Analysis of the Impediments to Fair Housing in Richmond, Virginia

Prepared for the City of Richmond
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Executive Summary

This study of the barriers to equal access to housing was conducted between December of 2003 and February 2006. The City of Richmond receives federal funding from the U.S. Department of Housing and Urban Development (HUD), which requires all localities that are direct recipients of Community Development Block Grant (CDBG) funds to conduct an assessment of the barriers to housing choice and to develop a plan for overcoming the impediments that are identified. The City of Richmond contracted with Housing Opportunities Made Equal (HOME) of Richmond, Virginia, a private fair housing organization with a 35 year history of ensuring equal access to housing, to undertake a similar study in 1996, and contracted with HOME to prepare this current analysis. The purpose is to enable City government to make knowledgeable housing policy decisions.

Because housing choice implies mobility and housing is a regional issue, the analysis in this study includes information about the other jurisdictions in the metropolitan area in addition to the City of Richmond. The City's 1996 assessment of impediments included information about the Richmond core metropolitan area - defined as the City of Richmond and the counties of Chesterfield and Henrico - that definition is utilized in this study as well. Since this report was prepared on behalf of the City of Richmond, the specific recommendations are limited to actions the City can take independently or initiate to address the regional issue.

Impediments

The study identifies nine broad impediments to housing choice in the Richmond region. The major issues identified include obvious barriers like discrimination that deny the choices people make, as well as those barriers that limit the availability of the choices there are for people to make, such as the lack of affordable housing in neighborhoods of opportunity. Some barriers are individual and limit the capacity of people to make choices; some are structural and systemic and operate to impose external limitations on housing choice.

The barriers identified were:

1. Market failure leads to disinvested neighborhoods that are subject to unfavorable and predatory lending practices.

An analysis of lending practices in the City shows that minority individuals and neighborhoods are underserved by mainstream lending. Minority neighborhoods have more FHA loans, African-Americans and Hispanics are at least two and a half times as likely to have FHA loans as are whites; the secondary market supports more loans in white neighborhoods than in African-American neighborhoods, and African-Americans and Hispanics are rejected for loans 2-3 times as often as whites. African-Americans are almost six times as likely to have a subprime loan as whites, levels of conventional subprime loans are 4.4 times more prevalent in African-American neighborhoods than white neighborhoods. Minorities are more likely to have loans that cost more. Minority neighborhoods with high concentrations of FHA loans are more likely to experience high rates of foreclosure. The market has failed both minority individuals and minority neighborhoods.

2. Large numbers of people in the City of Richmond live in areas of concentrated poverty, which are perpetuated by lack of access to neighborhoods of opportunity.

Richmond has 27 census tracts with more than 20% of residents living in poverty. Those 27 census tracts, and three others located in Henrico and Chesterfield, are home to 86,000 people. Studies confirm that large numbers of poor people concentrated in such neighborhoods leads to a variety of social ills and lack of opportunity – crime, inadequate schools, lack of access to jobs, lack of appropriate role models, and poor health. Concentration of poverty limits the quality of life and the futures of its residents and has a negative impact on the community as a whole. Poverty also reinforces the negative impacts of segregation, and the location of so many African-Americans in these areas of concentrated poverty strongly limits their ability to gain access to the opportunities that would mean real equality.

3. Discriminatory housing practices continue to limit housing choices.

Audit testing conducted for this study demonstrated that race discrimination denies access to the full range of housing choices to African-American homeseekers in the Richmond region and that landlords are particularly unaware of their obligations under fair housing laws with respect to the housing needs of people with disabilities. While there is a growing Hispanic population in both the City and the Richmond region, there is no available information on the level of discrimination in housing faced by this population.

4. Affordability limits the range of housing choices.

Affordability was the number one concern of nearly every person interviewed for this study. Virginia housing prices are in the top third of housing costs in the nation; between 2004 and 2005, Richmond's housing price index rose by 15.9%, almost double the national average of 8%; in 2005, 57% of renter households in the City (and 45% in the Richmond region) were unable to afford a two bedroom apartment at the fair market rent; people with disabilities. Testing showed that 80% of testers with vouchers were refused or discouraged by landlords. Families with children, people with disabilities, and the elderly face critical affordability issues.

5. Gentrification puts people at risk of displacement from their neighborhoods.

Gentrification is a reality which will only become worse if ignored. Gentrification occurs when investment in a formerly disinvested community leads to rising housing prices that drive out existing residents. It is critical to seek solutions that create mixed income communities that allow existing residents to remain. "When gentrification is just beginning, few original residents see cause for concern, even though steps taken early to limit adverse effects of the process seem to have greatest effect. As gentrification proceeds and both positive and negative effects become clearer, residents and policymakers have fewer opportunities for intervention, less time to pass laws or secure approval for and build affordable housing, fewer degrees of freedom."[1]

6. The lack of individual capacity keeps people from finding and keeping decent housing.

Finding and keeping decent housing requires a set of skills that people do not acquire automatically. Lack of information about housing choices and possibilities, money management skills, financial literacy, and impaired credit create housing barriers for many people. Studies show that education increases the likelihood that people will find and keep housing.

7. The current credit environment jeopardizes individual capacity and the ability to sustain homeownership.

The explosion of credit opportunities and the rise of predatory lending represent major changes in the environment in which homeowners and prospective homeowners operate. Payday lending, auto title lending, and rent-to-own provide consumer "debt-traps" from which most people find it impossible to escape. Abusive lending practices include making loans not affordable to consumers and loan servicing practices that jeopardize loans and make it difficult to find solutions for loans in default.

8. The lack of accessible housing for people with disabilities limits housing choices.

In Richmond, 21 % of the population is 55 years or older and a quarter are disabled. Most multi-family housing in the City was built before the fair housing accessibility requirements became law and the most affordable rental housing in the City is often in older structures. This study revealed a shortage of safe, accessible, affordable housing for people with disabilities.

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[1] *Dealing with Neighborhood Change: A Primer on Gentrification and Policy Choices,* Brookings Institution Center on Urban and Metropolitan Policy, 2001.

9. The homeless are marginalized.

Homelessness is shifting from a shelter issue to a stable housing issue that needs to be addressed through both prevention and intervention. A 2004 comprehensive survey of homelessness in the region by Homeward revealed that nearly half of the adults in homeless families were employed; 19% were families with children; 16% had long term physical disabilities; 13% had a serious mental illness. Challenges will be to avoid the concentration of services and housing choices.

The City of Richmond deserves great credit for its many accomplishments and significant support for improving the access to decent housing for its residents, however, significant impediments to fair housing remain. The City – and the region – is still highly segregated, and there are vast gaps between the quality of life of many of the region's residents and those who live in parts of the urban core.

Solutions

The solutions recommended are geared both toward helping individuals overcome barriers and to dismantling the system of barriers that creates individual obstacles. Many people recognize the urgent need to create mixed income communities, investing in the high poverty neighborhoods to encourage higher income residents to move in, and at the same time creating affordable housing opportunities in other, healthier neighborhoods throughout the region. The political barriers to implementation are high, but the benefits to the larger community are equally great. Major recommendations to address these barriers include:

- Invest in poverty stricken neighborhoods to raise standard of living for existing residents and to attract higher income residents and promote private investment in the neighborhoods.

- Create affordable housing opportunities in low poverty neighborhoods and help low income families move to those neighborhoods.

- Promote increased affordable housing choices.

- Protect Richmond residents from predatory lending practices that threaten the capacity of new homeowners and the ability to sustain homeownership for Richmond residents.

- Protect Richmond residents from discriminatory housing practices.

- Address issues of gentrification that displace people from their neighborhoods.

- □ Enhance the capacity of individual residents to find and keep decent housing through counseling and education.
- □ Increase the housing choices available to people who need accessible housing.
- □ Address the housing issues that marginalize the homeless.

Chapter 11 provides a fuller description of the contribution each makes as a barrier to equal access to housing and includes a variety of recommendations for solutions to address the impediments. The report itself details the study methodology and findings and includes a comprehensive analysis of the issues and market characteristics that create and/or perpetuate barriers to housing choice. Many of the impediments appear in more than one chapter of this study; they are interrelated and their causes and impact frequently overlap.

Chapter 1: Introduction

An analysis of impediments to fair housing evaluates the extent to which people are able to gain access to a wide range of housing choices in their community, and identifies the barriers that limit those choices, as well as the factors that affect the kinds of choices that are available. The purpose is to enable local governments to make knowledgeable policy decisions. Because housing choice implies mobility, the analysis in this study frequently includes information about the other jurisdictions in the metropolitan area in addition to the City of Richmond. Since this report was prepared on behalf of the City of Richmond, the specific recommendations are limited to actions the City can take independently or initiate to address the regional issue.

The City of Richmond receives federal funding from the U.S. Department of Housing and Urban Development (HUD), which requires all localities that are direct recipients of Community Development Block Grant (CDBG) funds to conduct an assessment of the barriers to housing choice and to develop a plan for overcoming the impediments that are identified. The City of Richmond contracted with Housing Opportunities Made Equal (HOME) of Richmond, Virginia, a private fair housing organization, to undertake an initial study in 1996, and has again contracted with HOME to prepare this current analysis.

Assessing Barriers to fair Housing

Fair housing is a term that refers to ensuring that people have equal opportunity to access the housing of their choice. It is not only a legal requirement under state and federal fair housing laws; it is a moral concern and a matter of economics. No community can reach its full potential for economic growth and well being if some of its residents are unable to fully participate in the housing market. Studies clearly show the relationship between housing and education, jobs and the ability to build wealth. Homeseekers who do not have access to the full range of available housing choices may not be able to live in neighborhoods that enhance their opportunities and their future success. When housing choices are limited by discriminatory housing practices and policies, communities and individuals are denied opportunities for growth. Discrimination in housing and housing-related services is prohibited by both the federal and state fair housing laws when it is based on race, color, national origin, religion, sex, familial status, handicap, and, in Virginia, elderliness.

A thorough analysis of the impediments to fair housing is more than a catalog of illegal acts – it is an analysis of social and demographic trends and a study of the barriers to housing choice. Such a comprehensive study must identify those systemic or structural issues that limit a person’s ability to take advantage of the full range of housing that is available, as well as the factors that reduce or limit the types of housing that are available. This study examines how a variety of social problems – particularly segregation and concentration of poverty - are related to housing choice. It is beyond the scope of this study to explain or provide solutions for all of the causes of these social problems. For example, this study does not delve into the factors that lead to a high correlation between race and poverty. Instead, it attempts to identify the more immediate barriers to housing choice for particular segments of the community and propose solutions without addressing why minorities are more likely to be poor.

Still, equal opportunity in housing is a larger issue than fair housing enforcement. Fair housing laws protect the existing, codified housing rights of various groups; but they do not address the sources of inequality of opportunity in housing; nor do they address the need to expand the housing choices available to people or to encourage people to make new housing choices. Protecting the fair housing rights of people is essential, but insufficient to move us forward toward genuine equality of opportunity in housing.

It is widely accepted that segregated housing underlies unequal education, unequal access to jobs, and unequal income. A truly open housing market is essential to conquering these disparities. Encouraging adequate investment in both human capital and the built environment is critical in overcoming barriers and ensuring that all neighborhoods that are diverse, healthy, attractive places to live. This study does not say that some neighborhoods are better than others, but it does recognize that impediments to fair housing have historically contributed to the decline of neighborhoods that suffer for lack of investment. The recommendations resulting from this analysis are not intended to force people to make pro-integrative housing choices regardless of other criteria, but they are certainly intended to make such choices easier and more likely.

The recommendations in this report are intended to provide a practical basis for eliminating a wide variety of impediments to housing choice. Some will be relatively easy to accomplish, while others will be more difficult. The City of Richmond can implement many of these recommendations, however problems that are more regional by nature will require a level of cooperation with surrounding localities that has yet to occur. We are confident, however, that the City's commitment to addressing the issues identified in this report will ultimately do a great deal to promote an open housing market in the Richmond area. Eliminating the barriers to fair housing will not only improve the quality of life for many individuals and families, but will also enhance the economic health of the entire region.

1996 Impediment Study

The City of Richmond conducted a similar assessment of the impediments to fair housing in 1996. The summary of impediments and recommended actions identified in that study are included in Appendix H.

The 1996 study particularly noted the need for regional cooperation on a variety of issues to eliminate barriers to housing choice, including regional transportation systems and regional solutions to the development of affordable and assisted housing. It identified the continuing existence of discriminatory housing practices and the continuing need for comprehensive fair housing enforcement, as well as fair housing education and training, to address those practices and encourage compliance with fair housing laws. The 1996 study encouraged efforts to expand housing opportunities for persons with disabilities by increasing the permissible locations for congregate living facilities and taking a leadership role in increasing housing accessibility and supporting the use of universal design in City funded development. The previous study noted the insufficiency of affordable, accessible housing (particularly for people with disabilities) and homelessness as significant issues.

The 1996 study was a look at the barriers to housing choice at that time. Ten years later, while many of those barriers still exist, the need to evaluate the current state of fair housing in the City has led to a totally new look at current issues. At the City's request, the format and content of this study differs from the 1996 study. We thus cannot provide a point-by-point comparison with the 1996 data. Where feasible, we have commented on the current state of and progress on the barriers identified in 1996.

Study Methodology

Data for this study was gathered between December of 2003 and February 2006. Because housing is a regional issue the study was not confined to the City alone, and because the City's previous assessment of impediments included information about the Richmond core metropolitan area - defined as the City of Richmond and the counties of Chesterfield and Henrico - that definition is utilized in this study as well.

To evaluate the barriers to fair housing in the City of Richmond, HOME conducted five key research activities: data analysis of a range of data sources, document reviews, a public hearing, interviews, and testing to determine how various housing markets functioned.

Data Analyses. This report incorporates data analysis from several sources. HOME utilized demographic and housing data from the U.S. Bureau of the Census (1990 and 2000) in developing several tables and maps to create a community profile and to provide context for the housing issues addressed. HOME also reviewed data and information on fair housing investigations conducted by the Virginia Fair Housing Office, the Richmond office of the U.S. Department of Housing and Urban Development, and the U.S. Department of Justice. There is also analysis of data from Richmond Redevelopment and Housing Authority (RRHA), the Virginia Housing Development Authority (VHDA) and HUD on housing programs and housing affordability in the region.

HOME subcontracted with Calvin Bradford and Associates to review trends in housing loan transactions and access to mortgage loans. This review includes an analysis of Home Mortgage Disclosure Act data on home loan applications and approvals in 2000, 2001, and 2002.

Document Reviews. HOME reviewed a variety of documents concerning housing in the City of Richmond, the larger Richmond area, Virginia and the nation. Among them were the City of Richmond's Fair Housing ordinance and activities related to the Human Relations Commission, the 1996 report on the Analysis of Impediments to Fair Housing

Choice for the City of Richmond and the most recent Consolidated Plan and Comprehensive plans; RRHA's administrative plan, financial audit and new strategic plan; and research studies documenting the effectiveness of various approaches to the expansion of housing choice.

Public Hearing. A public hearing was held to learn what members of the general public felt were important housing issues. The hearing was publicized in the Richmond Times Dispatch and the Richmond Free Press and held on the evening of October 27, 2004. Nineteen people attended the hearing. Seven people made verbal comments at the meeting, and written comments were invited, though none were received.

Structured Interviews. HOME interviewed individuals representing a variety of viewpoints, including city government, non-profit community service providers, and professionals in the housing industry. Interviews were conducted with people in various City departments, including community development, code enforcement, and social services offices, as well as the Richmond Regional Planning District Commission. HOME talked with several staff members from the Richmond Redevelopment and Housing Authority (RRHA) since it is a central provider of low-income housing in the City of Richmond. Representatives of the real estate and property management industry were interviewed. A variety of community development, legal services, and non-profit housing and service organizations were included in the interviews. Samples of interview questions can be found in Appendix F.

Testing for Housing Discrimination. Housing discrimination is rarely a transparent activity. Frequently the only way in which it can be detected is through fair housing testing. Testing uses individuals to simulate a housing search experience and gather objective information that allows comparison of the treatment of individuals as well as a review of the statements, policies, and practices of housing providers. The testing methods, results, and related issues are discussed further in Chapter 6. Testing as a way to uncover housing discrimination has been approved by the U.S. Supreme Court.

Testing can be used for enforcement purposes, or to take a snapshot of the market at a given time. The methodology is the same. HOME conducted two series of ten single contact tests each to evaluate the barriers to rental housing faced by families with children, and two series of ten single contact tests each to assess the level of access to rental housing by people with disabilities. For each of the test series, the sites selected included apartments, duplexes, and single-family homes. Landlords tested included private landlords, property management companies, and real estate professionals.

In order to assess the impact of race of the search for housing, HOME conducted 20 paired site tests to see whether African Americans experienced barriers to rental housing on the basis of race, and 20 paired site tests to evaluate the existence or extent of racial discrimination in the sales market.

Twenty-five single contact telephone tests were also conducted to see whether or not people with Housing Choice Vouchers were able to gain access to housing in low poverty areas.

Report Organization

This report is organized into eleven chapters and eight appendices. This introductory chapter explains why the study was conducted and provides background information about the study methodology and about HOME. Chapter 2 provides a profile of the Richmond area structural characteristics, including regional issues concerning form of government, zoning, and transportation; Chapter 3 is a demographic profile of the Richmond area using a variety of demographic and community indicators. Chapter 4 describes rental and home purchase market characteristics. Chapters 5 and 6 provide an overview of federal and Virginia fair housing laws and discuss the extent of housing discrimination in the Richmond region.

Chapter 7 examines the issue of affordable rental housing, and Chapter 8 focuses on expanding homeownership opportunities. Chapter 9 analyzes mortgage lending patterns. Chapter 10, Six Views of the Housing Market, provides a perspective on housing from various protected groups that experience particular barriers.

Issues relating to specific barriers are identified at the beginning of substantive chapters. Chapter 11 summarizes the impediments and recommendations from all the previous chapters.

There are eight appendices: demographic maps, additional demographic tables, census tract equivalency and population changes, mortgage lending tables and maps, technical notes on the mortgage loan analysis, public hearing summary information, information on interviews, and the recommendations from the 1996 study.

A note about table numbering: Table and map numbers in Chapter 9 may overlap with those in other chapters because of the way the subcontractor provided these data. The tables referenced in chapters other than Chapter 9 appear just below or on the next page after the text reference; maps referenced in these chapters are in Appendix A. In Chapter 9, all tables, charts and maps referenced appear in Appendix D.

Contractor: Housing Opportunities Made Equal of Virginia, Inc.

HOME is an award winning, nationally recognized and widely respected leader in housing services and advocacy, founded in Richmond in 1971. HOME's mission is to ensure equal access to housing for all persons through counseling, education, and advocacy. It occupies a unique place among non-profit organizations in Virginia, offering a comprehensive range of housing services for individuals and families, and at the same time working to shape housing policy and make the systemic change necessary to ensure that all persons have access to safe, decent and affordable housing. HOME offers a wide range of services designed to foster self-sufficiency by giving people the knowledge, skills and assistance they need find and keep stable housing, provides technical assistance and training to the housing industry, and assists local governments with housing planning.

In addition to the assessments of impediments to fair housing conducted for the City of Richmond, HOME has also conducted assessments for the Cities of Roanoke, Danville, and Petersburg and for Chesterfield County. HOME's fair housing program received HUD's national best practices award in 1999 and 2000 for being one of the best community development programs in the country. The Virginia Department of Housing and Community Development (DHCD) and the Virginia Housing and Development Authority (VHDA) have recognized HOME for its "comprehensive programs and powerful advocacy which have helped to ensure Virginias equal access to housing for almost three decades."

Chapter 2: The Richmond Region: Structural Characteristics

Issues:
Affordability
Concentration of poverty
Access to neighborhoods of opportunity
Discrimination

This chapter looks at structural factors that have a significant impact on the quality or availability of housing and contribute to concentrations of poverty and inequality of housing opportunities. These include the structure of government, regional cooperation, zoning, and public transportation.

Independent Cities and Counties

Virginia has an unusual structure of government in which cities are entirely independent of their surrounding counties. This structure has implications for Richmond's economic well being and for the region's ability to address any of the issues that affect more than one jurisdiction, such as housing. Richmond, like other Virginia cities, has had limited success in promoting mutual solutions for common issues. This is in large part because the structure of local government leads to the belief that the problems of one jurisdiction can be escaped by moving to another, discouraging cooperation between cities and counties. This section discusses the impact of Virginia's structure of government on the issues affordable housing and fair housing in Richmond.

The vast majority of housing options for low and moderate-income families in the Richmond area are in high poverty areas in the urban core. There has been no regional commitment from elected officials to provide safe, decent, affordable housing, and in some cases there seems to be a desire to avoid creating additional affordable housing opportunities for fear of the residents they might attract. For example, very little housing production by the region's community development corporations occurs in the counties because those governments have not generally supported new CDC construction.

Zoning as currently practiced in Virginia favors homogeneous land uses, and effectively limits the location of affordable housing. Several of those interviewed for this study said that such policies were creating a regional concentration of poverty similar to that which has existed in the City.

