concerning overall conditions within the study neighborhoods. To determine whether misjudgments were attributable to occasional lapses on the part of all actors or attributable to consistent misjudgment on the part of a few specific and important ones, individual response patterns were evaluated using the range of tolerance for each neighborhood-specific indicator.

In all, nine questions asked during the real estate actor interviews were directed at their perceptions of specific neighborhood

conditions. In many cases, of course, actors felt unable to answer all of the questions and some simply refused. For those responding to at least five of the nine specific items, however, the number in which they misjudged the neighborhood was computed as a percentage of the questions they answered. In other words, if an actor answered six of the nine questions and underrated the neighborhood in only one of them, this was computed as a 17 percent rate of error.

Based on this analysis, the glaring misjudgments reported previously were more often attributable to occasional misjudgments on the part of all actors rather than consistent errors on the part of a few vitally important ones. Error rate distributions are arrayed below.

Table V.12. ERROR RATE DISTRIBUTION FOR INDIVIDUAL REAL ESTATE ACTORS, STUDY NEIGHBORHOOD INDICATORS

	<u>None</u>	<u>1-19%</u>	<u>20-33%</u>	<u>Over 33%</u>	<u>Number of Respondents</u>
<u>Norfolk</u>					
Ballentine Place	60.0%	30.0%	10.0%	0.0%	10
Ingleside	36.4%	27.3%	36.3%	0.0%	11
<u>Rochester</u>					
NEAD	26.1%	17.4%	26.1%	30.4%	23
<u>Dayton</u>					
Greenwich Village	52.9%	5.9%	35.3%	5.9%	17
Fairview	17.7%	35.3%	29.4%	17.6%	18
Total	36.4%	20.8%	28.5%	14.3%	79

Source: Real Estate Actor Interviews and Hammer, Siler, George Associates.

As illustrated, a third of the actors (36.4 percent) did not under-rate the neighborhood in any indicator and a majority erred in no more than a fifth of the judgments they made.

In the two Dayton neighborhoods where several actors misjudged in more than a third of the items they responded to, there is no broad scale meaning. Two of such actors commenting on the Fairview neighborhood were savings and loan officials: one small institution made several loans in the neighborhood and the other -- a large one -- was the most active depository institution and one which offered favorable conventional terms. The one real estate broker making such consistent misjudgments concerning Greenwich Village was a one-man operation just reopening his business; he had handled no Greenwich Village sales.

The South NEAD Scenario

The pattern is far different in the NEAD area and the only one in which there are clear implications for actor behavior over the study period. As illustrated in the table, 30 percent of the actors misjudged the strength of the NEAD area in more than a third of the judgments they made. Moreover, this was the one neighborhood in which significant numbers of respondents underrated the judgments on specific indicators: five-year property value trends, racial composition, crime rates and the socioeconomic characteristics of buyers. Across a broad front, then, many real estate actors misjudged the neighborhood to its detriment. By the same token, the NEAD area as a whole and South NEAD in particular evidenced signs of deleterious real estate market activity and long-term conventional financing.

While the South NEAD area clearly declined over the five-year study period, many real estate actors misjudged the extent and have magnified the indicators of decay. It is impossible to tie these 1975 perceptions in with specific practices over the 1970-74 period and determine whether they precipitated and reinforced the downward spiral. Though it is not possible to establish such direct mechanical links, there certainly are apparent ones that deserve consideration.

Among those actors misjudging the neighborhood in more than a third of their responses were five real estate brokers active in the neighborhood: while one only handled three sales in the year before the interview, the others handled 12 to 30. Their dim view of the neighborhood could well have led them to "steer" otherwise suitable prospects away from the neighborhood. This of course can never be ascertained but certainly the market for South NEAD properties was particularly soft. Over half of the South NEAD units were on the market for more than two months, compared to one-fourth in its very similar control neighborhood.

With consumer demand thus diminished, the opportunities for investor intervention became manifest. Only in the absence of strong owner-occupancy support could investors have acquired units at bargain rates and profitably converted them into low-rent units. As recounted in Chapter III, this is precisely what happened. In conjunction with it, one investor acknowledged his strategy to leverage property tax delinquencies into other investments and his policy of renting only to low-income blacks. As a consequence of this conversion activity, owner-occupancy in the neighborhood declined five percent in five years, the only study neighborhood so affected.

While appraisers generally were accurate in their perception of current market values, four of them underrated the five-year trends. Lenders themselves did not unfavorably judge the neighborhood but their underwriting decisions may have been strongly affected by these appraiser misjudgments: marked disparities in conventional mortgage commitments were evident in comparing the NEAD area with its control counterpart. While some conventional loans were nonetheless made, the terms were more stringent: mean loan-to-value ratios and the proportion over 80 percent were all lower than in the Maplewood control neighborhood.

If this scenario is at all apt, Rochester real estate actors have played an important role in reinforcing and perhaps accelerating the downward spiral of decline. In overreacting to the forces of change and magnifying the signals of decay, their decisions and actions have fueled the process and virtually assured the ultimate outcome.

While such things can be said with reasonable certainty in Rochester concerning the South NEAD neighborhood, it is the only area studied in which such constructs can be suggested. In the other study neighborhoods perceptions have been reasonably accurate and actions more in keeping with the true state of the neighborhood.

Summary and Implications

Within the informal pattern of interactions and despite the framework of extensive property data sources, distorted perceptions of true neighborhood condition can quickly be translated into a series of actions with deleterious consequences for the neighborhood. Among those neighborhoods studied, only one was subject to perceptual misjudgments of such a scale that the pattern of decline was reinforced and accelerated by the real estate sector. In the other neighborhoods, spotty misjudgments may yet increase and perceptions of imminent decline multiply to set this pattern in motion.

While few links could be established between 1975 perceptual misjudgments and real estate sector behavior in the preceding five-year period, distortions could become more important in the future. Particularly in the neighborhoods that had changed least racially, exaggerated perceptions of the non-white population may yet precipitate "steering" of white prospects away from them. By the same token, misjudgments concerning the strength of property value appreciation may result in undervalued appraisals and more stringent conventional mortgage terms.

The Fairview neighborhood in Dayton is especially vulnerable. While not yet reflected in conventional lending behavior or mortgage terms, perceptual distortions concerning race, crime rates and property maintenance levels may yet coalesce to influence depository institution behavior in the neighborhood. If such perceptual misjudgments multiply, the Fairview neighborhood could become the forum for the deleterious behavior described in South NEAD above. From this perspective, the South NEAD scenario may be the harbinger of detrimental real estate sector behavior in the other study neighborhoods not yet affected.

Appendix A. Household Interviews

Appendix A. Household Interviews

Sampling

The universe for sampling consisted of a list of all residential real estate transactions occurring between 1970 and 1974 in the study and control neighborhoods. The list contained the name of a purchaser, the name of the seller and the address of the property which was sold.

Study Neighborhoods

For the study areas a sample of 300 dwellings was initially selected (50 from each study area). For each dwelling an attempt was made to interview the buyer and the seller. In terms of the buyers, an address was available at which we could presumably interview. For sellers, a number of techniques were used in order to find their addresses. First, we asked the buyers during the interview if they had any information on the sellers' whereabouts. If buyers did not have the information, the telephone directory was consulted. Even with these two sources a significant proportion of sellers were lost. Some were known to have moved out of the metropolitan area, others' whereabouts were completely unknown.

There were also problems with buyers. Some had rented their houses out after purchase. Thus they became ineligible for interview since they could not answer questions dealing with personal satisfaction with the house or neighborhood. In addition, some of the addresses on the list were incomplete and some persons refused an interview. There were also a number of households where no one was at home during each of the three attempts to make a contact.

To counter this attrition, 268 dwelling units, selected by chance, were added to the sample. This brought the sample list, counting the original 300, to 568. The final returns for the study area, even with the additions to the original sampling list, turned out to be 211 buyers and 89 sellers.

Control Neighborhoods

After the study neighborhood interviews were completed and tabulated, a decision was made that it was also necessary to conduct interviews in the control sites within the three target cities. For the control sites, a sample list of 360 houses which had been sold between 1970 and 1974 were selected. The same rules involving three call backs were put into effect. The same procedures were used for finding sellers as had been used in the study areas.

A target of completed interviews for thirty buyers and fifteen sellers was set for each neighborhood, giving us a total of 180 buyers and 90 sellers. The target for buyers was met or nearly met within a short period of time. Extreme difficulty was encountered in meeting the target for sellers within the short time limit set for the interviewing process. The time for interviewing was extended somewhat and 37 additional addresses, selected at random, were provided per neighborhood (282 in total) in order to reach or come near the target for sellers.

Survey Instruments

Two survey instruments were devised for this study: one for buyers and one for sellers. Many of the questions were the same so that comparisons could be made. There were, however, additional questions

dealing primarily with experiences in selecting the neighborhood and with experiences in obtaining a mortgage which were unique to the buyers' questionnaire.