There has been no regional commitment by local governments to fair housing and so far no political incentive to encourage equal access. Local governments traditionally do not collaborate on housing issues, which can become a political hot potato. Although staff from the various local governments cooperate successfully both formally and informally on other issues, there is no agreement among elected officials that impediments to fair housing require regional solutions. It would be difficult not to suspect that racial disparities among localities play a continuing role in the reluctance of the majority-white jurisdictions to cooperate. The Richmond Regional Planning District Commission is the logical agency to promote such cooperation. However, it focuses heavily on the transportation planning necessary to get federal transportation dollars. Nothing prevents Richmond or any other member jurisdiction from requesting regional housing planning, but the likelihood such a request would be effective is minimal because there is no requirement to perform such planning in order to access funds. One person interviewed stated that a regional housing plan that addresses affordable housing issues should be a requirement for the release of any transportation money. Most of those interviewed who commented on regional cooperation said that there have been few regional approaches to housing issues and that the level of regional cooperation is low. Nearly all cited the need for regional approaches to affordable housing linked with effective transportation.

Despite this history, today many people are discussing the need for affordable housing on a regional basis. The Mayor established a Task Force to look at regional housing solutions, and the business community is increasingly recognizing the economic implications of a lack of affordable housing near jobs. The new level of energy surrounding the issue may provide an opportunity for transformational leadership.

Zoning: Inclusion or Exclusion?

Zoning in the United States developed over the last century as a tool to create homogeneous neighborhoods. Coupled with a political philosophy that emphasizes local autonomy, it has become an effective method of excluding people. Zoning limits access to neighborhoods in a variety of ways. Residential zoning requirements may discourage multifamily uses or restrict single family uses through minimum lot size requirements. Building codes may require expensive materials or design. If residential and commercial areas are too far apart, those who need to use public transit to shop or to get to work will be excluded. The impact of such restrictions is to severely limit affordable housing opportunities, without ever having to acknowledge that result.

The City should be commended for its commitment to the creation of mixed income neighborhoods. Inclusionary zoning, in which a developer is required or provided incentives to build a certain percentage of affordable units, is an effective (perhaps the only effective) tool to realize that objective. Inclusionary zoning ordinances have been used successfully in other locations, which can serve as a model for the City. While the need for inclusionary zoning is region wide, the City could improve its capacity to promote mixed income neighborhoods by adopting its own ordinance, as a number of City leaders have suggested.

Public Transportation

There is a close relationship between the availability of good public transportation and the expansion of housing choice. The lack of adequate public transportation creates a major disconnect between where people live and where there are jobs. The housing choices of people who do not have cars are limited to areas in which public transportation is available, which in turn limits where they work, shop, seek medical care, and seek other services. The limitations of public transportation disproportionately affect lower income families, people with disabilities and the elderly, since they are least likely to have cars.

The Richmond region does not have a regional public transportation system. The GRTC is the main provider of public transportation in the Richmond metropolitan area, primarily serving the City of Richmond, although there is limited bus service to some of the nearer portions of Henrico and Chesterfield. GRTC is a non-profit organization jointly owned by the City of Richmond and Chesterfield County that began providing services in 1973. On several occasions it has received awards or praise for being an efficient public transit organization in terms of costs per rider. Routes and services have been expanded in several stages. Fares have generally been kept low. Information on GRTC has been taken from its website.

GRTC provides the following services:

- Fixed-route bus service
- **CARE** - providing curb-to-curb paratransit service with advance reservation for physically and mentally disabled.
- **C-VAN** - providing door-to-door transportation service that connects Virginia Initiative for Employment Not Welfare (VIEW) recipients to jobs and daycare facilities.
- **Chesterfield LINK** - Extended GRTC service to Chesterfield County, which began on June 4th, 2001, with fixed routes providing service between sites on Midlothian Turnpike and Hull Street Road and downtown Richmond, was truncated in 2003.

During the course of this study, people repeatedly identified some form of public transportation as a critical link in the creation of quality affordable housing opportunities and a need requiring regional cooperation. Some expressed concern that while GRTC provides adequate coverage in areas with the highest density of people who depend on its service, the lack of service in the counties makes it impossible for transit dependent populations (whether low-income, disabled, or elderly) to live or work there. Many of the routes that extend into the counties are commuter routes with limited usefulness for other purposes. For example, the Chesterfield LINK service described above initially offered routes throughout the county, but in summer 2003 was scaled down to two express routes from commuter parking lots to downtown Richmond. The service that was cut at that time included service in the eastern part of the county, which generally has lower median household incomes and higher percentages of African-Americans and Hispanics. Many believe that the lack of public transportation in the counties is a legacy of Richmond's racial history that continues to limit transportation and thus limit housing options.

Chapter 2 Summary: Successful deconcentration of poverty requires two equally important approaches: the revitalization of poor neighborhoods with investments that attract middle income residents and create socially and economically integrated communities, and the creation of affordable housing opportunities in low poverty neighborhoods. Zoning that favors homogenous land uses, a lack of regional commitment to fair housing, the avoidance of affordable housing choices, and the lack of adequate public transportation in the Richmond region all create barriers to equal housing choice and contribute to the concentration of poverty. Support for a wider range of affordable housing opportunities and mixed income communities throughout the region, as well as regional housing and transportation policies are essential to addressing these issues.

Chapter 3: Demographic Profile of Richmond Region

Issues:
Concentration of poverty Affordability Discrimination

This chapter provides demographic information by race, national origin, families with children, people with disabilities, and the elderly. The profile draws on an analysis of population trends from the 1990 and 2000 censuses. While the population of the City of Richmond declined between 1990 and 2000, this contraction occurred in the midst of dramatic regional growth. This section looks at population trends and segregation levels in the City and neighboring Henrico and Chesterfield counties. In addition, four other community indicators are discussed - education, employment, income, and poverty, all of which reflect historical issues related to discriminatory practices.

Population and Race

The City of Richmond is completely surrounded by Chesterfield County to the south and Henrico County to the west, north and east (Map 1). The City is the most densely populated locality in the Richmond Area; although the population in the more suburban counties is increasing rapidly. The City's loss of population and the simultaneous growth in the counties mirrors a national trend. While the population of Henrico and Chesterfield increased by 20 and 24 percent respectively between 1990 and 2000, the population of the City of Richmond declined by three percent (Table 1). Richmond's share of the regional population dropped from 32 percent in 1990 to 27 percent in 2000.

Table 1: Population Change in the Richmond Area, 1990 to 2000

	2000		**1990**		**Population Change 1990 to 2000**	
Jurisdiction	**Population**	**Population as a Percent of Regional Population**	**Population**	**Population as a Percent of Regional Population**	**Number**	**Percent Change**
Richmond	197,790	27%	203,056	32%	-5,266	-3%
Henrico	262,300	36%	217,881	35%	44,419	20%
Chesterfield	259,903	36%	209,274	33%	50,629	24%
Regional Total	719,993	100%	630,211	100%	89,782	14%

Source: HOME analysis of 1990 and 2000 Census data.

In 2000, the City of Richmond was 57 percent black, Henrico 25 percent, and Chesterfield 18 percent (Table 2). Each of the three jurisdictions had about the same percentage of groups other than black or white (about 5%) in 2000. Blacks are more likely to live in or near the City of Richmond than they are to live in the counties (Map 2). Blacks and whites in the City of Richmond tend to live segregated from each other in highly concentrated areas, with several block groups in the West End having fewer than 5 percent blacks and many block groups in the north east having fewer than 5 percent whites (Map 3; see also Table 5).

One of the fastest growing minority populations in the region is the Hispanic population. Because the Census Bureau counts Hispanic status separately from race, the numbers in the tables below addressing race do not reflect the growth of the Hispanic population in the Richmond region directly. A demographic profile of Hispanics in the Richmond Area is located under the "National Origin" heading below.

Table 2: Racial Distribution in the Richmond Area, 1990 and 2000

Jurisdiction	Percent White	Percent Black	Asian or Pacific Islander	Percent Other Race
2000				
Richmond City	38%	57%	1.2%	3.3%
Henrico	69%	25%	3.6%	2.8%
Chesterfield	77%	18%	2.4%	3.1%
Regional Total	63%	31%	2.5%	3.0%
1990				
Richmond City	43%	55%	0.9%	0.6%
Henrico	77%	20%	2.0%	0.6%
Chesterfield	85%	13%	1.8%	0.6%
Regional Total	69%	29%	1.6%	0.6%

Note: The sum across races may not equal 100 percent because of rounding. See Appendix A, Table B-1 for the numbers underlying these percents.

Source: HOME analysis of 1990 and 2000 Census data.

The distribution of whites and blacks across the Richmond region shifted slightly between 1990 and 2000 and the region is becoming more diverse. The total percent of whites across the region declined between 5 and 8 percentage points (Table 2). The actual number of whites in the City declined by 14 percent, while the numbers of whites increased by seven percent in Henrico and 13 percent in Chesterfield (Table 3). There is a trend of the percent of blacks declining in some areas of the City and increasing in the counties (Map 4). Though the same is true for whites, percentage increases in the counties are smaller (Map 5). However, there are eight block groups around the Barton Heights and Church Hill neighborhoods (in the north-eastern part of the City) where the percent of whites is increasing (the yellow in Map 5); in all of these block groups the number of blacks is declining (the yellow and purple in Map 6).

Table 3: Population Change by Race in the Richmond Area, 1990 to 2000

Jurisdiction	White	Black	Asian or Pacific Islander	Other Race
Number				
Richmond City	-12,284	986	684	5,348
Henrico	12,308	20,978	5,087	6,046
Chesterfield	22,380	18,999	2,416	6,834
Regional Total	22,404	40,963	8,187	18,228
Percent				
Richmond City	-14%	1%	38%	478%
Henrico	7%	48%	117%	489%
Chesterfield	13%	70%	65%	537%
Regional Total	5%	22%	83%	502%

Source: HOME staff analysis of 1990 and 2000 Census data.

From 1990 to 2000, the percent of blacks increased by 5 percentage points in both Chesterfield and Henrico, and by two percentage points in the City (Table 2). However, the actual number of blacks in the City was virtually unchanged while the number of blacks in Henrico and Chesterfield grew by 48 and 70 percent, respectively (Table 3). It is unclear at this point, however, if barriers or opportunities underlie the significantly faster rate of growth of the black populations in Chesterfield compared to Henrico.

In 1990, Asians or Pacific Islanders comprised nearly one percent of the City's population and about two percent In Chesterfield and Henrico (Table 2). By 2000, the Asian population had more than doubled in Henrico (117%) and grown markedly in the City (38%) and Chesterfield (65%) (Table 3).

See the section on National Origin below for a discussion of the Hispanic population.

Only two percent of the region's population in 1990 was comprised of other races (Table 2). By 2000, the percent of other races grew to about three percent. Regionally, this represents a 502 percent increase in the actual number of people of other races (Table 3).

There were substantial increases in the number and percent of blacks, Asians and other races in Henrico and Chesterfield from 1990 to 2000 (Table 3). The City experienced increases in these populations as well. The counties also experienced increases in white and overall populations. In contrast, the City's overall population declined and the white population of the city declined by over twelve thousand people, while the number of blacks, Asians and other races increased by slightly more than seven thousand.

The population of the City continues to be majority black, and although the percentage of black population in the City increased slightly, the black population of the Richmond Area is increasingly dispersed. In 1990, 61 percent of the region's black population lived in the City, 24 percent in Henrico, and 15 percent in Chesterfield (Table 4). In 2000, the percent of the regional black population dropped to 50 percent in the City, and rose to 29 percent in Henrico and 21 percent in Chesterfield. While the black population in the Richmond Area increased 22 percent from 1990 to 2000 (see Table 3), the percent of the region's blacks living in the City in 1990 (61%) declined significantly by 2000 (50%).

Table 4: Black Population Changes in the Richmond Area 1990-2000

	Black Population 2000			Black Population 1990		
Jurisdiction	Number	As a Percent of Regional Population	As a Percent of Regional Black Population	Number	As a Percent of Regional Population	As a Percent of Regional Black Population
Richmond	113,108	16%	50%	112,122	18%	61%
Henrico	64,805	9%	29%	43,827	7%	24%
Chesterfield	46,195	6%	21%	27,196	4%	15%
Regional Total	224,108	31%	100%	183,145	29%	100%

Source: HOME analysis of 1990 and 2000 Census data.

While there is clearly evidence that blacks in the region are concentrated in the City, there is also evidence that blacks are concentrated in certain neighborhoods, measured as census tracts. An integrated census tract should have roughly equal numbers of blacks and whites (40% to 60%). Table 5 shows the distribution of the total population and the black population across census tracts according to the percent of blacks in each census tract. This is a gross analysis of the extent to which blacks and whites live near each other in the Richmond Area.

In 2000, the City of Richmond was 57 percent black, 38 percent white, and about 5 percent Asian, Hispanic, and other races, (Table 2). Table 5 shows that 55 percent of City residents live in neighborhoods that are 61-100 percent black; 32 percent live in tracts that are 81-100 percent black. 37 percent of City residents live in census tracts that are 0-40 percent black. Only 8 percent of City residents (and 8 percent of black residents) live in census tracts that are 41-60 percent black – in what would be considered integrated census tracts. 56 percent of City residents live in areas that are either highly concentrated white or black neighborhoods. 80 percent of black City residents live in neighborhoods that are more than 60 percent black while only 4 percent live in white neighborhoods (0-20 percent black).

In Henrico County, the population in 2000 was 69 percent white, 25 percent black, and 6 percent Asian, Hispanic, and other races (Table 2). While 78 percent of the county population lives in majority white census tracts (0-40 percent black) – and 60 percent in highly concentrated white tracts (0-20 percent black) - the number of blacks living in majority white and black neighborhoods was about even. Table 5 shows that 42 percent of blacks live in census tracts that are majority black (61-100 percent black) and 41 percent of blacks live in majority white tracts (0-40 percent black). 18 percent of blacks, but only 9 percent of the whole population, live in integrated census tracts (41-60 percent black).

Table 5: Distribution of Population in Census Tracts by Percent Black of Census Tract Richmond Area 2000

Census Tract Percent Black	Richmond		Henrico		Chesterfield		Region	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total Population								
0% - 20%	46,585	24%	157,514	60%	181,719	70%	385,818	54%
21% - 40%	26,478	13%	47,442	18%	58,104	22%	132,024	18%
41% - 60%	16,803	8%	22,628	9%	16,616	6%	56,047	8%
61% - 80%	45,169	23%	20,069	8%	0	0%	65,238	9%
81% - 100%	62,755	32%	14,647	6%	3,464	1%	80,866	11%
Majority Black*	**107,924**	**55%**	**34,716**	**13%**	**3,464**	**1%**	**146,104**	**20%**
Total	**197,790**	**100%**	**262,300**	**100%**	**259,903**	**100%**	**719,993**	**100%**
Black Population								
0% - 20%	4,241	4%	11,376	18%	19,412	42%	35,029	16%
21% - 40%	9,606	8%	14,593	23%	16,098	35%	40,297	18%
41% - 60%	8,674	8%	11,573	18%	7,673	17%	27,920	12%
61% - 80%	31,673	28%	14,375	22%	0	0%	46,048	21%
81% - 100%	58,914	52%	12,888	20%	3,012	7%	74,814	33%
Majority Black*	**90,587**	**80%**	**27,263**	**42%**	**3,012**	**7%**	**120,862**	**54%**
Total	**113,108**	**100%**	**64,805**	**100%**	**46,195**	**100%**	**224,108**	**100%**

* Majority Black is defined as 61 percent to 100 percent black.
Notes: Percents may not sum to 100 percent because of rounding. See Appendix A, Table A-2 for the Frequency Distribution of Census Tracts by Percent Black of Census Tract, Richmond Area 2000.

Source: HOME analysis of 1990 and 2000 Census data.

In Chesterfield County, the 2000 population was 77 percent white, 18 percent black, and about 5 percent Asian, Hispanic, and other races (Table 2). 92 percent of the county population lives in majority white census tracts (0-40 percent black) and 70 percent in highly concentrated white areas (0-20 percent black). Only 6 percent of the population lives in census tracts in the 41-60 percent black range that would be considered integrated. 77 percent of blacks live in majority white neighborhoods; 42 percent live in highly concentrated white areas. Only 7 percent of blacks live in highly concentrated black census tracts.

According to the 1996 study, 70% of the 1990 regional population lived in census tracts that were either overwhelmingly (>80%) white or black. In 2000, 65% of the population across the three localities of the region lives in such highly concentrated tracts. This decline, although modest, illustrates a positive trend toward slightly less highly segregated housing in the region.

Appendix C contains population and race Census data for 1990 and 2000 by census tracts adjusted to 2000 tracts. Additionally, Appendix Tables B-3, B-4, and B-5 provide data to discern potential white flight patterns by looking at Census tracts with changes in total, white and black populations; these tables are best examined along with Map 6.

Segregation of African-Americans

In a highly respected study, American Apartheid: Segregation and the Making of the Underclass, researchers Douglas Massey and Nancy Denton developed a sophisticated multidimensional analysis of racial segregation (Massey and Denton, 1993). The study concluded "a high score on any single dimension is serious because it removes blacks from full participation in urban society and limits their access to its benefits" (Massey and Denton, 1993). The general rule of thumb for the indices they developed is that a score between 30 and 60 percent indicates a moderate level of segregation and above 60 percent indicates high level of segregation. The remainder of this section addresses how the City of Richmond and the Richmond Area fare regarding a primary segregation measure: the *index of dissimilarity*.

The *index of dissimilarity* is the degree to which blacks and whites are evenly spread among neighborhoods in a city. This statistic provides "the percentage of all blacks who would have to move to achieve an even, or 'integrated,' residential configuration – one where each census tract replicates the racial composition of the metropolitan area as a whole." (Massey and Denton, 1993). Massey and Denton refer to this index as "black-white segregation." HOME calculated the index of dissimilarity using census tracts.

In 2000, 63 percent of black City residents would have to move to a census tract that is disproportionately white to achieve racial integration, so that the racial composition of each census tract would replicate that of the City as a whole (Table 6). According to Massey and Denton, this level of segregation, as well as the 1990 level of 62 percent, reveals high levels of segregation in the City of Richmond. Looking at the Richmond Area in 2000, 59 percent of black residents would have had to move to achieve an even racial distribution. This is down slightly from 1990, when 62 percent of regional black residents would have had to move.

Table 6: The Percent of Blacks Who Must Move to Achieve Racial Integration, Richmond Area, 1990 and 2000

Area	1990	2000
City of Richmond	62%	63%
Richmond Area	62	59

Note: Unit of measurement is census tract.

Source: HOME analysis using 1990 and 2000 Census data and the dissimilarity index formula on the website of the Racial Residential Segregation Measurement Project of the Population Studies Center at the University of Michigan (http://enceladus.isr.umich.edu/race/calculate.html).

These figures may actually underestimate the level of segregation, since segregation is often by neighborhoods within census tracts.

The dissimilarity index score for the Richmond region (the City of Richmond and the counties of Henrico and Chesterfield) is similar to the much larger Richmond Metropolitan Statistical Area (MSA), of which it is a part (Table 7). However, while the percent of blacks in the Norfolk MSA is the same as the Richmond region, the Norfolk MSA is less segregated. Two areas with a lower percentage of blacks, Northern Virginia and metropolitan Roanoke, have slightly higher levels of segregation compared to the Richmond area.

Table 7: The Percent of Blacks Who Must Move to Achieve Racial Integration Select Areas in Virginia, 2000

Percent Black	Geographic Area	Percent Must Move
31	Richmond Area	59
30	Richmond MSA	57
31	Norfolk, Virginia Beach and Newport News MSA	47
26	Northern Virginia localities in Washington, DC MSA*	63
13	Metro Roanoke	67

Note: This analysis is based on 2000 U.S. Census data at the census tract level. The analysis of how many must move is based on the index of dissimilarity developed by Massey and Denton (1993).

* The northern Virginia localities in the Washington, DC MSA are the counties of Arlington, Clarke, Culpeper, Fairfax, Fauquier, King George, Loudoun, Prince William, Spotsylvania, Stafford, and Warren and the cities of Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park.

Source: HOME used 2000 Census data and the dissimilarity index formula on the website of the Racial Residential Segregation Measurement Project of the Population Studies Center at the University of Michigan (http://enceladus.isr.umich.edu/race/calculate.html) for the Richmond Area; this site was also the source of the index scores for the Richmond MSA and the Norfolk MSA. The Lewis Mumford Center for Comparative Urban and Regional Research calculated the dissimilarity indices for the Northern VA localities in the Washington DC MSA and Metro Roanoke.

The population trends from 1990 to 2000 affected the level of segregation. As the City's share of the region's population declined, the number of whites declined and the number of blacks held steady. This resulted in a slight increase in the percent of blacks in the City. As a result, blacks living in the City of Richmond remained highly segregated from whites. Because both blacks and whites participated in the expansion of Henrico and Chesterfield, blacks living across the Richmond Area, while still highly segregated, were slightly less segregated from whites.

Throughout this study, we note that concentration of poverty contributes to segregation by race, but that is not the whole story. Historical patterns, government policies, and discrimination have influenced where people live. Because housing discrimination has now been illegal for nearly 40 years, it is frequently believed that persistent segregation in housing patterns is a reflection of different income levels. The evidence suggests, however, that high income black families live in neighborhoods with higher poverty rates and lower education achievement than substantially lower income white families.[2] And Chapters 5 and 6 illustrate that discriminatory housing practices continue to limit housing choices.

[2] The Geography of Opportunity: Race and Housing Choice in Metropolitan America, Xavier de Sousa Briggs, editor, Brookings Institution Press, 2005.