Opening questions in the buyers' questionnaire dealt with the amount of time the respondents had lived in the neighborhood, whether they had formerly owned or rented and their experiences with a real estate agent when they were purchasing. The next section dealt with attitudes towards the neighborhood and the house and experiences encountered in obtaining a mortgage. There were also a series of questions dealing with continued investment in the house. From there the questionnaire covered demographic material such as employment, education, income and ethnicity.

The original questionnaire was tested in a neighborhood in the City of Rockville, Maryland, that was just beginning to experience decline. As a result of the pretest, a number of questions were revised and the questionnaire was printed in its final form as illustrated following.

NOTICE: ALL INFORMATION WHICH WOULD PERMIT IDENTIFICATION OF RESPONDENTS WILL BE REGARDED AS STRICTLY CONFIDENTIAL. THE DATA ARE INTENDED TO BE USED ONLY FOR STATISTICAL PURPOSES, NO DATA REPORTED FOR AN INDIVIDUAL WILL BE IDENTIFIABLE IN ANY PUBLICATION, AND INDIVIDUAL DATA WILL NOT BE DISCLOSED FOR ANY OTHER PURPOSE.

OMB#: 63-S-75024
Expires: 12-75
Approved: 9-5-75

NEIGHBORHOOD SURVEY: BUYER'S QUESTIONNAIRE

Identification Number (1)
1st Interviewer No.
2nd Interviewer No.
Interviewing Date
Mo. Day Yr.

FOR OFFICE USE ONLY:

Final Status:
Completion. 01
Partial Completion. 02
Breakoff. 03
Refusal 04
Vacancy 05
Retired; maximum calls. 06
Other Retirement.
Date of Final Status:
Mo. Day Yr.

FOR:
HAMMER, SILER, AND GEORGE ASSOCIATES
PREPARED BY:
WESTAT, INC.
ROCKVILLE, MARYLAND

Validation:
Mo. Day Yr.

CALL RECORD

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| | PM.....2 | | BREAKOFF.....02 |
| | | | REFUSAL.....03 |
| | | | VACANCY.....04 |
| | | | RETIRED, M.C.....05 |
| | | | RETIRED, N.C.....06 |
| | | | NOT AT HOME.....07 |
| | | | CONTACT, CALL |
| | | | BACK LATER.....08 |

BUYERS QUESTIONNAIRE

FOR
OFFICE
USE
ONLY

Hello, my name is _____ . I'm with Westat, Incorporated, a national research company. (SHOW IDENTIFICATION CARD) We're conducting a survey about neighborhoods. We are interested in the process you went through in buying this house, and the experiences you have had while living here. This study is being conducted for the Department of Housing and Urban Development.

Your answers will be regarded as strictly confidential, will be used only for the purposes of the survey and will not be disclosed or released for any other purposes without prior consent. This interview should take about 15 minutes to complete.

Could I speak with one of the heads of this household?

IF NOT AVAILABLE, FIND OUT BEST TIME(S) TO RETURN. RECORD ON CALL RECORD.

TIME BEGAN: :
 AM.....1
 PM.....2

1. Did you receive this house as a gift or did you purchase it yourself? (2)
- Gift 1
 Purchased. 2 (Go to Q. 2)

For the purposes of this study, we are only interested in people who purchased their homes. However, thank you very much for your cooperation. (Go to Q. 60.)

2. When did you move to this house? _____ (3)
 (RECORD MONTH AND YEAR AND CIRCLE CORRECT NUMBER.)
- LESS THAN 6 MONTHS 1
 OVER SIX MONTHS BUT LESS THAN ONE YEAR 2
 OVER ONE YEAR BUT LESS THAN TWO YEARS. 3
 OVER TWO YEARS BUT LESS THAN FOUR YEARS. . . . 4
 FOUR YEARS OR MORE 5

3. Did you live inside or outside of the (city) area before you moved here? (4)
- OUTSIDE (CITY) AREA. 1 (Go to Q. 5.)
 INSIDE (CITY) AREA 2

4. What was the nearest intersection to the house you used to live in? (CHECK SPELLING WITH RESPONDENT.) (5)

5. Did you own or rent your last home? (6)
- OWN. 1
 RENT 2

6. Before you bought this home, did you use the services of a real estate agent to look for a house? (7)

YES 1
NO. 2

7. Were there any particular neighborhoods in which you were interested in buying a home? (8)

YES 1
NO. 2 (GO TO Q.11)

8. Which neighborhoods were you interested in? (CHECK SPELLING WITH RESPONDENT) (9)
(RECORD VERBATIM)

9. Did you look at houses for sale in those neighborhoods? (10)

YES 1
NO. 2 (GO TO Q.11)

10. (IF Q.6 = 1, ASK:) Did you look at houses for sale in those neighborhoods with a real estate agent or on your own? (11)

	Yes	No
WITH REAL ESTATE AGENT	1	2
ON MY OWN.	1	2

(12)

11. (IF Q.6 = 1, ASK:) Did any real estate agent try to discourage you from looking at any particular neighborhood? (13)

YES 1
NO. 2 (GO TO Q.13)
DON'T KNOW. + (GO TO Q.13)

12. (IF Q.6 = 1, ASK:) What did the real estate agents do or say to try to discourage you? (RECORD VERBATIM) (14)

13. (IF Q.6 = 1, ASK:) Did any real estate agent try to encourage you to look at any particular neighborhood? (15)

YES 1
NO. 2 (GO TO Q.15)
DON'T KNOW. + (GO TO Q.15)

14. (IF Q.6 = 1, ASK:) What did the real estate agents do or say to encourage you? (RECORD VERBATIM)

(16)

15. How did you first find out that this house that you own now was for sale? (CIRCLE ONE)

(17)

- NEWSPAPER. 1
- REAL ESTATE AGENCY 2.
- NEIGHBORHOOD BULLETIN BOARD. 3
- FOR SALE SIGN ON BUILDING. 4
- HEARD ABOUT IT FROM A FRIEND OR RELATIVE . . 5
- OTHER. 8
- SPECIFY _____
- DON'T KNOW, CAN'T REMEMBER +

(18)

16. What is there about this neighborhood which led you to choose it as a place to live? Could you describe some of the things you like about this neighborhood? (RECORD VERBATIM)

(19)

17. What is there about this particular house which led you to choose it? Could you describe some of the things you like about this house? (RECORD VERBATIM)

(20)

18. Did you pay cash for this house or did you finance it in some way?

(21)

- PAID CASH 1(Go to Q. 33)
- FINANCED. 2

19. (IF Q. 6 = 1, ASK:) When you were making arrangements for financing this house, did the real estate agent recommend that you apply for an FHA or VA loan?

(22)

- YES 1
- NO. 2
- DON'T KNOW. +

20. When you were making arrangements to finance this house, to what lending institutions did you make application for a loan? What were their names? (IF R DOES NOT KNOW THE NAME, TRY TO ASCERTAIN WHETHER THEY APPLIED TO A BANK, SAVINGS AND LOAN, OR A MORTGAGE COMPANY.) (IF ONLY ONE LENDING INSTITUTION IS NAMED, GO TO Q. 27.)

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____

(23)

(24)

(25)

(26)

(27)

27. Now I would like to ask you a few questions about the mortgage you did get. Did you assume the mortgage of the previous owner? (100)

YES 1

NO. 2

28. How much is the monthly mortgage payment? (ROUND OFF TO THE NEAREST DOLLAR.) (101)

\$

--	--	--	--	--

29. What is the length of your mortgage? (102)

--	--

 years

30. What is the interest rate of your mortgage? (103)

--	--

 .

--	--

 %

31. Do you have a second mortgage or trust on this home? (104)

YES 1

NO. 2 (GO TO Q. 33)

32. How much is the monthly payment on the second mortgage or trust? (ROUND OFF TO THE NEAREST DOLLAR.) (105)

\$

--	--	--	--	--

33. Now I would like to ask a few questions about this neighborhood. Would you say that property values in this neighborhood are appreciating, staying the same or depreciating? (106)

APPRECIATING 1

STAYING THE SAME 2

DEPRECIATING 3

34. In general, how satisfied or dissatisfied are you with this neighborhood - are you:

(107)

- very satisfied 1
- somewhat satisfied 2
- somewhat dissatisfied. 3
- very dissatisfied? 4

35. How do you feel about this neighborhood now as compared to when you first moved in -- do you now feel more satisfied, less satisfied, or about the same as you did then?

(108)

- MORE SATISFIED 1
- LESS SATISFIED 2
- ABOUT THE SAME 3 (GO TO Q.37)

36. Why do you feel (more satisfied/less satisfied)? PROBE: Any other reason? Anything else? (RECORD VERBATIM)

(109)

37. I'd like to ask about a few specific things in this neighborhood. First, how would you rate (READ FIRST ITEM) in this neighborhood -- would you say it is excellent, good, fair or poor?