National Origin

The fair housing laws protect persons seeking housing in the United States on the basis of their national origin: people who come from, or are perceived to come from, other countries. Hispanics and Latinos are covered under this category.

The U.S. Census considered people as Hispanic if they designated themselves as of Hispanic origin. The Hispanic population consists of both native and foreign-born populations. People of Hispanic origin may be of any race, and Hispanics may face housing discrimination under two of the protected classes, race and national origin.

In 2000, three percent of the residents in the City and Chesterfield and two percent of Henrico residents were Hispanic (see Table 9). From 1990 to 2000, the population of Hispanics in the City of Richmond increased 167 percent. The number of Hispanics grew slightly faster in Henrico (174%) and Chesterfield (203%).

According to 2000 Census data, the City of Richmond had the lowest percent of foreign-born persons (3.9%) in the Richmond Area (Table 9). Most foreign-born residents of the City were from the Americas (3,683 or 1.9%), but there are noteworthy numbers of Asians (1,993) and Europeans (1,288).

Table 8: Hispanic and Foreign Born Populations by Jurisdiction in the Richmond Area, 2000

Jurisdiction	Richmond		Henrico		Chesterfield	
Hispanic						
	5,074	3%	5,946	2%	7,617	3%
Foreign-Born						
Total	7,643	3.9%	17,465	6.7%	13,523	5.2%
Europe	1,288	0.7%	3,753	1.4%	2,956	1.1%
Asia	1,993	1.0%	8,136	3.1%	5,250	2.0%
Africa	649	0.3%	965	0.4%	732	0.3%
Oceania	30	0.0%	109	0.0%	40	0.0%
Americas	3,683	1.9%	4,502	1.7%	4,545	1.7%

Note: the U.S. Census Bureau defines foreign-born persons as "all people who indicated they were a U.S. citizen by naturalization or they were not a citizen of the United States. Persons born abroad of American parents or born in Puerto Rico or other U.S. Island Areas are not considered foreign born."

Source: U.S. Census Bureau, Census 2000 (SF1 and SF3).

Families with Children

Until 1988 when the federal fair housing law added families with children as a protected class, apartment owners in Virginia could (and many did) designate whole complexes for adults only and prohibit families with children from moving in. In 1988 Congress made it illegal to discriminate against families with children (the protected class is known as familial status) and prohibited all-adult communities unless they qualified as housing for the elderly. The Virginia Fair Housing Law was amended in 1991 to incorporate these protections.

In Federal and Virginia fair housing law, families with children are defined as a parent or other individual having legal or designated custody of an individual less than 18 years old, including those with foster children, those who are pregnant, and those in the process of securing custody. For this analysis, the Census Bureau definition is used: a family with children covers households where both "a householder and one or more other people living in the same household who are related to the householder by birth, marriage, or adoption" with their own children under 18 years old.

Slightly more than half (53%) of families in the City of Richmond have children (Table 4). However, about a third of all families in the City (32%) are single-parents with children. The City's rate is nearly twice the rate of Henrico (17%) and more than twice the rate of Chesterfield (13%). Since single-parent families generally have lower household incomes, they may be drawn to the public transportation and subsidized housing in Richmond, and may not be able to afford the housing in the other jurisdictions.

Table 9: Families by Jurisdiction in the Richmond Area, 2000

Jurisdiction	Number of Families	Percent of Families with Children	Percent of Families Single-Parent with Children
Richmond	43,649	53%	32%
Henrico	69,834	53	17
Chesterfield	72,139	56	13

Note: Families with related children under 18 years old.

Source: U.S. Census Bureau, Census 2000 (SF-1 P35).

Persons with Disabilities

The term "disability" covers a broad spectrum of conditions. State and federal fair housing laws define disability as a physical or mental impairment that interferes with a major life activity, a history of having had such a condition, or the perception that one has such a condition. Alcoholics, persons with AIDS, and recovering substance abusers are covered by the law, but not current users of illegal drugs. Federal, Virginia and Richmond City fair housing laws protect persons with disabilities from discrimination in housing transactions.

Table 10: Disabled Population by Jurisdiction in the Richmond Area, 2000

Jurisdiction	Disabled 5 to 15 years	Disabled 16 to 64 years	Disabled 65 and over	Total Disabled	Percent Disabled
Richmond City	2,255	29,697	12,275	44,227	24%
Henrico	2,322	23,964	10,870	37,156	15%
Chesterfield	3,076	23,436	7,203	33,715	14%

The U.S. Census Bureau defines a person as disabled if any of the following three conditions were reported: (1) they were five years old and over and reported a long-lasting sensory, physical, mental or self-care disability; (2) they were 16 years old and over and reported difficulty going outside the home because of a physical, mental, or emotional condition lasting six months or more; or (3) they were 16 to 64 years old and reported difficulty working at a job or business because of a physical, mental, or emotional condition lasting six months or more.

Source: U.S. Census Bureau, Census 2000 (SF-3 P42).

Persons with disabilities (using the U.S. Census definition, which is considerably more limited than the statutory definitions utilized in the state and federal fair housing laws, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act) are not equally distributed throughout the Richmond Area. In the City of Richmond, 24 percent of the population reported having a disability, compared to 15 percent and 14 percent, respectively, in Henrico and Chesterfield. About two-thirds (29,697) of City residents with disabilities are between 16 and 64 years old (Table 11). People with disabilities are generally attracted to cities because they tend to have better public transportation and other services.

The Elderly

Virginia and the City of Richmond, but not the federal, fair housing laws include persons 55 years old and older among those protected. The City of Richmond (21%) and Henrico (20%) have a slightly greater percent of elderly citizens than Chesterfield (17%) (Table 12).

Table 11: Population 55 Years and Older by Jurisdiction in the Richmond Area, 2000

Jurisdiction	Percent Population 55 years and Older
Richmond City	21%
Henrico	20
Chesterfield	17

Source: U.S. Census Bureau, Census 2000 (SF-1 P12).

Other Community Indicators

Education

On the whole, Richmond residents do not have as high a level of educational achievement as residents of the counties (Table 13).

Table 12: Educational Attainment by Jurisdiction in the Richmond Area, 2000

Educational Attainment	Richmond	Henrico	Chesterfield
Less than High School Degree	25%	13%	12%
High School Degree or GED	24%	24%	25%
Some College or Associates Degree	22%	28%	31%
Bachelor's Degree or Higher	29%	35%	33%

Note: The Census-defined population is age 25 years old and older.

Source: U.S. Census Bureau, Census 2000 (SF-3 P37).

The City's public schools include a number of innovative and well-respected institutions, which attract students for throughout the region, including the Maggie L. Walker Governor's School for Government and International Studies, the regional Mathematics and Science Center, Open High School, Community High, and the International Baccalaureate programs. Since the introduction of the Standards of Learning, an increasing number of City schools have become accredited. Still, several people interviewed as a part of this study indicated that the quality of city schools discourages families from living in the city and that the search for quality schools is a reason that both black and white middle class families move to the counties.

Employment

The City of Richmond's unemployment rate for the month of September 2004 was 6.7 percent, about twice that of Henrico (3.4%) and Chesterfield (3.0%) (Table 14). A high unemployment rate has a significant impact on the ability of residents to afford decent housing.

Table 13: Employment Statistics by Jurisdiction in the Richmond Area, September 2004

Jurisdiction	Civilian Labor Force	Percent Unemployed
Richmond	99,287	6.7%
Henrico	152,087	3.4%
Chesterfield	150,305	3.0%
Virginia	3,821,045	3.3%

Source: Virginia Employment Commission, monthly unemployment report for September 2004.

Income

Households in the counties have higher incomes than those in the City. In 1999, the median household income in the City of Richmond was $31,121. In Henrico, the median household income was 58 percent greater ($49,185). In Chesterfield, the median household income was $58,537, or 88 percent higher than that of the City.

Black households across the Richmond region are more likely to have low household incomes compared to white households (see Maps 9-11). These trends are most pronounced in the City of Richmond. Nearly a third of black households in the City had an income of less than $15,000 a year in 1999, twice the rate in Henrico and more than three times the rate in Chesterfield (Table 15). On the other end of the scale, only seven percent of City black households reported incomes of $75,000 or more; this is about half the rate in Henrico and a third the rate in Chesterfield.

Whites living in the City of Richmond were also more likely than their counterparts in the counties to have incomes under $15,000. However, the percentage of whites in the City with such low incomes is still only half the percentage of blacks. And while City blacks were much less likely than blacks in the counties to have very high incomes, City whites were only somewhat less likely than county whites to have very high incomes.

Table 14: Household Income Levels by Race - Richmond Area, 1999

Jurisdiction	Less than $14,999	$15,000 to $39,999	$40,000 to $74,999	$75,000 or more	Total Number of Households
Black Households					
Chesterfield	8%	28%	38%	26%	15,257
Henrico	14%	36%	34%	16%	24,667
Richmond	30%	40%	22%	7%	42,440
Total	21%	37%	29%	13%	82,364
White Households					
Chesterfield	5%	22%	36%	36%	74,493
Henrico	8%	28%	33%	30%	77,686
Richmond	17%	33%	27%	24%	38,785
Total	9%	27%	33%	31%	190,964
All Households					
Chesterfield	6%	23%	37%	34%	93,807
Henrico	9%	30%	34%	27%	108,071
Richmond	24%	37%	24%	15%	84,566
Total	13%	30%	32%	26%	286,444

Source: HOME analysis of 2000 Census data (SF-3 P52, P151A, P151B).

Poverty

The City of Richmond has the highest percentage of residents living in poverty (21%) compared to other localities in the Richmond area (Table 16). Blacks living in the City are four times more likely to have incomes below the poverty level as whites (16% and 4%, respectively).

Table 15: Poverty Status by Race by Jurisdiction, Richmond Area, 1999

Jurisdiction	White		Black		Population Below Poverty	Percent of Total Population Below Poverty
	N	%	N	%	N	%
Chesterfield	6,819	3%	3,478	1%	11,586	5%
Henrico	6,765	3	7,271	3	15,917	6
Richmond City	7,746	4	29,907	16	40,185	21
Regional Total	21,330	3	40,656	6	67,688	10

Source: U.S. Census Bureau, Census 2000 (SF-3 P87, P159A, P159B).

The City of Richmond has the highest percentage of residents among localities in the Richmond Area receiving public assistance (5%)

Table 16: Receipt of Public Assistance by Jurisdiction, Richmond Area, 1999

	Households Receiving Public Assistance	
Jurisdiction	**Number**	**Percent of All Households**
Chesterfield	1,289	1%
Henrico	1,713	2%
Richmond	3,991	5%
Regional Total	6,993	2%

Source: U.S. Census Bureau, Census 2000 (SF-3 P64).

Poverty in the region is concentrated in 31 census tracts, most – but not all – of which are in the City of Richmond. These census tracts are located in the northeastern quadrant of the city, in Southside along the Route 1 corridor, and in adjacent areas of Henrico and Chesterfield. Of the roughly 86,000 people who live in this area, about 30,000 live below the poverty line and fully 80 percent are African-American. Such a concentration has been called by one writer an “incubator of social distress”. It has a great negative impact not only on the quality of life of its residents, but also on the community as a whole.

Chapter 3 Summary: Richmond has 27 census tracts with more than 20% of residents living in poverty. Such concentrations of poor people living in close proximity result in a poor quality of life for residents and increased problems for the larger community, such as crime, a high need for services, and a poorly educated workforce. Segregated housing patterns are the result of historical discrimination and concentration of poverty is perpetuated by lack of access to neighborhoods of opportunity. Affordability further limits the range of housing choices. There is a critical need to create affordable housing opportunities in LOW poverty neighborhoods as well as to invest in poorer communities and attract mixed income residents.

Chapter 4: Richmond Housing Market Characteristics

Issues:
Affordability

This chapter describes characteristics of both the rental and homeownership housing markets in the region.

Housing Characteristics

Housing Units

Housing across the Richmond Area has evolved differently in each locality. Richmond is the smallest geographically (60 square miles) but is far more intensively built up: in 2002 it had the greatest number of housing units per square mile (1,530) (Table 20). From 2000 to 2002, the number of housing units in Richmond dropped slightly, compared to significant increases in Chesterfield and Henrico, where a great deal of new residential construction has occurred.

Table 17: Housing Units Per Square Mile by Jurisdiction in the Richmond Area

Jurisdiction	Number of Housing Units		Percent Change in Number of Housing Units	Land Area, Square Miles 2000	Number of Units (2002) per Square Mile
	2000	2002			
Richmond	92,282	91,808	-0.5%	60	1,530
Chesterfield	97,707	102,926	5.3%	426	242
Henrico	112,570	116,905	3.9%	238	491
Source: U.S. Census Bureau QuickFacts (version 07/09/2004).					

Age of Residential Buildings

The City of Richmond has a large and diverse collection of older homes, many dating from the late nineteenth and early twentieth century. The quality, charm and architecture of these houses are attracting many people to the City. Older homes are typically more expensive to renovate and maintain, which can be a problem for elderly homeowners and a barrier to potential homeowners with low incomes. Older residential buildings are concentrated in the north, central, and east sections of Richmond (Map 13). The absence of large vacant land tracts in the City tends to limit redevelopment to infill within existing neighborhoods.

Multi-Unit Structures

The City has proportionally the most units in multi-unit structures in the Richmond Area; nearly half of the housing units in the City are in multi-unit structures (Table 21). New construction in the counties, particularly Chesterfield, is primarily of single-family homes.

Table 18: Housing Unit Characteristics by Jurisdiction in the Richmond Area, 2000

Jurisdiction	Percent of Units in Multi-Unit Structures*	Percent of All Units Vacant**
Richmond	42%	8%
Henrico	28	4
Chesterfield	12	4
* Source is: http://quickfacts.census.gov/qfd/states/51000.html ** Source: U.S. Census Bureau, Census 2000 (SF-3 H6).		

<u>Vacancies and Condemned Buildings</u>
The City of Richmond reported 2,932 vacant buildings across the City in November 2004 (Map 15). These buildings are primarily located in majority African-American areas of high poverty. According to Census data, in 2000 the City had twice the proportion of vacant housing (8%) than both Chesterfield (4%) and Henrico (4%) (Table 21). The vacancy rate in the region's high poverty census tracts is even higher at 13 percent. City officials are concerned about the high number of vacant buildings because of the effect on the neighborhoods, property values and safety.

Rental Market Characteristics

<u>Rental Housing</u>
The City of Richmond's rate of renter-occupied housing (54%) exceeds the other localities in the Richmond Region (Table 22). At the same time, the rental vacancy rate (4%) is twice as high as in Chesterfield and Henrico.

Table 19: Rental Market Characteristics by Jurisdiction in the Richmond Region, 2000

Jurisdiction	Renter-occupied housing	Vacant Units for Rent	
		Number	Percent*
Richmond	54%	3,113	4%
Chesterfield	19	1,616	2
Henrico	34	1,970	2
* This variable is the percent of vacant units for rent of all housing units. Source: HOME analysis of Census 2000 (variables SF-1 H4 & H5).			

Rental Housing Affordability

The rents in the City are lower than those in the counties, but low rents by themselves do not guarantee affordability. The proportion of rent to income is a more reliable indicator of affordability. A widely accepted rule of thumb is that households should pay no more than a third of their income for housing costs. A higher percentage leaves little room for other necessities or taking care of unexpected expenses. The City of Richmond has the highest proportion of renters paying more than 35 percent of their income for housing among jurisdictions in the region (Table 23). In the region's areas of concentrated poverty, 41 percent of households pay more than 35 percent of their income for rent. Housing affordability was the most frequently mentioned concern by those interviewed for this study.

Table 20: Percent of Renters Paying More than 35 percent of Income for Housing in the Richmond Region, 1999

Jurisdiction	Percent Paying More than 35%
Richmond	35%
Henrico	26%
Chesterfield	27%

Source: HOME analysis of Census 2000 (variables SF-3 H73).

Home Purchase Market Characteristics

Homeownership

Forty-six percent of Richmond units are owner occupied (Table 24). The other jurisdictions in the region have much higher levels of homeownership, ranging from 66 to 81 percent. In the region's area of concentrated poverty, however, only 33 percent of households own their homes.

Homeownership rates across the Richmond region vary considerably by race. In Richmond, 55 percent of whites but only 40 percent of African-Americans own their own homes. Whites are more likely than blacks to be homeowners in every locality in the Richmond Region, although in Chesterfield black homeownership is relatively high (70%).

Table 21: Homeownership Rates by Race & Jurisdiction in the Richmond Region 1990-2000

Jurisdiction	All households		White (non-Hispanic) households		African-American households	
	1990	2000	1990	2000	1990	2000
City of Richmond	42.0%	46.1%	53.4	55.3%	39.6	39.8%
Chesterfield	75.5	80.9	81.3	84.2%	68.5	70.2%
Henrico County	60.1	65.7	67.0	71.5%	51.4	53.0%

Note: Homeownership Rates are based on occupied households

House Value

The median value of homes in the City of Richmond ($87,300) is the lowest, by far, in the area (Table 25). The disparity in house values across the area is even more evident at the block group level (Map 17). In Richmond, most block groups have a median value below $74,400. In the region's area of concentrated poverty, 25 of the 31 census tracts have median house values below that for the City. These range from 99.7 percent of the City value to 57.0 percent of the City value.

Table 22: Median House Value by Jurisdiction in the Richmond Region, 2000

Jurisdiction	Median Value
Richmond	$87,300
Henrico	$121,300
Chesterfield	$120,500

Source: HOME analysis of Census 2000 (variable SF-3 H76).

Affordable Homeownership

It is generally accepted that households paying more than 35 percent of their income for housing costs are in a weak financial position. Across the region, owners are less likely than renters to be paying more than 35 percent of their income on housing costs (compare Tables 23 and 26). Twenty percent of the homeowners in Richmond pay more than 35 percent of their income for housing – far more than homeowners in Henrico (13%) and almost twice as many as homeowners in Chesterfield (11%) (Table 26). In the region's area of concentrated poverty, 25 percent of homeowners spend more than 35 percent of their income on housing costs.

Table 23: Percent of Homeowners Paying More than 35 Percent of Income for Housing in the Richmond Region, 2000

Jurisdiction	Percent Paying More than 35%
Richmond	20%
Henrico	13
Chesterfield	11
Source: HOME analysis of Census 2000 (variable SF-3 H97).	

Chapter 4 Summary: Affordability of housing is a major issue in both the rental and homeownership markets necessitating the promotion of increased affordable housing choices and enhancing the capacity of individual residents to find and keep housing.

Chapter 5: Fair Housing in the Richmond Region

Issues: Discrimination limits housing choice, access to neighborhoods of opportunity

This chapter provides an overview of the fair housing laws, describes the enforcement process in general, and discusses how housing discrimination is addressed in the Richmond region.

In order to evaluate the extent of housing discrimination in the Richmond area, this section looks at complaints made by those who believe they have encountered illegal housing discrimination. There are three primary sources of information about fair housing complaints: inquiries made to HOME about possible housing discrimination; fair housing administrative complaints filed with the state and federal agencies; and complaints filed in the courts. Information from these three sources is detailed below.

A Framework for Fair Housing Enforcement

While there are many local variations, it is generally agreed that a comprehensive network of fair housing services that will operate effectively to reduce and ultimately eliminate, housing discrimination requires the five following elements:

- an appropriate legal framework,
- government agencies charged with enforcing the laws performing effectively,
- a local government that supports fair housing,
- a competent fair housing organization accessible to all members of the community that provides the full range of fair housing enforcement services, and
- a sufficient number of experienced private attorneys to competently represent victims of housing discrimination.

This section evaluates the availability of these components and provides background information on federal and state fair housing laws, administrative enforcement, and other fair housing enforcement procedures.

The Legal Framework

Background on Fair Housing Laws

The Civil Rights Act of 1866 first recognized that "[a]ll citizens of the United States shall have the same right, in every State and Territory, as is enjoyed by white citizens thereof to inherit, purchase, lease, sell, hold, and convey real and personal property." These laws lay more or less dormant for a hundred years. In the wake of the assassination of Martin Luther King, Congress passed the Fair Housing Act of 1968. This law specifically recognized that minorities experience unequal access to housing and outlawed discrimination in housing transactions based on race, color, religion, and national origin. Later three more protected classes were added: sex in 1974 and familial status and handicap in 1988.

As amended in 1988, the federal Fair Housing Act is a broad civil rights law that protects people on the basis of race, color, religion, national origin, sex, familial status (a household in which an adult is responsible for someone under the age of 18), and handicap. These protections extend to a broad range of housing-related transactions. The Virginia fair housing law, originally enacted in 1972 and significantly amended in 1991, is substantially equivalent to the federal provisions. In some cases it provides more coverage than the federal law, such as adding elderliness (defined as 55 years old and older) to the list of protected classes. The City of Richmond also has a fair housing ordinance, but does not implement its limited enforcement provisions.

Protected Classes:

Protected classes are categories determined by legislative bodies to be subject to discriminatory housing practices and deserving of legal protections. Under the fair housing laws, providers of housing and housing-related services are prohibited from limiting housing choice or treating people unfavorably based upon membership in any of the protected classes. Race includes all races; color includes all colors; national origin covers all ancestries and applies to all residents regardless of citizenship; religion protects those of all religions and those of no religion; sex means discrimination based upon gender and includes sexual harassment in housing; familial status means the presence of children under 18 in a household; handicap includes persons with broadly defined mental and physical disabilities; elderliness is defined as persons aged 55 years and older.