And how would you rate (SECOND ITEM) -- would you say (it is/they are) excellent, good, fair or poor? (REPEAT FOR EACH ITEM)

	<u>Excellent</u>	<u>Good</u>	<u>Fair</u>	<u>Poor</u>	<u>Not Avail.</u>	<u>D.K.</u>	
A. THE CONDITION OF THE HOUSES	1	2	3	4	0	+	(110)
B. THE POLICE PROTECTION	1	2	3	4	0	+	(111)
C. THE PUBLIC SCHOOLS	1	2	3	4	0	+	(112)
D. THE GENERAL APPEARANCE OF THE NEIGHBORHOOD	1	2	3	4	0	+	(113)
E. THE PUBLIC TRANSPORTATION	1	2	3	4	0	+	(114)
F. THE CONDITION OF THE STREETS	1	2	3	4	0	+	(115)
G. THE PARKS, PLAYGROUNDS, AND RECREATIONAL FACILITIES	1	2	3	4	0	+	(116)
H. THE STORES AND SUPER-MARKETS	1	2	3	4	0	+	(117)
I. RELATIONS BETWEEN RACIAL OR ETHNIC GROUPS	1	2	3	4	0	+	(118)
J. THE GARBAGE AND TRASH COLLECTION	1	2	3	4	0	+	(119)
K. THE FIRE PROTECTION	1	2	3	4	0	+	(120)

Many people find that when they own a house, certain things need to be done to maintain the property as they would like it.

38. How important is maintaining your property to you? Is it:
- very important 1
 - somewhat important 2
 - somewhat unimportant 3
 - very unimportant?. 4

39. Since you moved in, have you made any additions to your property such as a room, basement, porch, or garage? (122)
- YES 1
 - NO. 2

40. Since you moved in, have any alterations been made to your property such as remodeling the kitchen or a bathroom, installing walks, driveways, fences, storm windows or doors, or planting trees or shrubbery? (123)
- YES 1
 - NO. 2

41. Since you moved in, have you had any replacement jobs on your property such as resurfacing the roof or outer walls, replacing gutters or downspouts, or replacing or installing fixed heating, electrical, or plumbing equipment? (Do not include appliances such as clothes washers, refrigerators, window air conditioners, etc.) (124)
- YES 1
 - NO. 2

42. Since you moved in, have you made any repairs on your property such as painting or papering a room, or patching a driveway or broken fence? (125)
- YES 1
 - NO. 2

Now I would like to ask about what needs to be done or what you would like to have done.

43. Are there any additions to your property which you feel need to be done or which you would like to make? Some examples of additions are putting in a room, basement, porch or garage. (126)
- YES 1
 - NO. 2

52. (IF NECESSARY, ASK:) Are you currently married? (136)
 YES 1
 NO. 2

53. (IF Q.52 = 1, ASK: I would like to know the occupations of both heads of this household. Let's start with yourself.) What is your occupation? (137)
 PROBE: What are your most important activities or duties at your job?

54. (IF Q.52 = 1, ASK:) What is your (husband's/wife's) occupation? PROBE: What are (his/her) most important activities or duties at (his/her) job? (138)

55. Are you currently employed? (139)
 YES 1
 NO. 2

56. (IF Q.52 = 1, ASK:) Is your (husband/wife) currently employed? (140)
 YES 1
 NO. 2

57. What is the highest grade or year of school you ever finished? (USE GRADE CODES) (141)

58. (IF Q.52 = 1, ASK:) What is the highest grade or year of school your (husband/wife) ever finished? (USE GRADE CODES) (142)

GRADE CODES

No formal schooling 00	<u>High School</u>
<u>Elementary</u>	1st year. 09
1st grade 01	2nd year. 10
2nd grade 02	3rd year. 11
3rd grade 03	4th year. 12
4th grade 04	<u>College</u>
5th grade 05	1 year. 13
6th grade 06	2 years 14
7th grade 07	3 years 15
8th grade 08	4 years 16
	5 years 17
	6 years or more 18

44. Are there any alterations which you feel need to be made or which you would like to make to your property? Some examples of alterations are remodeling a room, installing walks, driveways, fences, storm doors or windows, or planting trees or shrubbery. (127)

YES 1
NO. 2

45. Are there any replacements jobs which you feel need to be done or which you would like to do to your property? These jobs might include resurfacing the roof or outer walls, replacing gutters or downspouts, or replacing or installing fixed heating, electrical or plumbing equipment. (128)

YES 1
NO. 2

46. Are there any repair jobs such as painting or papering a room, or patching a driveway or broken fence which you feel need to be made or which you would like to make to your property? (129)

YES 1
NO. 2

47. Have you been able to maintain this house as well as you would like? (130)

YES 1 (GO TO Q. 49)
NO. 2

48. What is the major problem to maintaining your house the way you would like? (131)

NOT ENOUGH MONEY 1
UNABLE TO GET A LOAN 2
NO ONE ELSE MAINTAINS, WHY SHOULD I. 3
WILL NOT PAY TO MAINTAIN 4
OTHER. 8

SPECIFY _____

(132)

49. I'd like to ask you some questions about yourself and your family. How many people live in this house? (133)

--	--

50. How many of these people are children who attend elementary or high school? (134)

--	--

51. How many rooms in this house are bedrooms -- that is, rooms used mainly for sleeping? (135)

--	--

59. (SHOW CARD) What was the total household income altogether, for all of last year, 1974, before taxes? Include the income of all the people who live here now. Just tell me the letter for the correct range.

(143)

SHOW
CARD

- A. \$4,999 or less 01
- B. \$5,000 to \$6,999 02
- C. \$7,000 to \$8,999 03
- D. \$9,000 to \$10,999 04
- E. \$11,000 to \$12,999 05
- F. \$13,000 to \$14,999 06
- G. \$15,000 to \$16,999 07
- H. \$17,000 to \$18,999 08
- I. \$19,000 to \$20,999 09
- J. \$21,000 or more 10
- REFUSED. RR

Your answers have been most helpful and I'd like to thank you for your time and cooperation.

60. Before I go I need to ask for your telephone number -- this is so that my supervisor may call if she needs to check my work. Do you have a phone number where you can be reached?

- YES 1
- NO. 2 (GO TO Q.62)

61. What is your phone number?

ENTER # -

TIME ENDED : AM....1
PM....2

62. OBSERVE THE RACE OR ETHNICITY OF THE RESPONDENT.

(144)

- HISPANIC 1
- AMERICAN INDIAN OR ALASKAN NATIVE. 2
- ASIAN OR PACIFIC ISLANDER. 3
- BLACK, NOT OF HISPANIC ORIGIN. 4
- WHITE, NOT OF HISPANIC ORIGIN. 5

ASK QUESTION ON NEXT PAGE IF YOU HAVE NOT LOCATED THE SELLER OF THIS PROPERTY. IF YOU HAVE LOCATED THE SELLER, THANK RESPONDENT AND LEAVE.

I have one last question before I leave. We are also trying to locate the people who sold this house to you. We would like to interview them about the process they went through to sell this house. Do you have any information which would help us to locate _____ (INSERT NAME OF SELLER)?

THANK YOU VERY MUCH.

SELLERS QUESTIONNAIRE

FOR
OFFICE
USE
ONLY

Hello, my name is _____ . I'm with Westat, Incorporated, a national research company (SHOW IDENTIFICATION CARD). I have an appointment with _____ . Is (he/she) in? (WHEN WITH SELLER, EXPLAIN:) We're conducting a survey about neighborhoods. We are interested in the process you went through in selling your house at (INSERT ADDRESS OF HOUSE) and the experiences you had while living there. This study is being conducted for the Department of Housing and Urban Development.

Your answers will be regarded as strictly confidential, will be used only for the purposes of the survey and will not be disclosed or released for any other purposes without prior consent. This interview should take about 15 minutes to complete.

IF SELLER NOT AVAILABLE, FIND OUT BEST TIME(S) TO CONTACT. RECORD ON CALL RECORD.