Covered Transactions

The array of housing transactions covered by the Fair Housing Act includes, among others, the advertising, rental, sales, and appraisal of residential real estate, as well as mortgage lending and homeowners insurance services and transactions. All stages of each type of transaction are covered. To illustrate, discrimination may occur in rental housing transactions at the time of application or approval, or in the contract terms and conditions, unit assignment, and in how routine and special maintenance needs are met. In terms of housing sales, discrimination may happen in whether or how an agent provides housing options, in the offer and acceptance of a contract, in the mortgage loan processing and approval process, or in the securing of homeowner’s insurance.

Types of Discrimination

There are three general ways in which discrimination can occur: overt statement, differential treatment, and disparate impact. In an overt statement, a landlord may say, for example, that she will not rent to men because she believes they are messy. This is a clear statement of discrimination on the basis of gender. Differential treatment occurs when a housing provider does not make an overtly discriminatory statement, but, for example, tells a black man there are no vacancies and later tells a white man there is a vacancy. Disparate impact occurs when seemingly legal and neutral policies have a disproportionately negative impact on a protected class. To illustrate, a landlord may have a policy of not renting to students that is applied to everyone. However, the only university in the area is a historically black university where 95% of the students are black. The landlord's policy is neutral, in that it does make any reference to race or any other protected class. Yet in an area where the vast majority of the students are black, the otherwise neutral policy will have a disproportionate effect on blacks. The discriminatory effect of the otherwise neutral policy violates the fair housing laws regardless of the intent of the landlord.

Administrative Enforcement of Fair Housing Laws

The federal Fair Housing Act provides for an administrative process to investigate complaints of discriminatory housing practices and directs the government to litigate in appropriate cases on behalf of victims of discrimination through enforcement agencies at the federal, state and local levels. The law also gives injured parties, including organizations, the right to file their own lawsuits. It allows for substantial monetary compensation and affirmative relief for complainants if violations are proven. The Department of Housing and Urban Development is charged with enforcing the federal fair housing law across the nation, with the support of the Department of Justice. In Virginia, the Department of Professional and Occupational Regulation (DPOR) is home to the Virginia Fair Housing Office (VFHO), which receives and investigates fair housing complaints. VFHO also accepts referrals of complaints initiated through HUD and investigates them under the State law. The state fair housing law requires the Office of the Attorney General to provide legal support and litigation services to the Virginia Fair Housing Office.

Private Enforcement of Fair Housing Laws

The federal and Virginia fair housing laws provide a private right of action for victims of housing discrimination. Fair housing cases may be filed in state or federal court within two years of the alleged discriminatory event. There is no requirement that an administrative complaint be filed first; nor does a dismissal of an administrative complaint prevent a person from filing a case in court.

The Process of Government Administrative Enforcement

Virginia Fair Housing Office

The Virginia Real Estate Board and Fair Housing Board have responsibility for administrative enforcement of the Virginia Fair Housing Law. These boards are located within the Department of Professional & Occupational Regulation and are staffed by the Virginia Fair Housing Office. The Fair Housing Office has jurisdictional requirements and procedures that must be satisfied before a complaint is accepted for processing and does not fully investigate every complaint of housing discrimination it receives. Once a complaint is accepted, the office simultaneously conducts an investigation into the alleged discriminatory practices and attempts to assist the parties in resolving the complaint through the conciliation process.

If the parties to a complaint filed with the Virginia Fair Housing Office cannot reach a settlement with the assistance of the office, the Fair Housing Office staff presents the results of its investigation to one of the two independent boards. The Real Estate Board reviews fair housing complaints made against licensed real estate sales agents and brokers and their agents and employees. The Fair Housing Board, which began operating July 1, 2003, reviews fair housing complaints for all cases that do not fall under the Real Estate Board's jurisdiction. If either board finds reasonable cause to believe that discrimination has occurred, it issues a charge of discrimination, and the Virginia Office of the Attorney General is required to file and maintain a lawsuit in state court on behalf of the complainant.

Settlement or conciliation negotiations are encouraged throughout the investigative process and do not require any parties to the complaint to be represented by an attorney. The Virginia Fair Housing Office is also a signatory to the conciliation agreement and is required to ensure that the public interest in fair housing is upheld. The public interest may be safeguarded through provisions in the agreement that call for affirmative relief, such as a requirement that units be set aside for members of a protected class to remedy the effects of prior discrimination, affirmative marketing, monitoring of future actions, keeping records in such a way as to facilitate monitoring, and fair housing training.

The Virginia Fair Housing Office is located in Richmond, which provides Richmond residents relatively easy access to its services.

Federal Enforcement of the Fair Housing Law

In addition to the administrative complaint and conciliation process outlined in the federal Fair Housing Act, the U.S. Department of Housing and Urban Development (HUD) and Department of Justice (DOJ) may become involved in fair housing complaints in other ways.

U.S. Department of Housing and Urban Development (HUD). HUD conducts regular monitoring reviews as well as complaint-based compliance reviews of housing developments that receive certain kinds of federal assistance. HUD includes fair housing issues in its annual review of housing developments that receive federal funding. If a recipient of federal housing subsidies is found to be violating the fair housing law, HUD seeks to correct the situation through a voluntary compliance agreement. If this option fails, HUD may hold an administrative hearing. If the fair housing violations warrant it, a fair housing investigation may be initiated by HUD's Office of Fair Housing and Equal Opportunity.

U.S. Department of Justice (DOJ). The Department of Justice shares in the enforcement of the Fair Housing Act. While HUD and substantially equivalent state and local entities investigate individual cases of housing discrimination, DOJ may be involved in fair housing cases in three primary ways.

First, certain types of housing discrimination complaints are filed directly with HUD. In these cases, if HUD issues a charge based on a finding that there is reasonable cause to believe that housing discrimination has occurred, the complainant or the defendant may elect to have the case tried in a federal court. If the case goes to federal court, DOJ attorneys, rather than HUD counsel, represent the interests of the complainant.

Second, DOJ may initiate lawsuits in cases where a person or entity is suspected of engaging in a "pattern or practice" of housing discrimination. The DOJ may also determine that an individual complaint it files in federal court as the result of a HUD charge (under the first scenario) is part of a larger pattern or practice of discrimination, in which case DOJ may include broader charges, seek relief for other individuals, and/or seek civil penalties to be paid to the government. The Virginia Office of the Attorney General has similar authority under the state fair housing law.

Finally, DOJ may initiate fair housing cases where the denial of rights raises an issue of "general public importance." The U.S. Attorney General determines if an issue, even one that arises out of a single act of discrimination, is of general public importance.

The Role of Local Government in Supporting Fair Housing

Local governments can play a critical role in ensuring their residents equal access to housing. This section includes a description of Richmond's fair housing ordinance and reviews how Richmond has demonstrated its commitment to fair housing by conducting and supporting a variety of fair housing activities.

Richmond's Fair Housing Law

Richmond has a Fair Housing Ordinance and a Human Relations Commission that is staffed by the Office of Human Services. In its declaration of policy, the ordinance states: "It is the policy of the city to provide for fair housing throughout the city, to all its citizens, regardless of race, color, religion, national origin, sex, age, marital status, presence of children in the family or disability, and to that end to prohibit discriminatory practices with respect to residential housing by any person or group of persons, in order that the peace, health, safety, prosperity and general welfare of all the inhabitants of the city may be protected and ensured. To this end, the city encourages the enforcement, by both public and private agencies, of laws prohibiting discriminatory practices as defined in this article. This article shall be deemed an exercise of the police power of the state for the protection of the people of the state as granted to and conferred upon the city." (Sec. 58-31 through 58-42)

The substantive provisions of Richmond's fair housing ordinance – the protected classes, prohibited acts, and exemptions - are very similar to the Virginia and federal fair housing laws (marital status is an additional protected class). The Richmond fair housing ordinance also provides for enforcement by private action in the circuit court of the city for injunctive relief and money damages or by filing a fair housing complaint with the Office of Human Services Advocacy. Complaints must be in writing and verified by the complainant, and filed within 180 days of the alleged unlawful housing practice.

The ordinance also provides for a local administrative process for accepting and investigating fair housing complaints, although the Human Relations Commission does not exercise that authority. The framework set forth in the ordinance provides that upon the filing of a complaint, the Office of Human Services Advocacy shall determine whether there is probable cause to believe that a violation has occurred. If no probable cause is found, the complaint is dismissed. If probable cause is found, the Office of Human Services Advocacy is to attempt to resolve the complaint by conciliation. If conciliation efforts are unsuccessful, the complainant may request that the complaint be forwarded for a hearing by the Richmond Human Relations Commission. The person charged with the discriminatory housing practices has the opportunity to present evidence and argument to the Commission. If it finds a violation, the Commission has the authority to issue a cease and desist order giving a reasonable time to take corrective action. It has no power to award money damages or other relief. If there is noncompliance with the cease and desist order, either the City Attorney or the complainant may seek to have the order enforced by the circuit court. (Sec. 58-40)

The Office of Human Services Advocacy also may, on its own initiative, take appropriate steps to remedy unlawful housing practices under the ordinance, although the ordinance does not describe under what circumstances the office would do so or the procedures it would follow in doing so. (Sec. 58-41)

While the Richmond ordinance provides coverage and rights for victims of housing discrimination similar to those in the federal and state fair housing laws, the relief available to victims is very limited. In the absence of a voluntary settlement, the remedy under the ordinance is limited to a cease and desist order. There are no provisions for meaningful remedies or damages for victims of discrimination and there is no incentive for victims of discrimination to utilize the City ordinance.

Effective enforcement and remedies for City victims of housing discrimination rely on referrals to the state and federal administrative processes or private legal action. The absence of a City process means that an effective referral system to the state and federal enforcement process is essential. Since the state and federal complaint process function reasonably well, we see no need for the City to add its own administrative process, which would be a duplication of effort.

Richmond's Fair Housing Activity

While every locality receiving Community Development Block Grant (CDBG) funds must affirm that it supports fair housing, what is actually done to dismantle barriers to housing is the measure of that commitment. There are two primary areas in which to evaluate a local government's commitment to fair housing: (1) does the jurisdiction ensure that its own actions promote open housing and (2) does the jurisdiction ensure that its residents have access to a full range of fair housing enforcement services?

Promoting Fair Housing: By requiring recipients of federal funds to complete an analysis of the impediments to fair housing in their communities, HUD provides a framework for asking and answering questions about whether a locality promotes open housing. The City of Richmond has made numerous efforts to support fair housing. Since the first Impediment Study was conducted in 1996, the City has engaged in and encouraged a variety of activities to increase awareness of fair housing laws, most of which have been conducted by HOME. Training sessions and workshops have been conducted for city staff – although sparsely attended - on fair housing and predatory lending issues. A fair housing session specifically focused on sexual harassment in housing was conducted for the Richmond Police Training Academy. Materials on fair housing, predatory lending, housing counseling, and sexual harassment, developed and provided by HOME, have been regularly disseminated to consumers through city agencies, neighborhood and community based organizations, and community development corporations. Recommendations for further actions are included in Chapter 6 on Expanding Rental Opportunities and Chapter 7 on Expanding Homeownership Opportunities.

According to local HUD staff, HUD did not conduct a compliance review of any of the three localities covered in this study during the period 1995 to 2004. HUD did conduct a Section 504/ADA compliance review of the Richmond Redevelopment and Housing Authority in fiscal 2002, but no letter of determination was available for this report. In the summer of 2001, HUD conducted a monitoring review of the City's Community Development Block Grant (CDBG), Housing Opportunities for Persons with AIDS (HOPWA), and HOME Investment Partnership programs for fiscal years 1999 and 2000. In the summer of 2004, HUD reviewed the CDBG, HOME and Emergency Shelter grant programs for fiscal year 2002 and 2003. While there were a few "findings" and "concerns" raised that required action by the City, none were specifically related to fair housing problems and the overall determination in each instance was "that the City of Richmond continues to administer the above programs in a manner generally consistent with statutory and regulatory requirements."

Providing Residents a Full Range of Fair Housing Enforcement Services: The City of Richmond does not directly provide for or fund fair housing enforcement services. It does, however, fund several housing counseling and assistance programs that have fair housing – equal access to housing - at their foundation. Fair housing information and education is included in the housing information and counseling grant activities conducted in the City. Furthermore, it has a strong cooperative relationship with the local private fair housing agency, HOME.

Availability of Private Fair Housing Enforcement Services

Housing Opportunities Made Equal (HOME) is a private, non-profit fair housing and housing counseling organization that has been providing a full range of fair housing services in the Richmond area since 1971. Many city agencies, including the Office of Human Services Advocacy and the Human Relations Commission, as well as the NAACP, Legal Aid, and disability advocacy groups refer potential complaints of housing discrimination to HOME. The City has provided funding to HOME throughout the years, initially specifically in support of its fair housing services, more recently in support of a broader range of programs including rental and homeownership counseling, and down payment assistance.

The fair housing services that HOME provides include:

- the investigation of all types of housing discrimination complaints for all protected classes;
- education and outreach to consumers to help them recognize and challenge all forms of housing discrimination;
- training and technical assistance to those throughout the housing industry to encourage understanding and compliance with their fair housing obligations;
- counseling and assistance for victims of housing discrimination;
- the use of all appropriate investigative methodologies and techniques, including testing for discrimination to fully investigate complaints and to better understand the housing search experience;
- systemic, otherwise known as "pattern and practice" investigations of housing discrimination by providers;

Summary & Evaluation of Availability of Fair Housing Services

The federal and state fair housing laws provide an appropriate legal framework, although the government agencies charged with enforcing these laws are not always effective in identifying and eliminating discriminatory housing practices.

According to conservative estimates by the National Fair Housing Alliance, based on Census data and estimated rates of discrimination revealed in HUD's 2000 Housing Discrimination Study, the number of instances of housing discrimination against black and Hispanic rental home-seekers alone could exceed three million annually. However, in 2003, only about 25,000 complaints of all types of housing discrimination were filed (and only 144 in Virginia). Given the gap between estimates of discrimination and the number of complaints received, the change made by the VFHO to increase the number of cases docketed is particularly important in leading to an understanding of the extent of housing discrimination in the Commonwealth.

Historically, the state administrative complaint process has resulted in very few cases in which reasonable cause has been found to believe that a discriminatory housing practice has occurred and a charge of discrimination issued. While some cases settle through conciliation efforts before reaching the determination stage, the Real Estate Board found reasonable cause in only about five cases between 1991 and 2003. Given HUD's estimates of the number of instances of discrimination that occur annually (noted above), this number cannot accurately reflect the true level of discrimination in the Commonwealth. The reasons for so few charged cases appear to be a combination of the use of an inappropriately high standard of proof for a reasonable cause finding (equal to or beyond that required in court), and the reliance of the Real Estate Board in making cause determinations on the Office of the Attorney General, which has been reluctant to prosecute cases. In July of 2003, the Real Estate Board began sharing enforcement responsibilities with the new Fair Housing Board. In the first year of their joint enforcement responsibilities, the two boards made five reasonable cause findings – two by the Real Estate Board and three by the Fair Housing Board – a significant improvement. In the following year (fiscal year 2004-2005), eleven reasonable cause determinations were made. The Office of the Attorney General has filed suit and successfully pursued litigation in at least one case.

The administrative complaint and conciliation system works most effectively in areas where there is an effective advocate to assist complainants with support, investigation, testing, and negotiations. Testing evidence in particular can assist the Virginia Fair Housing Office in conducting a complete investigation and make a substantial difference in the ability of the complainant to gain appropriate relief.

While the local ordinance provides for only limited relief and is not utilized, City residents have access to both state and federal enforcement processes and the readily available assistance of a nationally known fair housing organization. City government has supported fair housing by providing opportunities for increasing fair housing awareness and by partial support of many of HOME's programs.

Complaints of Housing Discrimination

Fair Housing Inquiries to HOME

Housing Opportunities Made Equal (HOME) provides residents of the Richmond region with information about housing discrimination and assistance in filing fair housing complaints with the appropriate agencies, which include the Virginia Fair Housing Office (VFHO), HUD, or the Department of Justice or the FBI. Fair housing information and education is provided to all clients, including those for whom services are provided by

HOME for Richmond residents under its housing counseling grant from the City. Direct fair housing staffing, investigative, and enforcement services are not funded by the City.

Individuals contact HOME for fair housing assistance because they believe that they or someone they know may have experienced discrimination in a housing transaction. HOME provides counseling and assistance to people in understanding the rights protected by the fair housing laws, explains the avenues available for enforcement of those rights, and conducts investigations to gather information on whether or not a discriminatory practice may have occurred. HOME assists individuals in filing administrative complaints with the appropriate government agency or finding an attorney when appropriate. In instances where it does not appear that discrimination is the issue, HOME provides clients with appropriate referrals to ensure that they obtain necessary services from its other divisions or from other service providers.

During the period from January 2000 through December 2004, HOME was contacted by 469 people concerned about whether they had experienced housing discrimination in Richmond, Henrico, or Chesterfield (Table 18). Nearly half of all contacts from the region, 45%, were about racial discrimination. A quarter, 25%, related to discrimination on the basis of disability.

Although Richmond has a somewhat smaller population than Henrico or Chesterfield, significantly more contacts concerned transactions in Richmond (206) than in Chesterfield (128) and Henrico (135). There are several possible reasons for the higher number of contacts concerning Richmond. Richmond has a higher percentage of rental properties, and as a result, more housing transactions. Residents of Richmond may be better informed about their fair housing rights: fair housing materials and information have been disseminated to City residents through a variety of City programs, including Neighborhoods in Bloom. The Virginia Fair Housing Office sponsored a series of advertisements on GRTC buses, which travel in the City and not generally in the counties. In addition, Richmond residents are probably more aware of HOME as a resource.

Table 24: Fair Housing Contacts to HOME, Richmond Area, 2000 through 2004

2000-2004	Total	Race	Color	Religion	National Origin	Sex	Disability	Familial Status	Elderly
Richmond	206 44%	87 42%	1 .5%	1 .5%	6 3%	18 9%	57 28%	23 11%	13 6%
Henrico	135 29%	61 45%	6 4%	2 2%	12 9%	3 2%	31 23%	15 11%	5 4%
Chesterfield	128 27%	64 50%	4 3%	2 2%	10 8%	2 2%	27 21%	15 12%	4 3%
Region Total	**469**	**212** **45%**	**11** **2%**	**5** **1%**	**28** **6%**	**23** **5%**	**115** **25%**	**53** **11%**	**22** **5%**

Note: A single report of housing discrimination may involve more than one protected class. The numbers in the Total column are a count of unduplicated cases. The percentages in the Total column are based on the locality Total divided by the Region Total. For this reason the column percentages do not add across to 100 percent.

Source: HOME.

Although the largest number of contacts from all localities were related to race, contacts about Chesterfield were more likely to be about racial discrimination (50%) than either Richmond (42%) or Henrico (45%). And while nationally complaints of disability-related housing discrimination now exceed race-related complaints, in the Richmond area the greatest number of complaints continues to be based on race – almost twice as many race complaints were received as disability. This difference from the national norm may be because Richmond residents are more informed about housing discrimination based on race than the national average, or it might be because persons with disabilities are less aware of their fair housing rights.

The third largest group of contacts to HOME concerned housing problems relating to families with children, which constituted 11% of the total number of contacts.

Complaints Filed with State and Federal Agencies

As described earlier, both the state and federal fair housing laws provide for an administrative process for investigation of complaints of housing discrimination. The Virginia Fair Housing Office is located in Richmond.

The Virginia Fair Housing Office. The Virginia Fair Housing Office (VFHO) investigates complaints of discrimination under the Virginia Fair Housing Law. Table 19 shows that the 141complaints of housing discrimination filed with the Virginia Fair Housing Office from January of 2000 through December of 2004 were about evenly distributed between Richmond (45) and Chesterfield (43), with slightly more complaints in Henrico (53). The three types of discrimination most frequently complained of were discrimination on the basis of race (38%), disability (30%), and the presence of children in the family (16%). This distribution is similar to that for HOME, and likewise different from the national trend of more complaints received alleging housing discrimination on the basis of disability. Henrico had 21 complaints on the basis of disability, substantially more than either Richmond (13) or Chesterfield (8). Race complaints constituted the largest number of complaints from Chesterfield and Richmond. Richmond and Henrico each had 17 complaints of race discrimination, while Chesterfield had the largest number of race complaints in the area with 19 complaints. The third largest number of complaints concerned discrimination against families with children, which were evenly distributed among the three localities.

Table 25: Complaints of Housing Discrimination Filed with the Virginia Fair Housing Office in the Richmond Region, 2000 through 2004

	Total	Race	Religion	National Origin	Sex	Disability	Familial Status	Elderly
Richmond City	**45** **32%**	17	1	0	5	13	8	1
Henrico	**53** **38%**	17	1	4	2	21	8	0
Chesterfield	**43** **30%**	19	3	1	2	8	7	3
Total	**141**	**53**	**5**	**5**	**9**	**42**	**23**	**4**
Percent		**38%**	**4%**	**4%**	**6%**	**30%**	**16%**	**3%**

Note: Total percentages may not add up to 100% due to rounding.
Source: Virginia Fair Housing Office.