TIME BEGAN: :
 AM.....1
 PM.....2

1. When did you move from your home at (Former address?) _____ (RECORD MONTH AND YEAR AND CIRCLE BELOW.) (2)

- LESS THAN SIX MONTHS 1
- OVER SIX MONTHS BUT LESS THAN ONE YEAR 2
- OVER ONE YEAR BUT LESS THAN TWO YEARS. 3
- OVER TWO YEARS BUT LESS THAN FOUR YEARS. 4
- FOUR YEARS OR MORE 5

2. How long did you live at that address? (RECORD MONTH AND YEAR AND CIRCLE BELOW.) _____ (3)

- LESS THAN TWO YEARS. 1
- OVER TWO BUT LESS THAN FIVE YEARS. 2
- OVER FIVE BUT LESS THAN TEN YEARS. 3
- OVER TEN BUT LESS THAN TWENTY YEARS. 4
- TWENTY OR MORE YEARS 5

3. Were you paying off a mortgage or did you own the house free and clear? (4)

- PAYING MORTGAGE 1
- OWNED HOUSE 2 (GO TO Q. 5)

4. How much was your total monthly mortgage payment including both your first and second mortgages or trusts, if any. (ROUND OFF TO THE NEAREST DOLLAR.) (5)

\$

5. Here is a list of why people move. (SHOW CARD) Which of these comes closest to the reason you moved? (CIRCLE ONE)

(6)

SHOW
CARD

- JOB CHANGES 1
- FAMILY CHANGES. 2
- HOUSING COST. 3
- HOUSING SPACE 4
- HOUSING CONDITIONS. 5
- NEIGHBORHOOD PROBLEMS 6
- NEIGHBORHOOD CHANGES 7
- OTHER 8

SPECIFY _____

What about (REASON) made you decide to move? Anything else? (RECORD VERBATIM)

(7)

6. Now I would like to ask you a few questions about the neighborhood you used to live in. Would you say that property values in that neighborhood were appreciating, staying the same, or depreciating?

(8)

- APPRECIATING. 1
- STAYING THE SAME. 2
- DEPRECIATING. 3

7. In general, how satisfied or dissatisfied were you with that neighborhood when you first moved there -- were you:

(9)

- Very satisfied. 1
- Somewhat satisfied. 2
- Somewhat dissatisfied 3
- Very dissatisfied?. 4

8. In general, how satisfied or dissatisfied were you with that neighborhood when you moved away -- were you:

(10)

- Very satisfied. 1
- Somewhat satisfied. 2
- Somewhat dissatisfied 3
- Very dissatisfied 4

9. I'd like to ask about a few specific things in that neighborhood. First, how would you rate (READ FIRST ITEM) in that neighborhood -- would you say they were excellent, good, fair or poor?

And how would you rate (SECOND ITEM) -- would you say (it was/they were) excellent, good, fair or poor? (REPEAT FOR EACH ITEM)

	Excellent	Good	Fair	Poor	Not Avail.	D.K.	
A. THE CONDITION OF THE HOUSES	1	2	3	4	0	+	(11)
B. THE POLICE PROTECTION	1	2	3	4	0	+	(12)
C. THE PUBLIC SCHOOLS	1	2	3	4	0	+	(13)
D. THE GENERAL APPEARANCE OF THE NEIGHBORHOOD	1	2	3	4	0	+	(14)
E. THE PUBLIC TRANSPORTATION	1	2	3	4	0	+	(15)
F. THE CONDITION OF THE STREETS	1	2	3	4	0	+	(16)
G. THE PARKS, PLAYGROUNDS, AND RECREATIONAL FACILITIES	1	2	3	4	0	+	(17)
H. THE STORES AND SUPERMARKETS	1	2	3	4	0	+	(18)
I. RELATIONS BETWEEN RACIAL OR ETHNIC GROUPS	1	2	3	4	0	+	(19)
J. THE GARBAGE AND TRASH COLLECTION	1	2	3	4	0	+	(20)
K. THE FIRE PROTECTION	1	2	3	4	0	+	(21)

Many people find that when they own a house, certain things need to be done to maintain the property as they would like it.

10. How important is maintaining your property to you? Is it: (22)

- Very important. 1
- Somewhat important. 2
- Somewhat unimportant. 3
- Very unimportant? 4

Although you moved away from that house in (GET MONTH AND YEAR FROM Q.1) _____, I would like you to try to recall the things you did to maintain your property between January 1970 and the time you moved away.

11. During that period of time -- from January 1970 to (READ DATE R MOVED) _____, did you make any additions to your property such as a room, basement, porch or garage? (23)

- YES 1
- NO 2

12. During that same period of time, were any alterations made to your property such as remodeling the kitchen, or a bathroom, installing walks, drive-ways, fences, storm windows or doors, or planting trees or shrubbery? (24)

- YES 1
- NO. 2

13. During that same period of time, were any replacement jobs done on your property such as resurfacing the roof or outer walls, replacing gutters or downspouts, or replacing or installing fixed heating, electrical or plumbing equipment? (Do not include appliances such as clothes washers, refrigerators, window air conditioners, etc.) (25)

YES 1
NO. 2

14. During that same period of time, were any repairs made on your property such as painting or papering a room, or patching a driveway or broken fence? (26)

YES 1
NO. 2

Now I would like to ask about what you thought needed to be done or what you would like to have done to that property. We are interested in things you would like to have done but did not do because you moved away.

15. Were there any additions to your property which you felt needed to be done or which you would like to have done? Some examples of additions are putting in a room, basement, porch or garage. (27)

YES 1
NO. 2

16. Were there any alterations which you felt needed to be made or which you would like to have made to your property? Some examples of alterations are remodeling a room, installing walks, driveways, fences, storm doors or windows, or planting trees or shrubbery. (28)

YES 1
NO. 2

17. Were there any replacement jobs which you felt needed to be made or which you would like to have made to your property? These jobs might include resurfacing the roof or outer walls, replacing gutters or downspouts, or replacing or installing fixed heating, electrical or plumbing equipment. (29)

YES 1
NO. 2

18. Were there any repair jobs such as painting or papering a room, or patching a driveway or broken fence which you felt needed to be made or which you would like to have made to your property? (30)

YES 1
NO. 2

19. What was the major reason why you did not make those additions, alterations, replacements, or repairs? (CIRCLE ONE) (31)

NOT ENOUGH MONEY. 1
UNABLE TO GET A LOAN. 2
NO ONE ELSE MAINTAINS, WHY SHOULD I?. . . . 3
WOULD NOT PAY TO MAINTAIN 4
MOVING AWAY 5
MADE ALL THAT WERE NEEDED 6
OTHER 8

(SPECIFY) _____

(32)

The next few questions will ask about the procedures you went through to sell your house.

20. Sometimes real estate people contact homeowners about selling their homes. Did a real estate agent contact you before you decided to sell your house? (33)

YES 1
NO. 2
(GO TO Q.26)

21. Did real estate agents contact you: Yes No (34)

in person? 1 2 (34)

by mail? 1 2 (35)

by telephone? 1 2 (36)

or any other way? 1 2 (37)

(SPECIFY) _____ (38)

22. What did the real estate (agent/agents) discuss with you during (that contact/those contacts)? (RECORD VERBATIM) (39)

23. After you decided to sell your house, did you use the services of a real estate agent or did you sell the house yourself? (40)

USED REAL ESTATE AGENT. 1
SOLD HOUSE BY SELF. 2
(GO TO Q.26)

24. Were you satisfied with the real estate agent who assisted you in selling your house? (41)

YES 1
(GO TO Q.26)
NO. 2

25. What was unsatisfactory about your relationship with the real estate agent? (RECORD VERBATIM) (42)

26. Were all, most, some, or none of the people who were shown your house white? (43)

ALL 1
MOST. 2
SOME. 3
NONE. 4
DON'T KNOW. +

27. When you sold your house, did you get more, less, or about the same amount that you originally expected you would get? (44)

- MORE. 1
- LESS. 2
- SAME. 3
- (GO TO Q.29)
- DON'T KNOW. +
- (GO TO Q.29)

28. How much was the difference between the price you originally expected for the house and the amount you sold the house for? (ROUND TO THE NEAREST WHOLE NUMBER) (45)

\$

--	--	--	--

29. Approximately how long was the house on the market? (RECORD MONTH AND YEAR AND CIRCLE BELOW) (46)

- LESS THAN ONE MONTH 1
- OVER ONE BUT LESS THAN TWO MONTHS 2
- OVER TWO BUT LESS THAN SIX MONTHS 3
- OVER SIX MONTHS BUT LESS THAN ONE YEAR. 4
- OVER ONE YEAR 5

30. Do you know whether any prospective buyers had trouble getting a loan to purchase your house? (47)

- YES 1
- NO. 2
- (GO TO Q.32)
- DON'T KNOW. +
- (GO TO Q.32)

31. What were the problems those prospective buyers had in securing a loan? (IF R SAYS, e.g., "MONEY IS JUST TIGHT THIS YEAR," PROBE: WERE THERE ANY PROBLEMS BESIDES THAT?) (48)

32. I'd like to ask you some questions about yourself and your family. How many people live in your house now? (49)

--	--

33. How many of these people are children who attend elementary or high school? (50)

--	--

34. (IF NECESSARY ASK:) Are you currently married?
 YES 1
 NO 2

35. (IF Q.34 IS YES, ASK: I would like to know the occupations of both heads of this household. Let's start with yourself.) What is your occupation?
 PROBE: What are your most important activities or duties at that job?

(52)

(IF Q.34 IS YES, ASK):

36. What is your (husband's/wife's) occupation? PROBE: what are (his/her) most important activities or duties at (his/her) job?