Although not every person who filed a complaint with the VFHO called HOME for assistance; nor did every inquiry to HOME result in the filing of an administrative complaint, the number of inquires to HOME (see Table 18) is more than three times the number of complaints accepted by the VFHO for the same region over the same period (Table 19). One reason is that HOME evaluates the complaints it receives for fair housing content, and in many cases provides alternate, more appropriate services rather than simply forwarding the complaint to the State Fair Housing Office. Another is likely to be the VFHO's previous practice of only docketing fair housing complaints if preliminary investigation indicated a problem.

U.S. Department of Housing and Urban Development (HUD). The Virginia Fair Housing Office has been certified by HUD as a substantially equivalent agency. This means that Virginia's fair housing law on its face and in its administration is considered by HUD to provide the same rights and remedies as the federal law. Because of this certification and the relationship between HUD and the state that results, nearly all of the fair housing complaints received by HUD concerning transactions in Virginia are deferred to the Virginia Fair Housing Office for investigation.

U.S. Department of Justice (DOJ). We are unaware of any fair housing enforcement activities in the region by DOJ since 1998.

Complaints Filed in the Court System

Legal search systems generally include only cases in which a written opinion, published or unpublished, has been issued. They do not include cases as they are filed, cases that settle, or pending cases. Lexis Nexis and Westlaw searches of judicial opinions for the 2000 to 2004 period covering Richmond, Henrico, and Chesterfield identified only one fair housing case – HOME v. Nationwide.

However, since the original assessment of impediments study in 1996, HOME is aware of eight local fair housing cases brought in state or federal court. Four are cases filed by HOME alleging homeowners insurance redlining on the basis of race in the Richmond area - HOME v Nationwide Insurance, HOME v Liberty Mutual Insurance, HOME v Travelers Insurance, and HOME v. Prudential Insurance. These cases all involved allegations of redlining City neighborhoods in the provision of homeowners' insurance. HOME v. Nationwide went to trial and ultimately settled, the other three cases all settled before trial. Settlements involved major changes in the ways in which the companies did business, making quality homeowners' insurance available at reasonable prices in neighborhoods which until then had not had access to these products.

Four other fair housing cases were filed with the courts during the period. One involved familial status discrimination in City apartment complex and was resolved in a settlement agreement providing monetary compensation and an increased occupancy standard policy by the complex. Three cases alleged race discrimination. A rental property management company in the City of Richmond settled a racial steering case for $87,000 in monetary compensation, required changes in the company's rental policies and procedures, and fair housing training for company staff. A subsidized housing complex in Henrico County settled claims of a pattern and practice of race discrimination brought by HOME and the Department of Justice. The settlement included $480,000 in monetary relief, a claim fund for additional victims of discrimination by the company, the development of fair housing policies, fair housing training, and other affirmative relief. A white homeowner in Chesterfield County was sued for refusing to sell his "for sale by owner" house to a black buyer. All four cases involved individuals who were seeking housing and had come to HOME for assistance. Testing evidence supported the allegations of discriminatory housing practices.

Chapter 5 *Summary:* Complaints of discrimination to state and federal government agencies from the jurisdictions in the Richmond region, as well as the cases resolved through litigation confirm the presence of discriminatory housing practices in the region. The largest numbers of complaints are based upon race and disability discrimination. Still, housing discrimination is largely underreported and increased awareness of the rights and obligations provided under fair housing laws would benefit both consumers and housing providers.

Chapter 6: Market Analysis of Access to Housing in the Richmond Region

***Issues*:**
Discrimination
Access to neighborhoods of opportunity
Accessibility

As described earlier, the majority of instances of housing discrimination go unreported. Because housing consumers may be unaware of their rights or unable to identify housing discrimination and do not file complaints, a review of complaints alone cannot capture the experiences of all housing consumers or types of housing discrimination. More than half of the people interviewed for this study indicated that consumers were only somewhat or not very aware of their rights under fair housing laws. Most felt that housing providers were more aware, but that private landlords, homeowners, small real estate firms, and developers needed more information. Fair housing testing is essential to gain an understanding of the way in which the housing market functions and the barriers that exist for those looking for housing. Testing is a controlled investigative procedure in which individuals inquire about a housing opportunity and report on their experiences.

In order to evaluate the extent of housing discrimination in the Richmond area, this section looks at the experiences of people in protected classes seeking housing in the Richmond housing markets. Several different types of testing were conducted for this study and are described in detail below.

Testing for Housing Discrimination

Housing discrimination can occur in dramatic, obvious ways, but it more commonly occurs in the communication of untruths, incomplete information, and subtle discouragement. Individuals who are given misleading, inaccurate, or incomplete information about the availability of housing may never know that they have been treated unlawfully because they have no way of comparing their treatment to anyone else's. Frequently the only way to uncover differences in treatment is through the use of testers.

Fair housing testing is a method of uncovering housing discrimination through the use of individuals posing as home seekers. Testers gather and record objective information about the housing transaction. Because complaints filed with local or state agencies or in the courts do not represent either of the number of consumers experiencing housing discrimination or of the frequency of housing discrimination that may really be occurring, periodically conducting fair housing tests or audits to determine how individuals seeking housing are treated in various segments of the housing market is essential. Testing provides a fair and impartial mechanism for determining whether or not home-seekers are being treated fairly in their search for housing. It confirms overtly discriminatory practices and policies and it reveals more subtle differences in treatment that might otherwise be undetected by someone seeking housing. Testing has been upheld by the United States Supreme Court[3], in a case brought by HOME, as a legitimate means of uncovering otherwise concealed discriminatory housing practices.

Matched pair testing is a controlled investigative procedure in which two similarly qualified individuals are sent to inquire about a housing unit. Individuals are matched in every relevant respect except for the characteristic that is being tested, such as race or whether or not there are children in the household. The information received and the experience of each tester revealed in the tests can then be compared. Equally qualified individuals, looking for the same type of housing for the same time period, should receive similar treatment and information.

HOME used matched pair testing to assess the impact of race on the search for housing in the rental and sales markets. A full description of this testing is included later in this chapter.

The number of Hispanic and foreign born residents in the Richmond region has dramatically increased (see Chapter 3). An assessment of the impact of national origin on the search for housing was beyond the scope of this study. A future testing project comparing the experiences of Anglo and Hispanic testers would shed light on whether and to what extent national origin may lead to discrimination in the search for housing.

Testing by a single individual can also reveal useful information, including discriminatory statements and the use and application of various policies and procedures.

HOME used the single contact form of fair housing testing to evaluate the experiences of persons with disabilities, families with children, and Housing Choice Voucher holders seeking housing in the Richmond housing market. These tests were conducted by having a single tester call the housing provider to inquire about the housing, reveal the protected class or other status during the call, and document the response made by the landlord.

For each series of tests, sites were randomly chosen from newspaper advertisements and apartment guides and included large and small apartment complexes, duplexes, and single family homes offered for rent by individual landlords, property management companies, and real estate professionals; or for sale by individuals or real estate professionals. Testers received their profiles and test instructions, conducted the tests, completed detailed documentation of the test experience, and reviewed the test experience with a test coordinator. The test coordinator reviewed the reports of each tester - and, in matched pair testing, compared the experiences of the two testers.

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[3] Havens Realty Corp. v. Coleman, 455 US 363 (1982)

The first two series of telephone tests addressed fair housing for families with children. There were ten single contact telephone tests to determine if landlords used unfair occupancy standards to restrict access to housing for families with children. Another ten telephone tests were conducted to see how landlords' in older buildings that are likely to have lead paint treated families with very young children. Additional discussion about the barriers to housing choice for families with children is found in Chapter 10.

Another series of telephone tests assessed landlords' willingness to work with disabled home seekers by making reasonable accommodations in their policies (10 tests) and reasonable modifications to the units (10 tests). The following sections briefly describe the related issues, how the tests were conducted, and the test results of the familial status and disability tests. More discussion about the barriers faced by people with disabilities is found in Chapter 10. The testing regarding Housing Choice Vouchers is discussed in Chapter 7.

Testing in the Rental Market

Families with Children

Tests for Familial Status Discrimination by Occupancy Standards. Fair housing laws protect families with children from discrimination based on the presence of children in the family. Both the state and federal fair housing laws allow reasonable occupancy standards that do not operate to limit housing choices for families. Neither establishes a specific occupancy standard. However, HUD guidance and a variety of cases across the country have established a general standard of two persons per bedroom, although it might be more or less depending on the size and configuration of the unit. This guideline is substantially fewer than the number of occupants generally allowed by local occupancy codes, which focus on health and safety issues. More restrictive occupancy standards imposed on rental properties by owners, landlords, or managers have the effect – and often the intent – of unreasonably limiting housing choices for families with children.

HOME conducted ten single contact rental tests of randomly selected sites in the City of Richmond to determine whether families with children experience discrimination in securing housing. For these tests, the tester identified early in the conversation that she had children. In twenty percent (20 %) of the tests the landlord discouraged the caller from applying for the unit.

In one test, the tester said she was married with four children and seeking to rent a 3 bedroom apartment. The landlord told the tester that the unit was unsuitable for children, that they had too many people in their family, and that he preferred to rent to students or people between 20 and 40 years old – an overt violation of the fair housing laws.

On a second test, the tester stated she was married with two children and looking for a two bedroom apartment. The agent for a downtown apartment complex offered no information and did not encourage the tester to visit the two bedroom unit.

While the findings from this sample represent some discouragement of families, it appears that the level of discrimination against families with children has declined in the City of Richmond. HOME's history of training and technical assistance for landlords, property managers, and real estate professionals probably contributed to the improvement, as has the training provided by organizations such as the Richmond Apartment Management Association.

Tests for Lead Paint as a Barrier to Families. HOME conducted ten single contact rental tests of randomly selected sites in the City of Richmond to determine whether lead paint in older homes acts as a barrier to families with very young children. Chipping paint in old houses often reveals layers of lead paint that can cause serious developmental and health problems when inhaled or ingested by children under the age of six. Landlords are required by law to provide written notice to tenants prior to signing the lease that a unit has or may have a lead paint hazard. Where young children reside in a building, landlords may be required to abate any lead hazard, which can be expensive. However, landlords are also prohibited by fair housing laws from discriminating against families with children. Landlords of older buildings may not want to rent to households with young children in order to avoid the abatement requirement, but it would be a violation of the fair housing laws to refuse to rent to such households.

For this test series, testers sought housing in buildings that were older and more likely to have lead paint. The tester said early in the conversation that she had a very young child. The goal of this test series was simply to determine how landlords of older units, which are most likely to have lead paint, would respond to an inquiry by a potential tenant with a very young child. The testing was not intended to assess whether landlords are in compliance with lead regulations, an inquiry beyond the scope of this study. Not a single landlord mentioned lead concerns or the age of the unit to the testers. The tester was somewhat discouraged from the unit in only one instance.

When a landlord should provide notice of lead paint hazard is a difficult issue. On the one hand, providing notice at the point of initial contact may save everyone time and money. On the other hand, early notice could be construed as a seemingly legal way to discourage families with children before the family could see for itself that there is not a lead paint hazard. This is the first time that this kind of testing has been conducted in the City of Richmond. More testing and investigation may be necessary to evaluate how lead paint hazards may act as barriers to housing for families with young children.

Disability

Tests for Accommodation of a Disability. HOME conducted ten single contact rental tests of randomly selected sites in the City of Richmond to determine if landlords were willing to follow their legal obligation to accommodate prospective disabled tenants by making reasonable policy changes. For these tests, the caller told the landlord that she had a dog as a service animal for a disability. Among the ten sites tested, all either had a stated no pets or no dogs policy in their ad or were silent about pets. The tests were designed to find out whether the landlord would make an exception for the tester's service animal if pets were not allowed, and whether or not the landlord would waive any pet fees or deposits. Both the change in policy and the waiver of fees are required by the fair housing laws if the animal is necessary for a person with a disability to have full enjoyment of the unit.

Three of the ten landlords tested were unwilling to make the accommodation or discouraged the tester from the unit. In one case, the landlord of a row house refused outright to change his policy of no pets to accommodate the service animal. Legal proceedings around the country have consistently found this response to be a violation of the rights of disabled people to fair access to housing. In the second case, the landlord strongly discouraged the tester from the unit by repeating the policy of no dogs. He continued by saying that, while he knew the difference between a pet and a service animal and did not want to discriminate, he wanted the tester to call other places first and only call back if the tester had no luck elsewhere. This is also likely to be found to be a violation of the fair housing obligation to make reasonable accommodations for persons with disabilities.

The third case involved a large real estate management company. The agent stated he was unsure whether the company would make an accommodation, especially since it managed properties for different owners.

Overall, 70 percent of the landlords stated a willingness to accommodate the reasonable requests to enable a disabled person to reside in the unit, and 30 percent discouraged the tester to some degree. Most of the housing providers tested were aware of or willing to accommodate the need for a service animal. See additional discussion in Chapter 10 of the housing barriers faced by people with disabilities.

Tests for Unit Modification Because of a Disability. HOME conducted ten single contact rental tests of randomly selected sites to determine if landlords were willing to follow their legal obligation to allow prospective disabled tenants to make reasonable modifications to the units. For these tests, the caller told the landlord that due to a disability he or she needed modifications to the rental unit to install grab bars and a raised toilet in the bathroom. Five of ten landlords (50 percent) discouraged the person with the disability from taking the unit.

One rental agent was initially willing to allow the modifications, but discouraged the tester later in the conversation. Another rental agent for a small apartment complex at first said that she thought they would allow the grab bar modifications but that they would have to be removed when the tester moved. She then would not discuss the rental terms over the telephone, but did not encourage the tester to visit the site. Instead she began to discuss the number of stairs to a unit, indicating that there might be as many as 40.

In two instances, illegal inquiries about the nature of the tester's disability were made. In one case, the agent for upscale apartments asked the tester why the modifications were necessary, never stated whether the modifications would be allowed, but suggested the tester look for a unit designed for handicapped people at a different complex. In the second case, the landlord of a row house was reluctant to allow the modifications and asked detailed questions about the tester's disability, including whether or not the tester was handicapped, the kind of disability, the name of the tester's disability, and what part of his body was affected. Such questions are violations of law, although landlords do have the right to request a letter of verification from the prospective tenant's health care provider to confirm the need for the modification.

Finally, the landlord of a row house clearly discouraged the tester from the unit by abruptly ending a call and telling the tester to call back after lunch. The tester called back when instructed, but the landlord did not answer and did not return the call.

This test series identified a significant level of discrimination against people with disabilities who require reasonable modifications to units – half of the landlords were reluctant or unwilling to permit necessary modifications.

Race

Tests for Race Discrimination in Rental Housing. HOME conducted twenty matched pair tests of rental properties in the Richmond area to determine whether the race of the home seeker had an impact on the search for housing. Fifteen of the tests were conducted in the City of Richmond and five in neighboring counties to evaluate the extent of housing choice across the region.

In each paired test, one tester was white and one black. The tester profiles were matched for all relevant characteristics except race, and were similar in employment, household composition, type of property sought and qualification for the unit. Each tester called about an advertised rental property, made an appointment, and viewed the property in person. Properties were located in majority white or integrated neighborhoods and were offered for rent by owner or by a real estate professional. (See Map 12).

Findings. Of the twenty tests conducted, 35 percent (7 of 20) showed differences in treatment that favored the white tester. Six of the fifteen tests in the City (40%) revealed treatment that favored the white tester; the one Chesterfield test favored the white tester;

none of the four tests in Henrico favored the white tester. Examples of the differences in treatment included:

- The Black tester was told by the rental agent that the security deposit on a one bedroom apartment was 1 month's rent while half an hour later the white tester was told by the same agent that the deposit was 1/2 month's rent.

- Both testers asked about 1 or 2 bedroom apartments. They visited the complex on the same day, within an hour of each other, and spoke with the same agent. The black tester was asked to show identification before being shown any units; the white tester was not. The white tester was shown both 1 and 2 bedroom apartments, while the black tester was shown only 1 bedroom units. The black tester was asked by the agent what brought her to "this side of town". The black tester was asked to sign a form authorizing the agent to contact her for 90 days, but did not receive any follow up call. The agent did make a follow up call to the white tester, despite the fact that she had not been asked to fill out an authorization.

- The testers visited an apartment within half an hour of each other. The white tester was offered an application while the black tester had to ask for one. The rental agent introduced himself and shook hands with the white tester but not with the black tester. The white tester was told the apartment was available immediately while the black tester was told the unit would be available more than 9 days later.

- The white tester who met with a landlord was provided much more information about the necessary qualifications and application process, and was also informed of an additional available unit, than the black tester who met with the landlord 20 minutes later. The black tester was asked where she worked while the white tester was not asked about her employment.

- Two testers visited an apartment within 45 minutes of each other. The black tester was quoted rental amounts $100 higher than the white tester. The white tester was given the name and telephone number of the person to contact at the rental office. This information was not provided to the black tester, who was only told that the person showing him the unit was not the owner.

- A white tester was told a credit fee would be $10 while the black tester was told the fee would be $30.

- The agent provided details on the application process and security deposit to the white tester but did not give this information to the black tester. In addition, she told the white tester that she would be willing to be flexible on the lease terms and allow payment of the security deposit over time.

Testing for Race Discrimination in the Real Estate Sales Market

HOME conducted twenty paired tests in the Richmond area to assess the impact of the race of the home buyer on the search for housing. Tests sites were located in the City as well as neighboring Henrico and Chesterfield counties because access to housing is a regional issue.

Two different test designs were used. Fifteen of the tests were local, in which the testers assumed profiles of local Richmond area residents seeking housing to purchase. For each local test, the two testers – one black, one white – made appointments with a real estate agent or private seller to see a specific advertised property. Both testers viewed the same property and that one property only. The five other tests were relocation tests, in which the two testers assume profiles of two prospective homebuyers from out of town – one black, one white – and contact the same real estate office for assistance in finding a home to purchase. Testers made initial inquiries about an "anchor house," but were instructed to see any properties that the agent suggested.

The two test designs, local and relocation, serve different purposes. The local tests are designed to highlight differences in treatment between the two testers. Do black homebuyers receive the same information and advice as their similarly qualified white counterparts? Are they treated with the same level of respect, courtesy, and professionalism? Are they given an equal opportunity to purchase the property and encouraged with the same amount of enthusiasm? Local sales tests offer important evidence of the barriers that black homebuyers may face during the process of viewing a particular home with a real estate agent or private home seller.

However, one significant barrier to housing choice for black homebuyers that is less likely to be assessed through local sales testing is racial "steering." Steering refers to the act of limiting the choices of homeseekers through withholding or selectively emphasizing certain information and directing – or steering - potential buyers toward or away from housing located in various neighborhoods. Relocation testing is a particularly effective tool for uncovering racial steering in real estate sales because buyers moving to the area are not seeking housing in any particular neighborhood and are unfamiliar with the characteristics of various neighborhoods. Agents are therefore free to select neighborhoods for the tester and are more inclined to "educate" testers about neighborhoods. Comparison of the neighborhoods and information offered to white and black testers provides valuable information about which neighborhoods and areas are emphasized or ignored by agents, and the areas of the region that are most affected by racial steering to be identified. Relocation tests often require multiple visits with an agent, are much more complex, time-consuming, and expensive to conduct. The sales testing element of this study sought to strike a balance between the two types of sales testing and the information learned from each.

Following each matched pair sales test – local and relocation – both testers completed extensive reports documenting their experiences during the test. The reports were reviewed by the test coordinator and the test experiences were compared.

<u>Findings – Local Sales Tests (15)</u>

In six out of fifteen (40 percent) matched pair local sales tests conducted, the black tester received less favorable treatment than the white tester. Examples of these differences in treatment are as follows:

- The agent provided the white tester with a business card and brochure. The agent apologized to the black tester for not having any brochures or business cards, then asked the black tester for a pen and a piece of paper so that the agent could write down her email address. The agent also gave more detailed advice about selecting a home to the white tester, i.e. developing a list of criteria and sending it to the agent by email.

- The agent asked the white tester if she had looked into financing, and gave her the name of a mortgage broker, including the name and phone number of a specific person to contact. The agent did not discuss financing with the black tester at all. The agent explained to the white tester that the sellers really like the neighbors and that they watch the house when the sellers are away. The agent also told the white tester that his friend lives in the neighborhood and loves it. The agent told black tester only that the neighborhood was great and quiet.

- The agent made comments to the white tester about the Fan and Church Hill getting so pricey but that not so long ago "people" did not want to live in either neighborhood. After the white tester told the agent that she was going Christmas shopping, the agent rolled his eyes and joked that he hoped she was going to the West End and not down Midlothian. The agent also offered to set up a website for the white tester to show properties that were specific to what she was looking for, but made no such offer to the black tester.

- With the white tester, the agent gave a detailed account of his person history with the sellers of the house, but did not mention this history to black tester. The agent provided details to white tester about updates to the air conditioning and furnace, but did not provide these details for the black tester.

- Both testers contacted the same agent about a property, but the white tester received a response from and met with the listing agent, while the black tester never received any communication from the listing agent and met with a different agent. The listing agent made suggestions about other neighborhoods to the white tester and offered to take her to those neighborhoods. The other agent only offered to show the black tester another house in same neighborhood. The white tester was told about houses west of Chamberlayne Avenue and in Southside and

Chesterfield, while the black tester was told about a house east of Chamberlayne Avenue.