(53)

37. Are you currently employed?

(54)

YES 1
 NO 2

(IF Q.34 IS YES, ASK):

38. Is your (husband/wife) currently employed?

(55)

YES 1
 NO 2

39. What is the highest grade or year of school you ever finished? (USE GRADE CODES)

(56)

--	--

(IF Q.34 IS YES, ASK):

40. What is the highest grade or year of school your (husband/wife) ever finished?
 (USE GRADE CODES)

(57)

--	--

GRADE CODES

No formal schooling 00	High School	College
Elementary	1st year 09	1 year 13
1st grade 01	2nd year 10	2 years 14
2nd grade 02	3rd year 11	3 years 15
3rd grade 03	4th year 12	4 years 16
4th grade 04		5 years 17
5th grade 05		6 years or more . 18
6th grade 06		
7th grade 07		
8th grade 08		

(58)

41. (SHOW CARD) What was the total household income altogether, for all of last year, 1974, before taxes? Include the income of all the people who live here now. Just tell me the letter for the correct range.

SHOW
CARD

- A. \$4,999 OR LESS. 01
- B. \$5,000 TO \$6,999. 02
- C. \$7,000 TO \$8,999. 03
- D. \$9,000 TO \$10,999 04
- E. \$11,000 TO \$12,999. 05
- F. \$13,000 TO \$14,999. 06
- G. \$15,000 TO \$16,999. 07
- H. \$17,000 TO \$18,999. 08
- I. \$19,000 TO \$20,999. 09
- J. \$21,000 OR MORE 10
- REFUSED RR

That is the end of this interview. Your answers have been most helpful and I'd like to thank you for your time and cooperation.

Before I go, I need to ask for your telephone number -- this is so that my supervisor may call if she needs to check my work.

42. Do you have a phone number where you can be reached?

- YES 1
 - NO. 2
- (GO TO Q.44)

43. What is your phone number?

ENTER # -

Thank you very much

TIME ENDED: : AM. . . 1
 PM. . . 2

44. OBSERVE THE RACE OR ETHNICITY OF THE RESPONDENT

- HISPANIC. 1
- AMERICAN INDIAN OR ALASKAN NATIVE 2
- ASIAN OR PACIFIC ISLANDER 3
- BLACK, NOT OF HISPANIC ORIGIN 4
- WHITE, NOT OF HISPANIC ORIGIN 5

(59)

Appendix B. Real Estate Sector
Interview Guides

Code _____

Interview Guide
LENDING INSTITUTIONS

Residential Lending

1. Estimated percent of loan portfolio in single-family mortgages.
2. Does institution specialize in certain parts of SMSA: a. yes b. no
3. If yes, which areas?

Market Knowledge and Property Values

4. Familiarity with current property values in study neighborhood:
a. very familiar b. familiar c. not familiar
5. Sources of information on market and property values.
6. Frequency of contact, type of information.
7. Estimated present range in single-family home prices.
8. Property value trends over past five years.
9. Estimated percent increase or decrease.
10. Property value trends over next five year.
11. Estimated percent increase or decrease.
12. Familiarity with property values in control neighborhood: a. very familiar b. familiar c. not familiar
13. Comparison in property value trends between study and control neighborhoods.
14. If difference, what accounts for it?
15. Estimated current market value of study neighborhood photohouse.
16. Estimated current market value if located in control neighborhood.

Housing Consumers in Study Neighborhood

17. Differences between buyers and sellers.
18. Specific household characteristics.
Incomes: a. about the same b. higher c. lower
Occupation of Head: a. about the same b. higher c. lower
Head's level of formal education: a. about the same b. higher
c. lower

Racial Change in Study Neighborhood

19. Is racial change an important market factor?
20. Estimated percent of homeowners selling because of actual or perceived racial change.

21. Estimated percent of black population in neighborhood.
22. Market among white families: strength, types and factors.
23. How does racial change affect property values?

Neighborhood Decline

24. Do you think study neighborhood has started to decline in the past five years? a. yes b. no
25. If yes, what factors most important?
26. First signs?
27. When first noticeable?
28. How lean about them?
29. What would trained observer see?

Market Attributes

30. Knowledge of speculation: buying at depressed price, reselling at inflated price.
31. Knowledge of investor activity: conversion of single-family units from owner to rental status.
32. Knowledge of aggressive real estate practices in encouraging turnover.
33. Knowledge of aggressive home improvement contractors selling improvements owners can't afford.

Current Typical Conventional Terms

34. In current money market, typical terms for conventional first trust on single-family home in study neighborhood:
 - a. loan-to-value ratio
 - b. term
 - c. interest rate
 - d. points paid by seller
 - e. points paid by buyer
35. Is private mortgage insurance available? terms and limitations.

Borrower Rules of Thumb

36. Institutional rules-of-thumb in considering loan applications: proportion of gross monthly household income for:
 - a. housing expenses
 - b. principal, interest, taxes and insurance (PITI)
 - c. installment debt
 - d. other

Risk in Conventional Loans

37. Would a professional loan officer consider a conventional loan in study neighborhood more of a risk than in control neighborhood?
a. yes b. no
38. If yes, which factor would he be most concerned about?
a. General neighborhood characteristics
b. Specific property characteristics
c. Borrower characteristics
39. Would he want extra margin of safety in rules-of-thumb and loan evaluation -- which areas?
40. Would he adjust loan terms to compensate for risk: loan-to-value ratio, term, interest rate?

Property Appraisals

41. Proportion of single-family appraisals conducted by in-house staff.
42. Size of in-house appraisal staff.
43. Role of appraiser in underwriting decision.
44. Name of person to be interviewed later.

Availability of Conventional Loans

45. Based on knowledge of other institutions, are fewer conventional loans being made in study neighborhood than five years ago?
a. yes b. no
46. If yes, why?
47. Are there any institutions that aren't making conventional loans in study neighborhood: a. yes b. no
48. If yes, why?

Mortgage Delinquency

49. Estimated number of single-family first trusts held in study neighborhood.
50. Delinquency rate in comparison to other areas of city and total portfolio.
51. If rate high, factors behind it.
52. Foreclosure experience: frequency, difficulty in sale, equity recouped?

FHA/VA Financing

53. Does institution originate FHA/VA loans: a. yes b. no
54. If no, why not?

55. From sellers point of view, advantages and disadvantages of FHA/VA loan in study neighborhood.
56. From buyers point of view, advantages and disadvantages of FHA/VA loan in study neighborhood.
57. Effect of high FHA/VA activity rate on neighborhood image and status.
58. Effect of FHA/VA policies and underwriting standards on neighborhood quality, property maintenance, etc.

Structured Questions

59. I'd like to ask about a few specific things in the study neighborhood. First, how would you rate (READ FIRST ITEM) in that neighborhood -- would you say they were excellent, good, fair or poor?

And how would you rate (SECOND ITEM) -- would you say (it was/they were) excellent, good, fair or poor? (REPEAT FOR EACH ITEM)

	<u>Response Codes</u>
a. The condition of the houses	1-Excellent
b. The police protection	2-Good
c. The public schools	3-Fair
d. The general appearance of the neighborhood	4-Poor
e. The public transportation	5-Not available
f. The condition of the streets	6-Don't know
g. The parks, playgrounds and recreational facilities	
h. The stores and supermarkets	
i. Relations between racial or ethnic groups	
j. The garbage and trash collection	
k. The fire protection	

60. Now I'd like to ask you to make some comparisons between (study neighborhood) and (control neighborhood). First, would you say that (first item on list) in (study neighborhood) is a lot higher, a little higher, about the same, a little lower or a lot lower than in (control neighborhood).

	<u>Response Codes</u>
a. Property maintenance levels	1-A lot higher
b. The frequency of crime	2-A little higher
c. The frequency of fires	3-About the same
d. The frequency of housing code violations	4-A little lower
e. The frequency of property tax delinquency	5-A lot lower
f. The number of families on welfare	6-Don't know

Name _____
 Title _____
 Organization _____
 Date Interviewed _____
 Interviewer _____

Interview Guide
REAL ESTATE BROKERS

Market Knowledge and Property Values

1. Estimated number of single-family sales handled in study neighborhood during past year.
2. Familiarity with current property values in study neighborhood:
a. very familiar b. familiar c. not familiar
3. Sources of information on market and property values.
4. Estimated present range in single-family home prices.
5. Property value trends over past five years.
6. Estimated percent increase or decrease.
7. Property value trends over next five years.
8. Estimated percent increase or decrease.
9. Familiarity with property values in control neighborhood: a very familiar b. familiar c. not familiar.
10. Comparison in property value trends between study and control neighborhoods.
11. If difference, what accounts for it?
12. Estimated current market value of study neighborhood photohouse.
13. Estimated current market value if located in control neighborhood.

Housing Consumers in Study Neighborhood

14. Principal reasons homeowners give for selling.
15. Differences between buyers and sellers.
16. Specific household characteristics
Incomes: a. about the same b. higher c. lower
Occupation of Head: a. about the same b. higher c. lower
Head's level of formal education: a. about the same b. higher
c. lower

Racial Change in Study Neighborhood

17. Is racial change an important market factor?
18. Estimated percent of homeowners selling because of actual or perceived racial change.
Estimated percent of prospective black and other minorities.
19. Estimated percent of black population in neighborhood.
20. Market among white families: strength, types and factors.
21. How does racial change affect property values?

Market Techniques

22. How do most prospective buyers learn about study neighborhood properties?
23. Do you advertise in general circulation and/or community, minority papers?
24. Neighborhood features emphasized in showing a house.
25. Neighborhood features most important to prospective buyers -- positive and negative.
26. Increase in black agents and firms active in neighborhood?

Market Attributes

27. Average length of time on market before sale?
28. Can sellers get price they expect?
29. Knowledge of speculation: buying at depressed price, reselling at inflated price.
30. Knowledge of investor activity: conversion of single-family units from owner to rental status.
31. Knowledge of aggressive real estate practices in encouraging turnover.
32. Knowledge of aggressive home improvement contractors selling improvements owners can't afford.

Neighborhood Decline

33. Do you think study neighborhood has started to decline in past five years?
34. If yes, what factors most important?
35. First signs?
36. When first noticeable?
37. How learn about them?
38. What would trained observer see?

Current Typical Conventional Terms

39. In current money market, typical terms for conventional first trust on single-family home in study neighborhood:
 - a. loan-to-value ratio
 - b. term
 - c. interest rate
 - d. points paid by seller
 - e. points paid by buyer

Availability of Conventional Financing

40. Are fewer conventional loans being made in study neighborhood than five years ago? a. yes b. no
41. Is conventional financing more difficult to obtain in study neighborhood than in control neighborhood? a. yes b. no
42. Are terms more stringent? a. yes b. no
43. If yes, why and how reflected?
44. Which sources of financing do you recommend?
45. To your knowledge, are there any institutions that aren't making loans in study neighborhood? a. yes b. no
46. If yes, why?
47. How do you learn about policies?

FHA/VA Financing

48. Estimated current percent of single-family sales financed by FHA/VA?
49. From sellers point of view, advantages and disadvantages of FHA/VA loan in study neighborhood.
50. From buyers point of view, advantages and disadvantages of FHA/VA loan in study neighborhood.
51. Effect of high FHA/VA activity rate on neighborhood image and status.
52. Effect of FHA/VA policies and underwriting standards on neighborhood quality, property maintenance, etc.

Structured Questions

53. I'd like to ask about a few specific things in the study neighborhood. First, how would you rate (READ FIRST ITEM) in that neighborhood -- would you say they were excellent, good, fair or poor?

And how would you rate (SECOND ITEM) -- would you say (it was/they were excellent, good, fair or poor? (REPEAT FOR EACH ITEM)

	<u>Response Codes</u>
a. The condition of the houses	1-Excellent
b. The police protection	2-Good
c. The public schools	3-Fair
d. The general appearance of the neighborhood	4-Poor
e. The public transportation	5-Not available
f. The condition of the streets	6-Don't know
g. The parks, playgrounds, and recreation facilities	
h. The stores and supermarkets	
i. Relations between racial or ethnic groups	
j. The garbage and trash collection	
k. The fire protection	

54. Now I'd like to ask you to make some comparisons between (study neighborhood) and (control neighborhood). First, would you say that (first item on list) in (study neighborhood) is a lot higher, a little higher, about the same, a little lower or a lot lower than in (control neighborhood).

	<u>Response Codes</u>
a. Property maintenance levels	1-A lot higher
b. The frequency of crime	2-A little higher
c. The frequency of fires	3-About the same
d. The frequency of housing code violations	4-A little lower
e. The frequency of property tax delinquency	5-A lot lower
f. The number of families on welfare	6-Don't know

Name _____
 Title _____
 Organization _____
 Date Interviewed _____
 Interviewer _____

Code _____

Interview Guide
APPRAISERS

Appraisal Process

1. Share FHA-VA/Conventional appraisals?
2. What happens when appraisal requested?
3. Asked advice on neighborhood trends and expectations?
4. Frequency of contact with lenders, realtors?

Market Knowledge and Property Values

1. Estimated number of single-family appraisals in study neighborhood during past year.
2. Familiarity with current property values in study neighborhood:
a. very familiar b. familiar c. not familiar.
3. Sources of information on market and property values.
4. Estimated present range in single-family home prices.
5. Property value trends over past five years.
6. Estimated percent increase or decrease.
7. Property value trends over next five years.
8. Estimated percent increase or decrease.
9. Familiarity with property values in control neighborhood: a. very familiar b. familiar c. not familiar.
10. Comparison in property value trends between study and control neighborhood.
11. If difference, what accounts for it?
12. Estimated current market value of study neighborhood photohouse.
13. Estimated current market value if located in control neighborhood.

Racial Change in Study Neighborhood

14. Is racial change an important market factor?
15. Estimated percent of buyers -- black and other minorities.
16. Estimated percent of black population in neighborhood.
17. How does racial change affect property values?

Market Attributes

18. Average length of time on market before sale?
19. Can sellers get price they expect?

20. Knowledge of speculation: buying at depressed price, reselling at inflated price.
21. Knowledge of investor activity: conversion of single-family units from owner to rental status.
22. Knowledge of aggressive real estate practices in encouraging turnover.
23. Knowledge of aggressive home improvement contractors selling improvements owners can't afford.

Neighborhood Decline

24. Do you think study neighborhood has started to decline in past five years? a. yes b. no.
25. If yes, what factors most important?
26. First signs?
27. When first noticeable?
28. How learn about them?
29. What would trained observer see?

FHA/VA Financing

30. Estimated current percent of single-family sales financed by FHA/VA?
31. From sellers point of view, advantages and disadvantages of FHA/VA loan in study neighborhood.
32. From buyers point of view, advantages and disadvantages of FHA/VA loan in study neighborhood.
33. Effect of high FHA/VA activity rate on neighborhood image and status.
34. Effect of FHA/VA policies and underwriting standards on neighborhood quality, property maintenance, etc.

Structured Questions

35. I'd like to ask about a few specific things in the neighborhood. First, how would you rate (READ FIRST ITEM) in that neighborhood -- would you say they were excellent, good, fair or poor?

And how would you rate (SECOND ITEM) -- would you say (it was/ they were) excellent, good, fair or poor? (REPEAT FOR EACH ITEM)

- a. The condition of the houses
- b. The police protection
- c. The public schools
- d. The general appearance of the neighborhood
- e. The public transportation
- f. The condition of the streets
- g. The parks, playgrounds, and recreational facilities
- h. The stores and supermarkets
- i. Relations between racial or ethnic groups
- j. The garbage and trash collection
- k. The fire protection

Response Codes

- 1-Excellent
- 2-Good
- 3-Fair
- 4-Poor
- 5-Don't know

36. Now I'd like to ask you to make some comparisons between (study neighborhood) and (control neighborhood). First, would you say that (first item on list) in (study neighborhood) is a lot higher, a little higher, about the same, a little lower or a lot lower than in (control neighborhood)

- a. Property maintenance levels
- b. The frequency of crime
- c. The frequency of fires
- d. The frequency of housing code violations
- e. The frequency of property tax delinquency
- f. The number of families on welfare

Response Codes

- 1-A lot higher
- 2-A little higher
- 3-About the same
- 4-A little lower
- 5-A lot lower
- 6-Don't know

Name _____

Title _____

Organization _____

Date Interviewed _____

Interviewer _____

Interview Guide
MORTGAGE COMPANIES

Originating Process

1. Technical procedure?
2. Typical current processing time from day buyer walks in to closing?
3. Tendency to deal with same realtors; how many, frequency of contact?
4. How do they promote business?
5. Under what circumstances will S&L or others originate rather than mortgage company; any significant difference?
6. What types of conventional loans do they originate; circumstances?
7. Will they discourage a bad loan; for what kinds of reasons and how?

Program Activity in Study Neighborhoods

8. Mostly conventional 203 program?
9. Any 223e high risk activity; who decides, what circumstances?
10. Any 235 activity; how much?

Underwriting Standards

11. Changes in FHA/VA underwriting since late 1960's; any retrenchment after 235 scandals?
12. Differences from conventional underwriting standards:
 - a. neighborhood
 - b. borrower
 - c. property
13. Flexibility in the field?
14. Any particular problems with study neighborhood loans: credit history, neighborhood evaluation, etc.?
15. Differences between FHA/VA standards and practice?

Appraisals

16. Proportions in-house versus fee appraisals for FHA/VA in city?
17. Any significant difference between the two; time and effort, result?
18. Role of fee appraiser in underwriting decision?
19. Problems with under-appraising in study neighborhoods; how resolved?
20. Any over-appraising?

Property Standards

21. Economic reality of minimum property standards; appropriate for age and value of the stock?
22. Typical kinds of repairs required in study neighborhoods; cost?
23. Is appraisal and mortgage amount adjusted to reflect cost or does seller pay for it?