- The agent offered her company's brochure to the white tester but not to the black tester. The agent invited the white tester to call if there were other properties that she wished to see, but did not suggest a future meeting with black tester.

Findings – Relocation Tests (5)

In the relocation sales tests, testers posing as out of town buyers contacted real estate agents about house hunting and spent a significant amount of time with the agent. Testers called about a specific advertised house within the City, but then asked an agent to suggest other houses to see when the tester arrived in town, as a genuine homeseeker would do. Agents frequently showed properties in different neighborhoods to the black and white testers. In all five tests, the various real estate agents made remarks to testers about the characteristics of areas that encouraged or discouraged them about the neighborhoods. In some instances, the comments included remarks about race. Even though all of the houses the testers initially called about were located in the City, in several instances testers were only shown houses outside the City.

- The agent told the black tester that Highland Park has seen better days but that it is an investor's dream. The agent did not mention Highland Park at all to the white tester. The agent told the black tester that Area 20 is where everyone wants to be, but the only neighborhood he mentioned was the Malvern area, which he described as "yuppieville". The agent told the white tester about specific sub-areas in Area 20 (Westhampton, Colonial Place, anything with "Monument"), and said that the school district is great. The agent did not mention Southside to black tester, but told white tester about Westover Hills being up and coming, especially if you head toward Chippenham on Forest Hill. Agent also told white tester that the area between Forest Hill and the river was better than the other side of Forest Hill

- The agent commented to the white tester that Ginter Park was an area where "you can have two brand new renovated houses and a house next door that is occupied by a 90 year-old woman, but the 90 year-old woman has children and grandchildren who are very ghetto and will have a lot of ghetto friends. Some of the houses in the area may also be low rent and attract some of the element." The agent pointed out groups of black teenagers on Chamberlayne Ave. and refered to them as examples of "the element." The agent said she wouldn't sell the white tester anything in certain "shaky" areas around Ginter Park, and wouldn't take the white tester toward M St. or Chimborazo in Church Hill. The agent also described to the white tester how whites flee quickly when areas become more urbanized and referred to the white flight that had taken place in Church Hill, as well as in Northside.

- Both testers called about a house in the Bellevue neighborhood on the Northside of Richmond. The house was no longer available when the white tester called.

The agent scheduled viewings of five homes for the white tester; three in western Henrico; one in Oxford and one in Westover Hills in the City. The agent also drove the white tester through the Glen Hill development in Henrico. Viewings of 11 homes were scheduled for the black tester by two different agents, all in the City of Richmond – two in Church Hill, six in Northside, and three in Southside (north of Semmes). The agent mentioned a house in Church Hill to the white tester but did not take him there, telling the white tester that Church Hill used to be a war zone and now a lot of yuppies are moving in.

- A black tester was told by the white agent that most people in Church Hill send their children to private school, so that was something she and husband should consider if they decided to buy there. The tester said that she wanted her child in a racially and socio-economically diverse group of people and the agent responded that the tester should be sure there are enough children in the classes who are on the same level so her child is not held back. When the tester continued to express interest in the house in Church Hill, the agent reminded her of the things she didn't like about the house. The agent gave vague or no information about prices of the houses and listings he showed the black tester, providing a price for 3 out of 8 properties listed. He stated that the others were "about the same range as the others" or that he did not know. The white tester saw the same agent but shown no houses in Church Hill. In describing the Ginter Park area, the agent referenced the white flight of the 1950's and 60's and discussed the increasing property values that are bringing people back.

- A black agent gave the white tester a business card and information sheets with several different property listings and also offered to e-mail her listings as they came available. The same agent gave black tester a business card only, but asked if there was a way to get foreclosure listings to her. The white tester was shown properties in the City. The agent showed the black tester homes exclusively in Chesterfield County where he said she and husband could get "more house for their money." He said the taxes were lower in Chesterfield and the schools were better than in the city of Richmond. The agent said he did not have children but if he did, he would not want them in Richmond Public Schools. All properties he showed her in Chesterfield were new or fairly new and were priced in her range.

Chapter 6 Summary: As demonstrated in the audit testing conducted for this study**,** homeseekers are denied access to the full range of housing choices. Race discrimination in rental and sales still occurs at unacceptable levels and landlords are particularly unaware of their obligations with respect to the housing needs of people with disabilities. Anecdotal information indicates that Hispanics are experiencing discrimination, but there has been no assessment of their experience in the rental or sales market.

Chapter 7: Affordable Rental Housing

Issues:
Affordability
Concentration of poverty
Gentrification

Housing prices in Virginia are in the top third of housing costs in the nation, and are rising at a rate that far exceeds the national average. In the Richmond area, between June 2004 and June 2005 the Housing Price Index rose by 15.9%, compared to the national average of 8.0%. The National Low Income Housing Coalition's annual study of rental housing costs, "Out of Reach 2005" found that of 45,539 renter households in the City of Richmond 57% were unable to afford[4] a two bedroom apartment at the fair market rent of $757; 45% of the renters in the region were unable to afford such an apartment. People in Virginia who rely on monthly Supplemental Security Income (SSI) as their only source of income receive $579 – not enough to pay the fair market rent for an efficiency apartment. The fair market rent in the City of Richmond for an efficiency is $625, and for a one bedroom apartment, $678.

As the numbers demonstrate, housing affordability has become an issue that affects far more people than those traditionally considered to be in need of a housing subsidy. A look at the positions advertised on the City of Richmond's website indicates that the salaries for many essential workers are insufficient to meet the affordability standard for a two bedroom apartment; virtually every person interviewed for this study felt affordability was a problem.

This chapter will discuss existing affordable housing programs and their limitations, as well as political and regulatory barriers to affordable housing. It will also discuss the relationship of the great concentration of poverty in 31 census tracts to affordable housing opportunities and what this means for low-income households.

As implied in the opening paragraph of this chapter, for many residents of the Richmond area, affordable housing means subsidized housing. Federal funds have traditionally been the greatest source of subsidies for housing, but those funds are diminishing. We will discuss the largest subsidy programs: site-based Section 8, Housing Choice Vouchers, and the use of the Federal Low Income Housing Tax Credit program. We will also discuss public housing, and alternative sources of support for affordable housing.

[4] A dwelling is considered affordable if the household pays no more than 30% of their income for rent.

The Context: Segregation, Concentration of Poverty and Access to Neighborhoods, Gentrification

There are 31 census tracts, home to 86,000 people, in which more than 20% of the residents are living in poverty. 79% of the residents of those census tracts are African American. This concentration of poverty runs from Henrico County through the eastern side of the City of Richmond and into Chesterfield. Numerous studies have shown that such a concentration of poverty not only limits the quality of life and the futures of its residents, but has a negative impact on the community as a whole, with increased crime, less well educated citizens, and more need for services, among other things. Given the percentage of the African-American population, these census tracts are also highly segregated.

In looking at the needs for affordable housing, the availability of a sufficient number of units and where those units are located are equally important. Affordable housing placed in areas where many poor people already live is a temporary, and in the long run, unsuccessful solution. Not only do these developments tend to deteriorate over time because it is difficult for the residents to take pride in their community, they do not offer their residents access to the opportunities that will allow them to improve their lives and the lives of their children. As a result, they have little chance to escape poverty. Healthy neighborhoods offer better schools, decent grocery stores, healthy recreational opportunities, shared norms to help guide children, social networks that provide information about jobs or parenting support, far less crime and violence, and access to better jobs.[5] Poverty also reinforces the negative impacts of segregation, and the location of so many African-Americans in these areas of concentrated poverty strongly limits their ability to gain access to the opportunities that would mean real equality.

Both the Mayor and Richmond's City Council have recognized the importance of creating mixed-income neighborhoods, and the Richmond Redevelopment and Housing Authority has also adopted a plan that calls for the provision of mixed income communities. These are important commitments, but they will require substantial resources and political will to achieve.

Successful deconcentration of poverty requires two equally important approaches: the revitalization of the poor neighborhoods with investments that attract middle income residents and create socially and economically integrated communities, and the creation of affordable housing opportunities in low poverty neighborhoods. Everyone is in favor of the first approach, far fewer support the second.

There are many factors that lead to an emphasis on the revitalization of disinvested neighborhoods instead of the creation of affordable housing opportunities in low poverty communities. In addition to the obvious needs to improve housing conditions and encourage private investment in currently impoverished neighborhoods, there is a

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[5] See, among many other sources, Margery Austin Turner "Why Housing Mobility? The Research Evidence Today", in Poverty & Race, January/February 2005.

tendency for affordable housing developers to work in lower income communities. The areas may be targeted for redevelopment with a variety of incentives in place, land will be cheaper there than in middle income communities, non-profit developers in particular may have a commitment to working in a particular disinvested neighborhood, and there is less likely to be strong opposition to new, improved multi-family development.

Once reinvestment begins to take place, however, there is frequently an emphasis on single family homeownership, driven by the advantages to the community of an increased number of homeowners. Residents of the City's Neighborhoods in Bloom, for example, have strongly opposed additional rental housing, regardless of quality or market level.

As the City is successful in promoting the revitalization of neighborhoods such as the Neighborhoods In Bloom, low income renters will inevitably be displaced. For communities targeted for revitalization the prospect of displacement is real – and can and has led to opposition to the proposed investments. There have been many informal discussions about the potential for gentrification, and members of City Council have on occasion expressed concern, but to our knowledge the topic has never been raised in a formal way and no strategies have been devised to deal with it.

Efforts to provide affordable housing in low poverty neighborhoods generally meet great resistance, and localities and neighborhoods have numerous ways to keep such housing out, from zoning to high permitting fees. In Richmond, developers complain about a confusing and frustrating process that delays projects and drives up costs. In the Richmond area, these almost universal constraints are exacerbated by the independent city form of government and the historic lack of cooperation between the majority black City and the majority white counties. The City can make progress on its own, but ultimately, in order to provide all the residents of the region with sufficient affordable housing choices near good schools and good jobs, there will have to be a concerted regional effort. While such cooperation has yet to occur, there is an increased recognition by many that if the region is to be economically healthy it will have to address issues of sprawl, transportation, and housing regionally. While there seems to be more energy around these discussions than in the past, it remains to be seen whether or not they can overcome the traditional inertia and resistance.

Section 8 Housing[6]

The federal site-based Section 8 program was for many years the largest source of subsidy for rental housing. Housing projects built with Section 8 funding must contain a set number of units that are available to qualified households with an income of less than 80 percent of the median, for which tenants pay 30 percent of their income. However, the program was discontinued years ago. Contracts for the existing subsidies, many of which date from the 1960's and 1970's, are not being renewed, and the units are being converted to market rate.

[6] This analysis is based on a database of complexes with agreements with the U.S. Department of Housing and Urban Development.

As of October 2004, there were 4919 subsidized units in 37 Section 8 developments throughout the Richmond area. Of those, 2698 units, or 55 percent, were located in 21 developments in the City of Richmond. Area-wide, contracts governing the subsidy for 1849 units, or 38 percent of the total, were set to expire during HUD Fiscal Year 2005, which started in October 2004. Of those, 476 units are in the City. The elimination of these units from the program will remove 18 percent of the total number of Section 8 units in the City and 1373 units, or 62%, of the non-City units. While some developments renew rather than convert to market rates, it is likely that a significant amount of affordable housing has been lost in the past year alone.

Low-Income Housing Tax Credit Developments[7]

The Federal Low-Income Housing Tax Credit (LIHTC) program is now the major source of federal support for affordable housing. The program provides developers with a federal income tax credit, and in the case of non-profit developers creates an incentive for private investors to participate in the construction and rehabilitation of low-income housing. Participating properties must set aside a certain number of units for low-income residents.

The Low Income Housing Tax Credit program is administered by the Virginia Housing Development Authority. VDHA establishes an annual "Qualified Allocation Plan", which defines the criteria for ranking applications. Additional points are given to projects supported by their localities, which means that although localities do not have a direct role in the administration of the LIHTC program, their support or lack of it will have a major impact on whether or not the project is built. There has been much criticism of this provision, which allows localities to keep subsidized housing out regardless of whether the appropriate zoning is in place, but so far no changes have been made.

There is a wide range in the number of tax credit units per 1000 population among the jurisdictions in the Richmond area (Table 25), with Richmond leading the area in providing LIHTC units: 52 complexes, or 24.7 low-income housing tax credit units per 1000 people.

[7] Based on Virginia Housing and Development Authority's (VHDA) list of Low-Income Housing Tax Credit properties.

Table 26: The Number of Family and Elderly Units in VHDA Administered Low Income Housing Tax Credit Properties by Locality in the Richmond Area, 2003

	Total		Elderly		Total Units Per 1000 Population
Locality	Number of Complexes	Number of Units	Number of Complexes	Number of Units	
Richmond	52	4889	15	1497	24.7
Henrico	27	3673	6	509	14.0
Chesterfield	13	1650	4	293	6.3
Total	92	10212	25	2299	14.2

*Population is based on 2000 Census Data

Source: HOME analysis of VHDA and 2000 Census data.

Fifty of the fifty-two LIHTC complexes in the City are located in census tracts in which African-Americans are at least 20% of the population. Eight of the sites in the City are located in the most segregated block groups, those where upwards of 95 of the population is African-American. In the region, LIHTC properties tend to be located in census tracts with proportionately larger black populations as well.

In 2005, citing concerns that the Low Income Housing Tax Credit program was contributing to increased segregation and the concentration of poverty, HOME requested VHDA to review its administration of the program. As a result of that review, VHDA revised its Qualified Application Plan to provide additional points for developments in areas of <10% poverty in which there were no other LIHTC projects.

Public Housing

Unlike Section 8 properties and projects utilizing the Low Income Housing Tax Credit, which are owned and managed by private owners, public housing is owned and managed by the Richmond Redevelopment and Housing Authority. RRHA owns, manages and provides programs for 4,085 public housing units at 23 locations. Most of the larger public housing developments were built in the 1950s. The smaller sites were generally built later, after widespread recognition of the negative impact on both the residents and the surrounding communities of such large sites. Public housing sites for families in Richmond are either very large, with more than 400 units, or small sites with less than 100 units. The large public housing sites are concentrated in the northeast quadrant of the city.

Historically, across the country public housing was generally built in black neighborhoods, where land was cheap and public opposition was more easily overcome. This was the case in Richmond as well. The neighborhoods surrounding public housing sites were and are highly segregated by race. Most of the block groups in which public housing is located are between 95 and 100% African-American (Map 19).

With one exception, all public housing units are within the City's high poverty census tracts. This concentration, which has been recognized as an issue by both the City and the Housing Authority, not only limits the quality of life and opportunities available to residents but also contributes to problems of crime and other social ills that affect the entire community. The existence of large public housing complexes nearby also hinders revitalization efforts in nearby neighborhoods.

Resident Demographics. The vast majority of public housing residents in Richmond are African American. The "Demographics Profile for RRHA Communities" on the RRHA website describes 3,782 households, of which only six are listed as non-minority.[8] While this document does not break the minority category down by race or ethnicity, RRHA has said that the large majority are African-American. There is a very small but growing number of Hispanic residents in public housing, despite barriers such as issues of documentation and immigration status, limited availability of bilingual staff or translated documents, and the location of public housing in parts of the City where very few Hispanics live.

Public housing serves those with few other housing choices: the average household income in public housing is $9,010 per year. The most common major source of income for households in public housing is Social Security, followed closely by employment. For those not living in housing for the elderly, employment is the most frequently listed primary source of income. In non-senior sites 92 percent of households are female-headed and the average household includes 1.5 dependents.

Waiting List and Preferences. RRHA is accepting applications for all units except one-bedroom units. As of fall of 2004, there were 991 households on the waiting list for units with two or more bedrooms, and more than 1900 on the waiting list for units with one bedroom. There are only 484 one bedroom units in non-senior public housing. The vast majority, 2523 units or 73% of the total family units, have either two or three bedrooms.

The Housing Authority has three preferences for taking new residents, all of which carry equal weight: those who are without housing, those escaping domestic violence, and working families. How long an applicant must wait depends in part on whether or not they meet one or more of the preferences. The preference for working families is designed to attract households with higher incomes, part of an effort to reduce the concentration of poverty within public housing.

Changes in public housing:

A number of years ago RRHA used federal HOPE VI funds to demolish public housing in Blackwell in order to create a lower density, mixed-income community. The plan was to demolish the 440 public housing units and replace them with a mix of rental and homeownership opportunities. After a slow start, the Housing Authority is creating an attractive community which is having a positive impact on the surrounding

[8] The demographic information covers only the residents of the six large public housing complexes and elderly housing, not any of the smaller sites.

neighborhood. However, the other half of the equation – providing new opportunities for the existing residents – has not been nearly as successful.

Only 22.5% of the public housing units were replaced with other subsidized (Low Income Housing Tax Credit) rental housing. Most of the residents were simply transferred to other public housing units elsewhere in the City. Relocation assistance did not include any encouragement or assistance in finding housing in low poverty areas, and few, if any, Housing Choice Vouchers were provided.

Resident services above and beyond relocation assistance – job training, for example – were regarded as a vitally important part of the plan. Both housing advocates and some RRHA staff have said that in practice these services were nonexistent. In other words, several hundred very low income households were simply moved from one high poverty area to another. The relocation process reinforced concentrated poverty elsewhere in the city and did little to improve the quality of life for those who were displaced. Essentially, the HOPE VI program was developed and administered in a vacuum, in which positive results for Blackwell were the only goal.

In 2002, RRHA applied for additional HOPE VI funds to demolish part of Mosby Court. However, the Mosby Tenants Council felt residents had been insufficiently involved in the planning process (they also recognized that the residents of Blackwell's public housing had not benefited greatly from the HOPE VI project there), and opposed the project. HUD ultimately denied the application. At the end of Fiscal Year 2003, the federal government stopped allocating funds for new HOPE VI projects.

In June of 2005, after a lengthy strategic planning process in which public housing residents and a variety of other community stakeholders were involved, RRHA adopted a new Vision and Mission Statement, along with stated Values, Goals, and Initiatives. The first goal is "Revitalized Residential and Commercial Communities" that "create healthy and stable communities". This goal includes three objectives: creative and improve quality affordable housing, develop mixed use/mixed income planned communities, and deconcentrate poverty.

The Housing Authority should be commended for the quality of its plan and the way in which the plan was developed. However, RRHA faces enormous barriers, both internal and external, to success. Its leadership recognizes that they will need to rely on the cooperation of private (both non-profit and for-profit) partners – and this will require changes in the way they do business. The major external barrier is that any effort to help people move out of high poverty areas raises immediate resistance in the community. Successful implementation will require substantial political will on the part of the Mayor and City Council, the support of community and business leaders, and completion of demonstration projects with positive results. The Mayor's creation of a "Housing Czar" and new Housing Task Force is an important step in helping the Housing Authority achieve its goals.

Politically, it will be easier to invest in the conversion of public housing complexes to mixed-income communities than to help existing residents of public housing move to low-poverty neighborhoods elsewhere. There are many barriers to such moves, and people making such a major transition require substantial, long-term services to be successful. Yet both must happen – and given that most job creation is taking place in the counties, if public housing residents are to have access to the kinds of opportunities necessary for success in life, affordable housing opportunities must be available there as well.

Housing Choice Vouchers

RRHA also administers the Housing Choice Voucher program, a tenant-based form of assistance that pays part of the rent for low income households renting from private housing providers. The vouchers are portable: vouchers obtained in Richmond may be used anywhere in the country (including the surrounding counties).

Housing Choice Vouchers are funded by the Department of Housing and Urban Development. The program has never been funded at a level which would allow it to meet the need, and the proposed “block granting” of voucher funds is anticipated to encourage Housing Authorities to fund fewer households. Further, it is expected that the allocation for vouchers will decrease over the next several years.

RRHA administers roughly 2800 vouchers, and has had some difficulty in using them. In 2001, it was reported that the Housing Authority would be required to return between four and six million dollars in unutilized voucher funds. The major cause of the underutilization appears to have been the inability of voucher holders to find housing providers willing to participate in the program. The Housing Authority says it has addressed the problem by recruiting more landlords for the program and has said it has achieved utilization rates as high as 98 percent. In 2004 it reported a utilization rate of 93 percent, which apparently reflects an effort by program managers to plan for the decreasing allocations they expect in the future, minimizing the chance that they will issue a voucher one year that the program cannot afford the next. While understandable, this approach also has the potential to drive future allocations down.

Voucher Holder Demographics. RRHA provided limited and conflicting data on the demographics of voucher holders. Data were provided for only 2359 voucher holders, although all other information made available for this report indicates there are roughly 2800 households with vouchers. RRHA issued 502 vouchers to persons with disabilities, and 333 to persons over age 55. There was no breakdown between families with children or single persons.

Housing Choice Voucher Waiting List.
RRHA last accepted new applications for vouchers during a brief period in late May 2003. At that point the organization took in 11,753 voucher applications. All had incomes below 50% of the Area Median Income, and 84% had incomes below 30 percent of the

AMI. There were relatively few elderly or disabled applicants. Practically all (99.3%) were African-American. Only 33 Hispanics and no Asian Americans applied. No information was provided on the number of families with children.[9]

A lottery was used to determine the order of these applicants on the waiting list. Those on the waiting list will receive vouchers only if a voucher is vacated or if new vouchers are allocated by HUD. In the following year the Housing Authority issued roughly 400 vouchers to applicants on the list. This is consistent with the program's reported average turnover rate of approximately 350 vouchers per year.

As of December 2004, 7,362 applicants were on the list. Presumably the remainder of those who applied did not qualify for the program. As is obvious, there are far fewer vouchers available than are needed.

Where Voucher Holders Live. In contrast to public housing, the voucher program was initially conceived as a way to broaden the range of housing opportunities for the poor and give them access to low poverty neighborhoods. For a variety of reasons, it has not worked this way, either in Richmond or in most other places in the country.

RRHA refused to provide a list of addresses for voucher holders, but did provide ZIP codes for 2,799 of the 2,846 voucher holders. Analysis of the ZIP code list shows that voucher holders are concentrated in high poverty – and highly segregated - neighborhoods, (Map 20).

Barriers to Housing for Voucher Holders. Although an initial goal of the voucher program was to expand housing choices, in reality choice has been very limited. There are a number of reasons. First, there is no requirement that a housing provider accept vouchers, and many do not. Furthermore, most voucher holders lack extensive homeseeking skills, a network that provides information about housing opportunities in low poverty neighborhoods, or the belief that something better is possible. Moving away from neighborhoods that may be impoverished also means moving away from the people and places they know, to an uncertain future. The third primary limitation on the mobility of voucher holders are the Fair Market Rent calculations that set the rent limits on dwellings – which may be far lower than that required to move to a low poverty neighborhood. And in some cases, the Housing Authority administering the program does so in ways that discourage expanded housing choices.

Lack of participation by housing providers: Housing providers across the country give various reasons for not participating in the program, from a fear that tenants will harm the property to dislike of the program's bureaucracy. In 2000 HOME surveyed a small sample of housing providers in the Richmond area to find out why they did not want to participate.

Responding to the questionnaire and in discussions, local property managers said that participation in the voucher program was not cost effective. They cited the time required

[9] Annual Plan, Richmond Redevelopment and Housing Authority, February 2004.

to manage the additional burdens that come with the voucher, such as paperwork, inconsistent standards for inspections, inspectors who did not come when expected, and tenants whose small share of the rent did not invest them in caring for the property. They felt that the voucher program was only beneficial for properties for which there was no other market: older properties or those in less attractive neighborhoods with high vacancy rates.

For this study HOME conducted a market analysis of housing providers in the Richmond area whose rents met HUD guidelines for the voucher program, to determine the extent to which private landlords would accept vouchers. Twenty-five test sites were chosen in areas of relatively low poverty from advertisements that did not indicate whether or not vouchers were accepted. Seventeen were in the City; eight were in the counties. A person trained to conduct such tests and posing as a bona fide homeseeker called each provider, inquired about the housing in the advertisement, and asked whether a voucher would be accepted.

Eighty percent of the time the voucher holder was either refused or discouraged. Fourteen housing providers (56%) refused to accept vouchers altogether. In another six tests (24%) the providers did not refuse the voucher outright, but gave uncertain and discouraging responses. In only five of the 25 tests – 20 percent - did the landlords state their willingness to accept vouchers.

Several landlords indicated unfamiliarity with vouchers or how they worked. Two landlords suggested that the tester call back three months later, effectively denying the housing opportunity. One rental agent said he would call the owner and check on whether a voucher would be accepted and call the tester back. He never called back. One provider with units in Westover Hills, Monument Avenue, and Church Hill said she did not accept vouchers but referred the tester to another apartment complex on Broad Rock Road – an area of much higher poverty.

Two providers made reference to difficulty in working with the Housing Authority (one referred to it as a "tough agency to work with", the other described problems with inspections). Two landlords made discriminatory comments: one asked the tester whether she had a disability, the other asked whether she had children and said that the second floor unit in question would not be safe for children.

The study clearly confirmed that without some form of intervention, the vast majority of otherwise eligible properties (80%) are not available to voucher holders.

RRHA staff said that about 850 landlords participate in the voucher program. However, since they would not provide the addresses of voucher holders there was no way to determine how accurate that number is. Lists provided in the past have included many housing providers who may have accepted vouchers at one time but no longer do. We have no way of knowing why they chose to stop accepting the vouchers. RRHA does not gather information on the experience of housing providers with the program, and so has no basis on which to improve its customer service or address any problems that discourage landlord participation.

Lack of skills on the part of the voucher holders:
According to RRHA staff, the greatest impediments to housing for voucher holders are choices the voucher holders themselves make, such as moving beyond the range of public transportation, paying more in order to rent a house rather than an apartment, or running up a utility bill much higher than the utility allowance provided under the program. The existence of these self-imposed barriers, however, emphasizes the need for education and training to enable the voucher holders to take advantage of the opportunities otherwise available to them.

Fair Market Rents:
The so-called “Fair Market Rent” cap limits, but does not eliminate, housing opportunities for voucher holders in low poverty areas. Seventy-two percent of the voucher holders who moved after participating in HOME’s Housing Search Assistance Program moved to low poverty neighborhoods.

Overcoming the Barriers to Expanded Housing Choice for Voucher Holders:
It has been demonstrated in different localities across the country that many barriers to the use of housing choice vouchers can be overcome through so-called “mobility” programs. The first mobility program was the Gautreaux program in Chicago, in which public housing residents (almost all African-American) were given vouchers and encouraged to make pro-integrative moves. Because of the strong correlation between race and poverty, these pro-integrative moves also resulted in access to low poverty neighborhoods.

As a result of the success of the Gautreaux program, the federal government began funding mobility programs in other cities. In 2001, in response to a notice of funding availability from HUD, RRHA selected HOME to develop and implement a Housing Search Assistance Program to improve the voucher utilization rate and help voucher holders move to low poverty neighborhoods. The three year program began in 2002 and expired in May 2005. It provided training and support services for voucher holders, and extensive recruitment and support for housing providers in low poverty neighborhoods to persuade them to participate in the program.

Voucher holders were encouraged to participate in the mobility program through active recruitment by HOME staff, and received training in housing search skills, how to be a good tenant, money management, and other areas which were of concern to housing providers. Graduates of the training received “Superior Tenant” certificates. These certificates were used as a recruiting tool for housing providers, to eliminate any concern about the quality of tenants coming from the program[10]. HOME also provided a number of support services for participating landlords, including conducting inspections at convenient times, and assistance in getting the necessary paperwork through the Housing

[10] One participating housing provider commented that the quality of the tenants who had graduated from HOME’s program was better than someone who just walked in off the street.

Authority in a timely manner and rent payments made quickly. The program was extremely successful as long as it had the support and cooperation of RRHA.

However, in the middle of the program, there were a number of staff changes at the Authority, and for all practical purposes support for the program ceased. In September 2004 the Housing Authority refused without explanation to allow HOME to continue providing most of the support services for housing providers. It also stopped the recruitment of voucher holders for the program. By the time these issues were resolved and the Authority was willing to continue the program as set out in the grant application, program funding had expired and the federal government had announced it would no longer support mobility programs. The result of this disruption was that the Housing Search Assistance Program was unable to meet its total numeric goals. However, of the 158 voucher holders who decided to move, 114 succeeded in finding housing in low poverty neighborhoods.

RRHA's support for efforts to help voucher holders move to low poverty areas is essential, but the agency has been sending mixed messages about its commitment to this goal. The Authority's 2004 annual plan says that voucher holders are encouraged to seek housing in the surrounding counties and in areas where fewer low-income households live, and the Strategic Plan adopted in June 2005 specifically includes deconcentration of poverty as an objective, and the expansion of the Housing Choice Voucher program as a way of achieving this.

However, as described earlier, in mid-2004 RRHA effectively ended the Housing Search Assistance Program, and in a December 2004 interview program staff said that they now encourage voucher holders to seek housing close to public transportation and the voucher holder's "existing support network." Program staff went on to say at that time that deconcentration of poverty is not a priority for the Housing Choice Voucher program, and that HUD no longer regards it as a priority either. This does not appear to be true, although HUD is also sending mixed messages. In response to a request for clarification of HUD policy, the Richmond HUD office confirmed with HUD officials in Washington that there has been no such change in policy regarding mobility and deconcentration of poverty in the Housing Choice Voucher program. However, the lack of funding for mobility programs, Fair Market Rent limitations, and informal comments by some officials in HUD headquarters call their commitment to the deconcentration of poverty into question.

In late 2004 and early 2005, RRHA staff also said that they are instructing voucher holders to seek "modest housing" that does not have amenities such as carpet and air conditioning. Further, participating housing providers reported to HOME that they were being told by RRHA's housing inspectors that voucher holders in outlying areas were being encouraged to move back into the City to "save gas and time for the inspectors".

We do not question the commitment of the Housing Authority's leadership to the goals in their strategic plan. We do recognize that much remains to be done to ensure that the entire staff understands and supports the goal of helping voucher holders move to neighborhoods of opportunity, and the deconcentration of poverty generally. Without their full support and commitment, the Housing Authority, which is a critical player in these efforts, will create barriers to housing choice for voucher holders and undermine the City's efforts to deconcentrate poverty.

Chapter 7 Summary: For the majority of renters in the City, housing is not affordable. There is a vast concentration of poor people living in close proximity, resulting in a poor quality of life for them and increased problems for the larger community, such as crime, a high need for services, and a poorly educated workforce. Housing Choice Vouchers are not accepted by many landlords, further reducing the affordable housing choices available for many Richmond residents. Revitalization also leads to displacement of those who cannot afford higher rents. It is critical to seek solutions that create mixed income communities that allow existing residents to remain in their neighborhoods as well as support for mobility to other neighborhoods of opportunity.
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Chapter 8: Homeownership

Issues:
Affordability
Credit environment
Lack of individual capacity

Introduction

Owning their own homes is the way Americans build wealth: equity in a home is used to pay for education, to start a business, and to give children a wide range of advantages that will allow them to compete successfully in the future[11]. To be an effective wealth-building tool, the house must appreciate in value over time, and the homeowner must be equipped to retain the home while the value increases. Further, a high level of homeownership in a community is generally considered to be an indicator of community health.

The City of Richmond, with its relatively low median income and homeownership rates, and large concentration of census tracts with more than 20% of the population living in poverty, looks at increasing homeownership as a way of revitalizing neighborhoods and helping to create the mixed income communities many in the City believe are essential for its economic health. When looking at the question of homeownership from the perspective of an individual homeseeker, however, an important aspect of the decision to purchase a house must be whether the house is a good investment – will it increase in value?- and whether purchasing the house will give the family access to corollary benefits, such as good schools and good jobs.

The homeownership rate in the City of Richmond is substantially lower than the rate in Chesterfield and Henrico Counties, and the rate of homeownership among African-American households is lowest of all. However, while the City lost 1640 white homeowning households in the decade between 1990 and 2000, the number of black families owning their own homes increased by 638[12]. Since 560 black families received counseling and down payment assistance during this period through a program administered for the City by HOME, the City can take credit for most of this increase.

Houses in the City have a lower median value than those in the adjoining counties, which makes them more affordable, but which also reflects a lower rate of appreciation in certain neighborhoods. In general, however, the cost of housing in the Richmond area has

[11] Boehm, Thomas P., and Schlottman, Alan M., *Housing and Wealth Accumulation: Intergenerational Impacts*, in Retsinas and Belsky, *Low Income Homeownership: Examining the Unexamined Goal,* The Brookings Institution, 2002.
[12] Virginia Housing Development Authority, *City/County Detail*, Housing Needs Assessment, 2001.

risen much faster than the national average, which is pricing many people out of the market[13]. From another perspective, investment in previously disinvested neighborhoods also results in increased housing prices, which may make it difficult for existing homeowners to remain in their homes.

While there have always been life events that make it difficult for a family to keep up with a mortgage and stay in their home, over the past decade there has been a major shift in the use (and promotion) of credit, with significant implications for homeownership. The rise and evolution of predatory lending practices threatens the ability of increasing numbers of homeowners – in particular low income homeowners – to keep their homes.

This chapter will discuss homeownership opportunities, barriers and threats to homeownership, homeownership as a revitalization tool, issues of equity, and the impact of gentrification.

Revitalization and the Promotion of Homeownership: Neighborhoods in Bloom

In 1999 the City of Richmond began a policy of intensive investment in six Richmond neighborhoods within the area of concentrated poverty. Each year, approximately 80% of the City's federal housing money (CDBG and HOME funds) (as well as other resources) has been directed to those neighborhoods. Neighborhoods in Bloom was a creative and politically courageous initiative designed to help those communities achieve a critical mass of investment that would then attract and sustain private capital. The primary tool to spark private investment was to increase the number of homeowners in each neighborhood, through enhanced policing and code enforcement, new construction, rehab, and incentives to attract homebuyers.

The City works through various non-profit organizations as partners in its revitalization efforts. The City of Richmond has provided funding for community development corporations working in each neighborhood, LISC has provided equity support, and the Richmond Redevelopment and Housing Authority has handled portions of the real estate transactions, acquiring, assembling, and holding properties. The City also funded Housing Opportunities Made Equal, Inc. to administer a program of counseling and down payment assistance specifically for buyers of houses in the targeted neighborhoods. The down payment assistance was designed not only to make it possible for lower income households to purchase in the NIB areas, but to encourage middle income homebuyers, part of the City's efforts to promote mixed income communities.

[13] For example, the price of a house in the Richmond MSA increased by 9.9% between 2002 and 2003, while the median income increased by only 3.6%. (*Homeownership Affordability in Virginia*, Center for Housing Research, June 2004).

The Federal Reserve Bank of Richmond completed a study in 2005 of the impact of the City's targeted investments, to determine whether or not after five years had succeeded in its goal of attracting private capital. The results were impressive: housing prices in those areas have increased at a rate of 9.9% per year faster than the Citywide average[14]. The program is clearly achieving what was hoped for – an influx of new homeowners and private investment that will result in long-term neighborhood revitalization. The City deserves a great deal of credit for its use of a well-planned, coordinated, and effective approach to revitalizing neighborhoods through increased homeownership.

On the other hand, as values rise, so do taxes, and there is increasing concern that low income homeowners in those communities will eventually be unable to afford to stay in their homes. The City provides tax relief to elderly and disabled homeowners, but state law requires that the recipients be at least 65 or permanently and totally disabled, and only that portion of the increase in tax liability occurring after the taxpayer reaches the age of 65 or becomes disabled is eligible.

Revitalization and the Promotion and Protection of Homeownership: Partners on the Ground

Community Development Corporations:

The City relies on partnerships with community development corporations and other non-profit organizations to fulfill its homeownership policy goals. Over the past ten years there have been major shifts in the CDC landscape. Richmond (now Virginia) LISC has provided equity support and capacity building funds and assistance, and the City, through the Neighborhoods in Bloom program, has provided large amounts of money – with high accountability requirements – to CDCs to build or rehab houses for home ownership, or to help elderly homeowners make repairs to their homes. As a result, the capacity of some has dramatically improved, and those that were not able to meet the standards eventually set by the City and LISC have either faded away or are in the process of doing so.

During this time the roles of the CDCs and the Richmond Redevelopment and Housing Authority have changed. In the past, the Housing Authority built, financed and sold a majority of the affordable single family homes constructed in the City. As the capacity of the CDCs increased they became effective competitors of the Housing Authority, which now generally assembles land, often through its power to condemn, and transfers it at below-market rates to community development corporations or private developers.

The revitalization efforts in some neighborhoods have been so successful that CDCs are now finding it difficult to acquire land at a reasonable cost, and for reasons of cost and the need to make a profit, some are now selling properties at full market rate. This has a

[14] *The Impacts of Targeted Public and Non-profit Investment on Neighborhood Development,* Federal Reserve Bank of Richmond, 2005.

positive impact on the creation of mixed-income neighborhoods, but limits the homeownership opportunities for low-income households.

Housing affordability is in part a function of how long it takes to acquire property, zoning requirements and permitting fees, the availability of adequate capital at a reasonable rate, and the level of cooperation and responsiveness of those with whom the developer is working. The CDCs have identified all of these issues as barriers to efficient production, and have expressed their frustration with the difficulty of working with the Housing Authority.

For-profit developers:

The Housing Authority uses both non-profit and for-profit developers in the construction of its single family homes. A major goal of the Neighborhoods in Bloom program was to encourage for-profit development, which we believe is happening.

Richmond Redevelopment and Housing Authority:

The Richmond Redevelopment and Housing Authority was for many years the primary source of affordable homeownership opportunities. That role has changed, as noted above, and RRHA now uses private non-profit and for-profit partners to construct its homes. RRHA works in City-designated Redevelopment and Conservation Areas, of which there are currently 30. Some are intended exclusively for commercial redevelopment. Of those with residential uses, almost all include planned new homeownership units.

The Housing Authority recently completed its Strategic Plan, which calls for developing mixed use/mixed income communities and the deconcentration of poverty. It has also emphasized its understanding of the need to work effectively with a variety of partners.

In December 2005, the Housing Authority announced that construction of 308 homes using Federal HOPE VI funds would begin in the next year. Many of these homes will be sold at market rates to promote mixed-income communities in areas that are almost exclusively low-income. According to RRHA, roughly 40 percent of the homes in redevelopment areas are considered market rate, although this varies by redevelopment area, and roughly 60 percent of the homes are considered affordable for families with an income of 80 percent of the Area Median.

The primary focus of RRHA's construction of new single family homes is Blackwell, where it plans to build 188 houses using HOPE VI money[15]. Construction is several years behind schedule. Sales prices for the homes were at one time expected to start in the

[15] Described in Chapter 7.

$120,000 to $130,000 range. The most recent announcement, however, says they will be priced at $150,000 - $190,000.

The Housing Authority receives funding directly from the U.S. Department of Housing and Urban Development and the City of Richmond's Capital Improvement Program, and pass-through federal dollars from the Community Development Block Grant and HOME programs. The City allocation from CDBG and HOME funds for the Housing Authority declined by 33 percent between fiscal years 2002 and 2005. As a result, its share of those funds for Housing and Neighborhood Preservation declined from 43 percent of the total to 31 percent, reflecting the increased activity of CDCs. Eighty-one percent of RRHA's CDBG and HOME funds have been spent in the City's Neighborhoods in Bloom.

RRHA administers a Housing Choice Voucher Homeownership Program that allows individuals to use federally subsidized vouchers to cover a portion of their mortgage payment. While the program provides important additional homeownership opportunities, it also requires substantial investment in education and training for the voucher holders, and housing authorities around the country have been having difficulty in bringing participants to the point of purchase. As of March 2004, there were 21 continuing participants in RRHA's Housing Choice Voucher Homeownership Program. One person had bought a home, in November 2003.

The Housing Authority formerly administered two homeownership programs which have since been discontinued, Urban Homesteading and Lease-Purchase. The Urban Homesteading program made renovation of old homes by first-time homebuyers affordable by transferring homes in need of a full renovation to qualified buyers for the cost of renovation alone. RRHA ended the program because they believed such a deep subsidy for renovation was no longer necessary. The Lease-Purchase program allowed residents of public housing to buy homes by paying rent into an escrow account that was then applied to the down payment, and required them to attend homeownership readiness classes. The program ended when funding ran out.

Housing Opportunities Made Equal, Inc. (HOME):

The City has provided funding through both the CDBG and HOME programs for HOME (the organization) to partially underwrite the cost of a program of counseling and downpayment and closing cost assistance to qualified first-time homebuyers with incomes below 80% of the area median since 1988. Program participants are able to purchase a house anywhere in the City. When the Neighborhoods in Bloom program began, additional funding was provided to attract buyers to those neighborhoods. Part of the NIB funding is restricted to homebuyers below 80% AMI, and part is available for middle income buyers, to promote a mixed-income community. HOME also administers state Regional Loan Funds, which provide downpayment and closing cost assistance and access to below market rate mortgages for households below 60% of the median, and SPARC funds, which make very low cost mortgages available to first time homebuyers below 60% and 80%. Since the inception of the City's down payment assistance program, HOME has helped 948 families purchase their first home in the City. Between 1990 and 2000, the number of African-American homeowners in the City increased by 638. HOME assisted 560 African-American households to purchase their first home during that period – 88% of the total increase.

HOME works not only to help people become homeowners, but to preserve and enhance their ability to stay in the home, and to expand their housing choices so that they are able to see their investment in a home grow. HOME provides mortgage default counseling to homeowners who have fallen behind on their mortgages, and has an extensive program to combat predatory lending through education, loan remediation, and advocacy. It also provides money management and credit repair counseling.

Potential Barriers to Successful Homeownership

Personal Constraints

Successful, long-term homeownership requires a set of skills that people do not acquire automatically, and it can be argued that for low income households, more vulnerable to loss of income and with less of a financial cushion, these skills are particularly important. There are a number of essential factors in home ownership which seem obvious but are still important to note: you must want to own your own home, believe it is possible to become a homeowner, and have the knowledge and skills to purchase and maintain it. You must find one that is affordable, and be able to qualify for an affordable mortgage and have the funds for a downpayment and closing costs. You must have adequate money management skills to make the mortgage payments on time.

People who grew up in homes their parents owned are more likely to want to purchase a home, and to have knowledge of the long-term issues surrounding homeownership. Furthermore, parents who are homeowners are more likely to be able to assist their children with a home purchase. Low-income and minority households, with historically low homeownership rates, are less likely to have either the skills or the access to parental help.