Delinquency and Foreclosure

24. Approximate number of mortgages serviced in study neighborhoods?
25. Any delinquency problems; frequency, circumstances; efforts to bring up-to-date?
26. Estimated number of foreclosures in past five years; what types, circumstances, losses?
27. Foreclosure disposition process.

Investor Activity

28. Knowledge of investors/speculators picking up foreclosed properties; number, types, cost, profit?
29. Knowledge of investors financing purchase through FHA; frequency, types, typical financing, rent.

Property Insurance

30. FHA/VA requirements for casualty insurance (type, amount, etc.)
31. Major companies; mortgage company role in getting coverage.
32. Typical rates.
33. Any problem in getting coverage in study neighborhoods; considered risk, higher rates, etc.?

Interview Guide
FHA/VA AREA OFFICES

Underwriting Standards

1. Changes in underwriting standards since late 1960's; any retrenchment after 235 problems?
2. Differences from conventional underwriting standards:
 - a. neighborhood
 - b. borrower
 - c. property
3. Any areas where Washington ought to tighten up in underwriting policies?
4. Differences between FHA/VA standards and practice?

Underwriting Process

5. What procedure does the underwriter go through?
6. What is underwriter most concerned about in reviewing loan application; where is he apt to focus his attention?
7. Recall any particular problems in study neighborhood applications?

Appraisals

8. Proportion staff versus fee appraisals in study city?
9. How does the staff appraiser go about his work when application comes in?
10. What is he most concerned about?
11. What role does he play in underwriting decision?
12. What happens if mortgage company complains about under-appraisal?

Program Activity in Study Neighborhoods

13. Mostly conventional 203 program?
14. Any 223e high risk activity; who decides, what circumstances?
15. Any 235 activity; how much?

Property Standards

16. Typical kinds of repairs required in study neighborhoods; cost?
17. Is appraisal and mortgage amount adjusted to reflect cost or does seller absorb it?

Delinquency and Foreclosure

18. Any delinquency problems in study neighborhoods; frequency, circumstances?
19. Foreclosure problems in study neighborhoods; circumstances, losses?
20. Foreclosure disposition process; how does prospective owner-occupant learn about it; does realtor get commission?
21. Knowledge of investors/speculators picking up foreclosed properties; types; for rental or resale?

Data Needs

- o Number of loans by program in study neighborhoods 1970-74
- o Current delinquency rate
- o Number of foreclosures 1970-74

Interview Guide
HOME IMPROVEMENT CONTRACTORS

Frequency and Types

1. Estimated number of contracts in study neighborhoods during past five years.
2. Types: can you recall contracts for
 - a. additions (room, porch, garage, etc.); type, number, cost.
 - b. alterations (remodeling kitchen, bath; finishing attic, basement, etc.): type, number, cost.
 - c. replacements (new roof, siding, gutters, etc.): type, number, cost.
 - d. repairs (painting, papering, patching driveway, etc.): type, number, cost.
3. Any noticeable changes over past five years: frequency, type, cost?

Clientele

4. Can you characterize the types of homeowners making improvements:
 - a. long-time resident, new owner.
 - b. age and family status (young family, retired, etc.).
 - c. income levels.

Financing

5. How are major improvements financed:
 - a. source (bank, savings and loan, savings bank; any financed by contractor)
 - b. type (personal loan, second trust)
 - c. typical terms (term, interest rate).
6. Any difficulties in getting financing; institutions reluctant to make loans in study neighborhood?
7. Any difficulties in getting paid for work?

Differences from Control Neighborhoods

8. Any noticeable differences between study and control neighborhoods?
 - a. frequency of contracts.
 - b. type of improvement and cost.
 - c. clientele.
 - d. financing.

Conversions

9. Have you done or know of alterations for landlord in converting to duplex or multi-family in study neighborhood:
 - a. frequency
 - b. type of work and cost
 - c. financing
 - d. landlord characteristics (small scale investor, real estate operator, previous occupant, property management company, etc.)

Unethical Contractors

10. Know of any unscrupulous contractors working the neighborhood:
 - a. type of operator
 - b. selling technique and sales pitch
 - c. types of improvements and cost
 - d. financing type and terms

Other Contractors

11. What other contractors should we talk to?

Appendix C. Structural Condition Survey

Windshield Survey Procedures

General

There were two types of samples: structures included in the household interview sample and a random sample of other structures in the same neighborhood. One team member surveyed address-specific structures from the household interview sample and two team members conducted the random survey.

Random Sample Procedures

Each team member was assigned a specific set of streets to survey. Beginning at any convenient intersection in the neighborhood, the surveyor proceeded to drive the streets assigned in a systematic fashion. The surveyor counted single and two-family structures on the left side of the street in sequence and stopped to inspect every nth house. Only structures on the far (left) side of the street were counted and inspected. Only single and two-family structures facing the assigned street were counted; multi-family, commercial or institutional structures were not included. Counting was continuous from block to block and street to street. For example, if the last house in the block was number four in the count, the first house in the next block was counted as number five, etc. When the nth house was located, the surveyors checked to see if the address was included in the household interview sample. If the address was included in the sample, the surveyor proceeded to the next single or double unit structure for surveying.

The surveyors kept track of blocks already surveyed by drawing a red line parallel to the color-coded street assignment lines. The surveyors back-tracked to pick up any missed or irregular blocks not covered in a systematic route fashion following the continuous counting procedures outlined previously.

Household Interview Sample Procedures

For convenience, most neighborhoods were divided into zones; addresses were arranged alphabetically within zones. Upon locating a specific address within a zone, the Westat code numbers were entered in the spaces provided. If an address could not be located even after diligent searching, the "X" was placed in the margin next to the address and eliminated from the survey.

Structure Survey Procedures

When the structure to be surveyed had been loaded, the car was stopped in the curb lane so that the side and front of the structure were visible. If some elements were obscured because of shrubbery, etc., the car was moved to inspect these elements. Otherwise, only those elements visible from the car were surveyed.

We were concerned only with deviance from or deficiencies in "normal" maintenance standards given the age of the housing structure. The central standard in evaluating a structural component was whether it visibly required maintenance or repair attention. Using the checklist of possible deficiencies provided for each structural component, the surveyor determined whether any of the possible observations applied. If one or more of the observations did apply, he or she placed a check mark in the space(s) provided with a red pen and circled the numeral (1) on the line above to indicate that the component was deficient in one or more ways.

If the component was obviously deficient but none of the listed observations applied, a check mark by "other" was placed and the deficiency briefly described. If the component was not sufficiently visible to observe possible deficiencies or if the component was not included in the structure (i.e., a porch) a not applicable code was entered.

- (17) Yes(1) No(2) NA(9) Door Deficiency
- peeling paint
 - worn in need of painting
 - cracked or broken panes
 - panels or pieces broken or missing
 - handle missing or broken
 - broken or missing panes in storm doow
 - holes or tears in screen door
 - screen or storm door loose from hinges
 - parts of screen or storm door broken or missing
 - peeling, cracked or blistered paint on storm or screen door
 - other _____
- (18) Yes(1) No(2) NA(9) Porch Deficiency
- broken or missing railings
 - holes or tears in screens
 - broken, damaged, or missing columns
 - rot or termite damage to wood flooring, columns or railing
 - broken or missing floor boards
 - cracked, chipped or broken concrete
 - worn or bare spots in painted floor surface
 - peeling paint, bare spots or exposed wood in columns or railing
 - damaged, loose or broken lattice work under porch
 - cracked, broken or crumbling support columns for porch
 - other _____
- (19) Yes(1) No(2) NA(9) Lawn and Yard Deficiency
- uncut grass six inches or higher
 - bare spots in lawn
 - littered with paper, trash or other small debris
 - junk such as inoperable bicycle, washing machine or other large objects in yard
 - unkempt planted areas or shurbs
 - embankments eroded
 - other _____
- (20) Yes(1) No(2) NA(9) Steps, Walk and Driveway Deficiency
- cracked
 - crumbling
 - holes or potholes
 - missing bricks or stones
 - broken, missing or damaged railings
 - broken, missing or damaged risers
 - other _____
- (21) Yes(1) No(2) NA(9) Inoperable Vehicle

Appendix D. Statistical Analysis Data

Table D.1. SELECTED CHI SQUARE TEST RESULTS

1. Husband/wife households in which both were employed (buyers).

	<u>Both Employed</u>	<u>Both Not Employed</u>	<u>Total</u>
Study	90	89	179
Control	<u>55</u>	<u>107</u>	<u>162</u>
Total	145	196	341

Chi Square = 8.6208 with one degree of freedom.

2. Neighborhood-related reasons for moving (sellers).

	<u>Neighborhood Related</u>	<u>Not Neighborhood Related</u>	<u>Total</u>
Study	32	57	89
Control	<u>14</u>	<u>77</u>	<u>91</u>
Total	46	134	180

Chi Square = 8.9555 with one degree of freedom.

3. Less satisfied since moving in (buyers).

	<u>Less Satisfied</u>	<u>Not Less Satisfied</u>	<u>Total</u>
Study	52	155	207
Control	<u>25</u>	<u>158</u>	<u>183</u>
Total	77	313	390

Chi Square = 7.3429 with one degree of freedom.

4. Property values appreciating (buyers)

	<u>Appreciating</u>	<u>Not Appreciating</u>	<u>Total</u>
Study	80	118	198
Control	<u>114</u>	<u>63</u>	<u>177</u>
Total	194	181	375

Chi Square = 20.6125 with one degree of freedom.

5. Agent recommended FHA or VA loan (buyers).

	<u>Recommended</u> <u>FHA/VA</u>	<u>Didn't</u> <u>Recommend</u> <u>FHA/VA</u>	<u>Total</u>
Non-White	32	28	60
White	<u>29</u>	<u>55</u>	<u>84</u>
Total	61	83	144

Chi Square = 4.3304 with one degree of freedom.

6. Percent of income spent on mortgage payment (buyers).

	<u>25 Percent</u> <u>or Less</u>	<u>Over 25</u> <u>Percent</u>	<u>Total</u>
Study	166	15	181
Control	<u>120</u>	<u>25</u>	<u>145</u>
Total	286	40	326

Chi Square = 5.1933 with one degree of freedom.

7. Type of mortgage by previous tenure (buyers).

	<u>Previously</u> <u>Rented</u>	<u>Previously</u> <u>Owned</u>	<u>Total</u>
Conventional	23	17	40
FHA/VA	<u>81</u>	<u>9</u>	<u>90</u>
Total	104	26	130

Chi Square = 18.20 with one degree of freedom.

8. Type of mortgage by race (buyers).

	<u>Non-white</u>	<u>White</u>	<u>Total</u>
Conventional	10	29	39
FHA/VA	<u>43</u>	<u>43</u>	<u>86</u>
Total	53	72	125

Chi Square = 7.45 with one degree of freedom.

Table D.2. SIMPLE CORRELATION BETWEEN CONVENTIONAL MORTGAGE CHARACTERISTICS (DEPENDENT VARIABLES) AND SELECTED NEIGHBORHOOD AND HOUSEHOLD CHARACTERISTICS (INDEPENDENT VARIABLES)

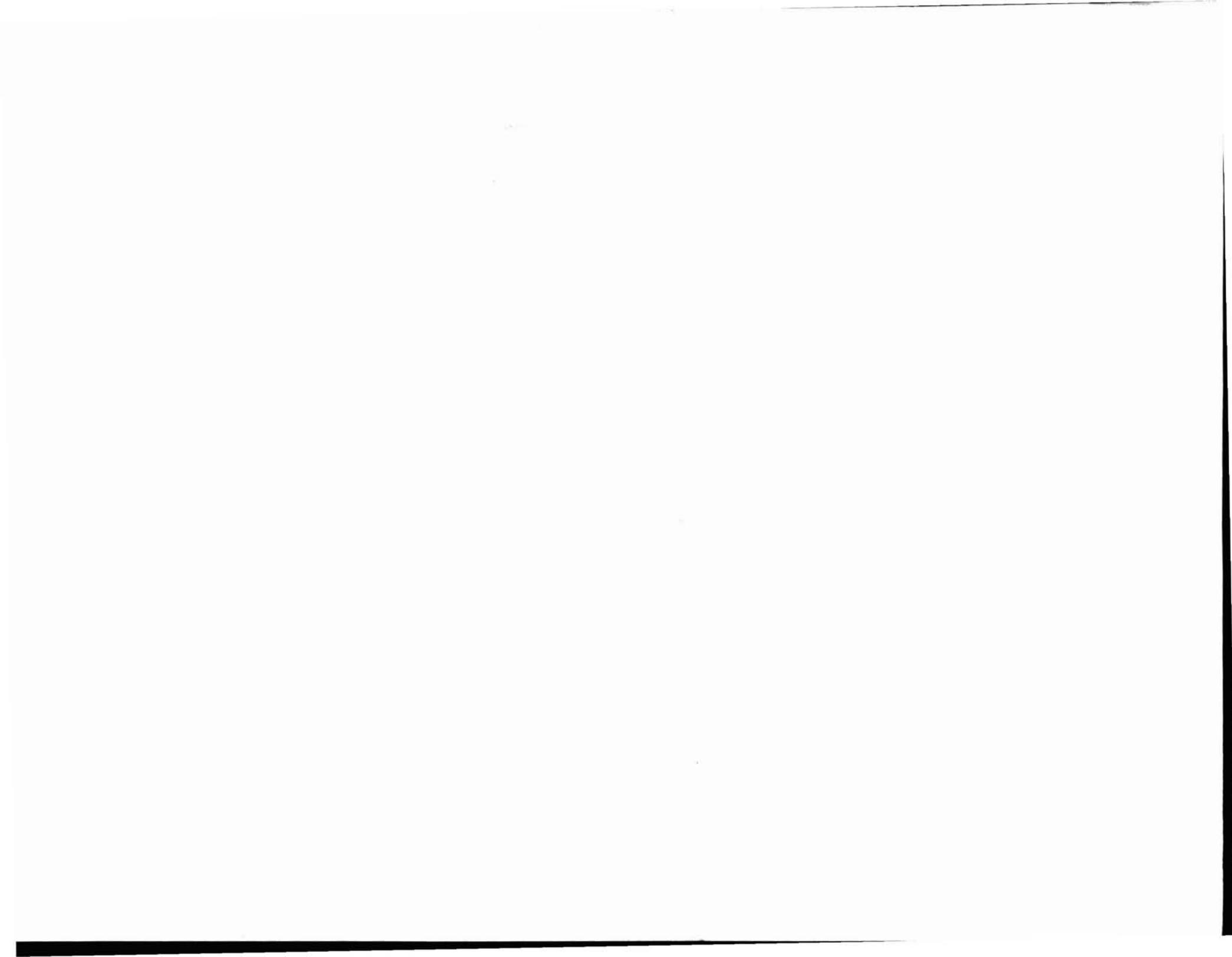
	<u>Percent</u> <u>Conventional</u> <u>Commitments</u>	<u>Percent of</u> <u>Conventional</u> <u>Mortgages</u> <u>with a Term</u> <u>of 30 Years</u>	<u>Percent of</u> <u>Conventional</u> <u>Mortgages with</u> <u>Loan-to-Value</u> <u>Ratio 80 Percent</u> <u>or More</u>
<u>Neighborhood Characteristics</u>			
1. % one-person households	.67	-.10	.34
2. % female headed households	-.45	.14	.33
3. % jobless	-.55	-.06	-.49
4. % professional, technical managerial	.19	-.06	-.24
5. % owner occupied	-.29	.06	-.07
6. % current year vacancies	-.09	-.23	.01
7. % turnover	-.76	.23	.03
8. % units sold for more than \$20,000	.51	-.03	-.26
9. % reported crimes per 1,000	.17	.25	.47
10. % structures built before 1940	.47	-.22	.32
11. % of dwelling units no maintenance deficiencies	.08	.39	.23
<u>Household Characteristics</u>			
12. % non-white	-.47	.46	.28
13. % education beyond high school	.35	-.45	-.16
14. % previously renting	-.10	-.38	-.21
15. % of households with four or fewer persons	.17	.13	-.27
16. % with household income \$17,000 and over	.09	-.08	.08
17. % spending more than 25% of income on mortgage payment	-.01	.29	.05
18. % less satisfied since moving in	-.13	-.19	-.05

Table D.3. MEDIAN SALE PRICE IN STUDY AND CONTROL NEIGHBORHOODS, 1970 AND 1974

	<u>Study Neighborhood</u>			<u>Control Neighborhood</u>		
	<u>1970</u>	<u>1974</u>	<u>Change</u>	<u>1970</u>	<u>1974</u>	<u>Change</u>
<u>Norfolk</u>						
Ballentine Place	\$13,500	\$19,500	44.4%	\$13,500	\$23,500	74.1%
Ingleside	\$19,500	\$29,500	51.3%	\$16,500	\$23,500	42.4%
<u>Rochester</u>						
North NEAD	\$16,500	\$18,500	12.1%	\$18,500	\$21,500	16.2%
South NEAD	\$15,500	\$17,500	12.9%	\$17,500	\$18,500	5.7%
<u>Dayton</u>						
Greenwich Village	\$17,500	\$18,500	5.7%	\$17,500	\$19,500	11.4%
Fairview	\$20,500	\$20,500	0.0%	\$17,500	\$19,500	11.4%

Note: Since sale prices were grouped and reported in terms of one-thousand dollar intervals, the values presented above represent the mid-point of the appropriate interval.

Source: Property Transaction Records.



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