Choosing homeownership: Not surprisingly, given the prominent role homeownership plays in the ideal of the “American dream”, many low income families do want to become homeowners. Many of those same households, however, do not believe homeownership is a realistic possibility, in many cases because they do not know what is involved or required of them. Community outreach and homebuyer education can address these issues and create knowledgeable homeseekers. The City’s promotion of homeownership since 1988 and in particular its emphasis on creating homeownership opportunities in the Neighborhoods in Bloom has raised community awareness of the potential for homeownership, and a variety of homebuyer education classes are offered through many different venues.

Affordability: Affordability was identified by real estate professionals (in interviews conducted for this study) as a major barrier to homeownership for low income households. The affordable housing stock has been limited, but during the first few years of the 21st century the historically low mortgage interest rates made homeownership possible for families who would otherwise have been unable to afford to purchase. In addition, the City has invested many millions of dollars in subsidizing the construction and rehabilitation of single family homes, to make them affordable for low and moderate income households.

As interest rates rise, however, and as the City's investment in targeted neighborhoods leads to an increase in property values in those neighborhoods[16], it is becoming more and more difficult for prospective low or moderate income buyers to find a house they can afford. This implies that it will continue to be necessary for the City to subsidize the creation of affordable homeownership.

The other aspect of affordability identified by real estate professionals is the need for money for a down payment and closing costs. The City has, for the past seventeen years, provided counseling and downpayment assistance to prospective low-moderate income homebuyers, primarily through HOME. The City's program has as an additional requirement a full-house inspection before the down payment assistance can be released. This has proven to be essential in protecting the investments of both the City and the homebuyer, and has served as an important quality control tool for the CDCs as well.

This approach has been highly successful in increasing the number of homeowners in the City. Since its inception, HOME's program has made it possible for close to a thousand households[17] to purchase their own homes. In addition to the targeted investment in the Neighborhoods in Bloom, the city-wide down payment assistance program has made it possible for many buyers to purchase homes in neighborhoods which they would otherwise have been unable to afford, and which provide significant amenities and enhanced opportunities for appreciation.

Over the past decade lenders have developed loan products to reach borrowers without savings, requiring little or no down payment and financing the closing costs. While this works for some – in particular those with no savings but adequate monthly income, the resulting mortgage payments may well be unaffordable for low income households[18], especially as interest rates rise. The availability of funds for down payments and closing costs thus remains essential to make homeownership possible for many low income families.

Impaired credit: The other major barrier to homeownership identified by members of the real estate industry was impaired credit, an observation that is borne out by HOME's experience with potential borrowers. Between 40% and 50% of those request information

[16] See the earlier discussion about values in the Neighborhoods in Bloom, p. 72
[17] 968, as of February 1, 2006.
[18] "Pay me now or pay me later", otherwise known as there is no free lunch.

about the downpayment assistance program and authorize HOME to review their credit reports have credit issues that will take substantial time and work to resolve. This proportion is probably greatly understated, since 50% of those who receive information about qualifying for the program do not respond, in all probability because they believe their credit history will eliminate them from consideration. The credit problems stem from a variety of factors, including poor money management skills, simple lack of income, and the changing credit environment.

Over the past fifteen years, there has been a major revolution in the lending industry, based on the concept and technological capacity of lenders to segment the market and charge more for those they believe represent higher risks. As a result, communities that previously found it difficult to get credit, such as low-income, minority urban neighborhoods, have been inundated with offers of credit at high prices. The result has been predictable: a credit-starved community now has more credit than it can afford. In 2002, Virginia approved a bill to allow payday lending, and the result has been an explosion of payday lenders charging an annual rate of about 390% and plunging many people into a debt trap they cannot escape.

Intensive financial literacy, money management and long-term credit repair programs have thus become critical interventions if many low income and minority households are to become homeowners.

Qualifying for an affordable mortgage: A prospective homebuyer must both understand and successfully navigate the process of applying for a loan. Lack of information has been identified as the greatest barrier to homeownership among low-income households[19]. Individual pre-purchase counseling develops an understanding of the responsibilities and issues facing a homeowner, creates confidence in the borrowing process, assesses the readiness for purchase on an individual basis (both financially and otherwise), and helps the prospective buyer address those issues that may interfere with successful homeownership. It also helps ensure that the buyer purchases a home he or she can afford, and helps direct the buyer to the most appropriate mortgage product.

Studies on the impact of homeownership education for low income borrowers confirmed the importance of this counseling on the long term success of the homeowner. One concluded that “all things equal, the ninety day delinquency rate of borrowers who received individual counseling was reduced by 34%”[20]. This study also reported that there was wide variation in the quality and results of different forms of counseling, and that results for individual counseling substantially exceeded those for any other form[21]. Another study found that counseled borrowers experience default at one-half the rate of

[19] Annie E. Casey Foundation, June 2005. This study confirmed previous results, such as those gained from a study in Chicago, Illinois in January 2003 (using focus groups) for HUD and the Mortgage Bankers Association of America, which emphasized the importance of housing counseling in improving homeownership rates among African-Americans and Hispanics.
[20] Hirad, Abdighani and Peter Zorn, “*Prepurchase Homeownership Counseling: A Little Knowledge is a Good Thing”,* in Retsinas and Beltsky, Low Income Homeownership: Examining the Unexamined Goal, Brookings Institution 2002, p. 147.
[21] *Ibid.*

counseled borrowers, which they suspect is a result of a counseling approach that produces a more accurate assessment of repayment capacity than simple debt to income ratios provide[22].

Many lenders thus rely on such counseling to produce mortgage ready borrowers, and the importance for a successful long-term program to increase homeownership (in particular among low-income and minority buyers). As part of its down payment assistance program, the City has provided intensive, individual pre-purchase counseling for prospective homebuyers through HOME since 1988. The effort has been coordinated with the City's support of community development corporations, most of which utilize HOME's counseling to prepare their buyers.

Getting an affordable mortgage is not, however, simply a matter of education and counseling. Many studies have demonstrated that even after a multitude of variables are taken into account, African-Americans are turned down more often for loans than whites. Home Mortgage Disclosure Act data (as described in Chapter 9) consistently shows racial discrepancies for which there are no clear explanations: African-Americans are denied conventional loans 3.4 times as often as whites, and that high income African Americans are rejected 2.2 times as often as whites with similar income.
Furthermore, African-Americans pay more. Subprime lending[23] is 4.4 times as high in African-American neighborhoods than in white neighborhoods. Recently released Home Mortgage Disclosure Act data for 2004 reveals for the first time the extent of pricing differentials between African-American and white borrowers. For many of the largest national lenders (including some doing business in Virginia) African-Americans were from 4 to 7 times more likely than white to have a high cost loan[24].

The larger issues can only be addressed through fair lending challenges, but the discrepancy underlines the need for counseling that includes a review of the proposed loan, education of the borrower, and direction to another loan product or negotiation with the lender for a better price. In addition, while credit histories may contribute to part of the disparity in price and loan approvals, credit histories themselves result from a "legacy of barred opportunities to credit" for African-Americans, which has forced them into poor credit lines the use of which continues to bolster the perception of bad credit[25]. Their

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[22] Hartarska, Valentina, Claudio Gonzalez-Vega, and David Dobos, Credit Counseling and the Incidence of Default on Housing Loans by Low Income Households, 2002, unpublished manuscript cited in Hornsburg *op cit.*

[23] Subprime loans are those made at higher costs to borrowers who presumably represent a greater credit risk. However estimates of the percent of borrowers with subprime mortgages who could have qualified for lower-cost mortgages have ranged as high as 50%. Walters, Neal and Hermanson, Sharon, "Older Subprime Refinance Mortgage Borrower: Research Report, AARP Public Policy Institute, July 2002.

[24] Woodstock Institute, May 2005; National Community Reinvestment Coalition, June 2005.

[25] Ards, Sheila D. and Samuel L. Myers, Jr., The Color of Money: Bad Credit, Wealth and Race. *American Behavioral Scientist* Vol. 45 No. 2: 223-239, cited in Hornburg, Steven P., Strengthening the Case for Homeownership Counseling: Moving Beyond "A Little Bit of Knowledge", *Harvard University Joint Center for Housing Studies,* December 2004.

conclusion is that counseling must take into account more than money management and budgeting.

Community constraints:

Neighborhoods of opportunity: Homeownership is not only a revitalization tool, but the basis for an individual or family to take advantage of opportunities that will fundamentally improve their economic and social conditions. A home is not only a place to live, it's the largest investment most Americans ever make, and the equity in the house is used to provide a range of opportunities, from education to the chance to start a business. Appreciation is a critical component of building equity, but not all homes appreciate, or to the same degree. In addition, the investment in a home in some neighborhoods brings access to good schools, jobs and a positive environment in which to raise children, while in others it does not. Where you live is more important in creating opportunities than the structure itself. If barriers to homeownership are to be eliminated for low income households, those buyers must have access to a wide range of neighborhoods.

Zoning: Zoning in the United States developed over the last century as a tool to create homogeneous neighborhoods. Coupled with a political philosophy that emphasizes local autonomy, it has become an effective method of excluding people. Zoning limits access to neighborhoods in a variety of ways. Residential zoning requirements may discourage multifamily uses or restrict single family uses through minimum lot size requirements. Building codes may require expensive materials or design. If residential and commercial areas are too far apart, those who need to use public transit to get to work or to shop will be excluded. The impact of such restrictions is to severely limit affordable housing opportunities, without ever having to acknowledge that result.

The City should be commended for its commitment to the creation of mixed income neighborhoods – a relatively new concept. Inclusionary zoning, in which a developer is required or provided incentives to build a certain percentage of affordable units, is an effective (perhaps the only effective) tool to realize that objective which has been adopted successfully in other locations. While the need for inclusionary zoning is region wide, the City could improve its capacity to promote mixed income communities by adopting its own inclusionary zoning ordinance, as the Mayor has suggested.

The "Segregation Tax": Many authorities now agree that segregation has been a major cause of poverty in the black community. One way in which that is expressed is in the lower value of properties in black neighborhoods, as compared to similar properties in white neighborhoods. This has been called the "segregation tax[26]" because black homeowners have been estimated to receive 18% less for the value of their dollars than white homeowners, with the difference growing in relationship to the degree of segregation. The low values in the area of concentrated poverty within the City are a clear

[26] David Rusk, "*The Segregation Tax: the Cost of Segregation to Black Homeowners*", Brookings Institution, 2001.rega

example of this. Furthermore, subprime loans are concentrated in African-American neighborhoods (see Chapter 9) and subprime loans are far more likely to end in foreclosure[27]. The concentration of subprime loans in African-American neighborhoods thus has major implications for neighborhood stability. Ensuring equal access to housing means making sure both that traditionally African-American neighborhoods are targeted for investment and that black homebuyers have access to houses in all neighborhoods.

Homeowners' Insurance

The ability to purchase good homeowners' insurance is a critical part of home ownership. Lenders require borrowers to obtain insurance to secure home purchase loans, refinance loans, and home improvement loans. Without adequate coverage, a homeowner will not be able to replace the dwelling in case of a total loss, or make needed repairs of partial losses. Without access to homeowners' insurance, homeowners are not able to maintain their properties, and once that happens property values in the neighborhood begin to drop. The end result is a downward spiral of disinvestment as fewer people are interested in moving in, property values drop further, and tax revenues and services drop. For most of the twentieth century insurance companies frequently redlined urban and minority neighborhoods, either refusing to do business there at all, offering only inferior products, or charging more.

In Richmond, systemic investigations by HOME of insurance redlining revealed a broad range of discriminatory practices which meant that quality insurance products were not available in many City neighborhoods. These practices were effectively challenged in court, and as a result, many of the larger companies have expanded their presence in the City and are making quality homeowners' insurance available at reasonable costs. However, while a number of companies have eliminated discriminatory underwriting criteria, they have also adopted credit scoring as the basis for either determining eligibility for coverage or product pricing. This new reliance on credit scoring has a disparate impact on African-Americans, who for a variety of historic reasons frequently have poor credit histories.

Homeowners' insurance is a very complex subject, and most homeowners do not understand either the coverage they have or what their options are. It is an area in which consumers need considerable education.

Sustainable Homeownership: Keeping the Home

Purchasing a home is only the first step. Maintaining the home and managing resources so that the mortgage can be paid on time are difficult, long-term commitments. Low-income households in particular are vulnerable to external events such as the loss of a job, since they are less likely to have a financial cushion. As noted above, pre-purchase counseling has been demonstrated to lower the default rate among low-income borrowers

[27] Immergluck, Dan and Smith, Geoff: Risky Business – An Econometric Analysis of the Relationship Between Subprime Lending and Neighborhood Foreclosures, Woodstock Institute, March 2004.

by a significant amount. However, not everyone receives pre-purchase counseling, nor can it guarantee that the borrower will be able to retain the home.

Predatory lending

The explosion of credit opportunities and the rise of predatory lending over the past decade represent major changes in the environment in which homeowners operate. While it is easy to say that people should learn not to use credit if they can't afford it, it can be very difficult for someone who receives a check in the mail ("just sign on the back and THREE THOUSAND DOLLARS is yours") to tear it up if they need the money.

In 2002 Virginia passed a law "regulating" (essentially legalizing) payday lending. Since that time the number of payday lenders in the state has increased from a few dozen to more than seven hundred, with new payday lenders opening every day[28], with more opening every day. Payday lending, in which advances are given on paychecks, has been advertised as a solution to the credit needs of financially strapped people. It is, in reality, a debt trap from which most people find it impossible to escape, with an effective annual interest rate exceeding 390%. In 2004, 228,000 Virginians took out an average of 12.7 payday loans during the course of the year – because frequently the only way to pay it off is to take out another one. Consumer advocates have called for Virginia to abolish payday lending (as many other states have done) by rescinding the 2002 law, but legislation to do so (introduced as part of the legislative package of Henrico County) failed in the 2006 General Assembly, despite the support of a wide coalition of groups from the Department of Defense to the American Association of Retired Persons. No studies have yet been done on the impact of payday lending on homeownership, but it is hard to imagine that people falling further and further into debt will not eventually find it difficult to pay their mortgages.

Other abusive lending practices[29] are directly related to the ability of a homeowner to keep his or her home. Predatory lending is generally a subset of the subprime[30] market, and most frequently occurs as a refinancing. The typical victim of a predatory loan is an elderly African-American woman with substantial equity in her house. Predatory lending includes a wide range of practices, including excessive costs and fees, the imposition of single premium credit life insurance, mandatory arbitration clauses, loans made without regard to ability to pay, flipping (in which the loan is refinanced over and over, with additional fees charged each time, eroding the equity in the home), and misleading the borrower about the terms of the loan (to name a few)[31]. It is estimated that approximately

[28] As of February 2006.
[29] Defined generally as lending terms that are not reasonably related to risk and that operate to the disadvantage of the borrower.
[30] "Subprime" simply meaning that the borrower is charged more on the basis of increased risk to the lender.
[31] ***The U.S. Department of the Treasury, HUD, Fannie Mae, Freddie Mac and the Federal Reserve have all taken action to curb the abuses, as have a number of states and localities. Virginia has made limited changes in its Mortgage Broker and Lender Act to protect borrowers from predatory***

15% of subprime loans are predatory[32], and, as has been noted, there is a concentration of subprime loans in Richmond's African-American community. HOME reviews all purchase loans, refinancings and pay-off requests, as well as all loans of clients in default for predatory characteristics, and finds that between 15% and 20% of the loans it sees have predatory characteristics. Because of the onerous terms of predatory loans, they are frequently directly responsible for the borrower's inability to keep up with a mortgage.

Loans that never should have been made in the first place

Pressure from policy makers to make more loans to low-income and minority households, the ability to segment risk, and the seemingly bottomless market for homeownership has led to many loans that never should have been made at all. While it goes against much current practice, many low-income households are not in a position to maintain a mortgage, and should not become homeowners. Lenders are frequently too flexible with ratios, because they are able to protect themselves from risk by charging more and taking care of their costs and profits up front. The loan that was never affordable ends up in default.

Servicing

Just as there have been significant changes in the way credit is made available, there have been significant changes in the servicing[33] of loans. Technology has made it much more difficult to reach a human being to resolve an issue, such as loan payments not credited properly, and the loss mitigation departments of lenders are not as efficient or interested in customer service[34] as those involved with the origination of the loans. Further, there is a great increase in the number of loans that are turned over to independent servicers, which have little incentive to work out the loan and considerable incentive to charge more fees. The role of servicers is changing as well, from merely servicing the loan to making decisions about loss mitigation, and loss mitigation is generally not a priority. FHA loans place the lender under a relatively strict requirement to attempt loss mitigation, but because many conventional loan products are now available for the market that FHA loans were designed to address, there has been a drop in the number of FHA loans and consequently the loss of those loss mitigation options. The result has been that it is much harder to find ways to find solutions for a loan in default[35].

Predatory servicing: there is a point at which servicing issues move from difficult to predatory, and involve practices that range from hostile to the consumer to fraudulent.

practices. Congress, however, is considering legislation to limit the ability of state and local governments to regulate such lending.

[32] Goldstein, Ira, The Reinvestment Coalition, presentation before the Consumer Advisory Committee of the Federal Reserve, 2002.
[33] Servicing is the handling of the loan after origination.
[34] In one sample of loans in default from HOME's client base, the counselor rated 80% of them as "difficult" or "very difficult" to get the necessary information from the servicer to attempt loss mitigation.
[35] Much of the discussion in this section is drawn from the experience of HOME's mortgage default counselors, who work with approximately 400 households in default every year.

These practices are increasing. An example is not crediting payments that have arrived on time so that the servicer can charge a late fee. A case filed in 2004 against a major lender in central Virginia cited a long list of predatory practices, including the forced placement of flood insurance for a house not in a flood plain, and the refusal by *ninety-eight* people with whom she or her attorney spoke to even check whether or not flood insurance was required for the house. Legislation was introduced in the 2006 session of the General Assembly to make a variety of predatory servicing practices illegal (such as failing to apply promptly all payments received, taking any action for the primary purpose of creating a default under the terms of the mortgage loan, or foreclosing if the proceeding is not authorized by the terms of the deed of trust, or if the borrower has tendered payment to cure the default under the terms of the deed of trust).

Bankruptcy

In October 2005 the bankruptcy laws changed, making it more difficult for consumers to file for bankruptcy. Filing for bankruptcy had until then been a resort –albeit a last resort - for borrowers facing foreclosure. This has now become an option that is very difficult to exercise. Further, the law now requires consumers to receive credit counseling from an approved credit counseling agency before they can file for bankruptcy. While this may in theory seem like a good idea, the only approved agencies in Virginia as of this writing make their money from debt consolidation, increasing the level of debt of the borrower and frequently making their financial situation worse.

Foreclosure Rescue Scams:

As more and more people are being targeted by predatory lending of one sort or another, leading to more borrowers in trouble, the market has been created for another predatory practice: foreclosure rescue scams. Perpetrators of this relatively recent phenomenon promise to save the homes of borrowers facing foreclosure. Using various techniques (many of which are fraudulent) so-called "investors" frequently trick homeowners into signing over their homes. A recent report by the National Consumer Law Center described in detail what is happening to hundreds of thousands of households around the country who have been victimized by this fraud.[36]. What is true on the national level is true locally. HOME is seeing an increasing number of such scams. Some homes have been saved only through the intervention of the FBI or the Attorney General.

Gentrification:

Gentrification occurs when existing residents of a community are priced out of the housing market as property values increase. While many of the victims of gentrification are renters, homeowners also experience increased housing costs resulting from increased property taxes or the imposition of expensive standards for repair. As noted earlier, Richmond offers the tax relief allowed by Virginia law for elderly and fully disabled homeowners, but other low-income homeowners are not eligible for this relief, and any

[36] National Consumer Law Center, *Dreams Foreclosed: The Rampant Theft of Americans' Homes Through Equity-Stripping Foreclosure 'Rescue' Scams,* Boston, May 2005. The report featured one of HOME's clients.

increase in property values before the ordinance is adopted may not be considered for relief. The City's targeted investments in the Neighborhoods in Bloom as well as natural market forces are increasing property values in many parts of the City. While this is a positive result, it also creates problems of gentrification that should be addressed.

Substandard housing:
While not strictly a question of whether a homeowner can keep his or her home, housing that the homeowner cannot afford to repair obviously creates issues both of quality of life and impact on the surrounding community. There are many substandard structures in the City. Many of the houses in Richmond are older, maintenance-intensive frame houses that are in need of substantial repairs. While on an individual basis substandard owner-occupied housing results an inability to make repairs, in the larger context it is a result of decades, if not generations, of disinvestment in certain neighborhoods. The lack of reasonably priced credit or adequate homeowners insurance to cover a loss has had a major impact on the quality of housing.

The real solution to substandard housing is obviously to fix it. This is particularly difficult if at the same time the goal is to keep the homeowner who cannot afford repairs in the house. The City has funded ElderHomes to repair homes belonging to elderly homeowners in the Neighborhoods in Bloom, but the investment required to bring all of the owner-occupied homes up to code is huge. In many cases, the only way the homes will be repaired and rehabilitated is if the current owners sell. This may be good for the revitalization of the neighborhood, but results in low income residents being replaced with more affluent residents – a case study in gentrification.

Sustainable Homeownership: Saving the Home

Interventions

People fall behind on their mortgages for many different reasons, which may or not have been beyond their control. However, today's environment is a particularly difficult one for low-income homeowners. Some were only marginally qualified when they purchased the house, and were extended credit they really couldn't afford. Others succumb to the endless proliferation of credit offers, many on very bad terms. The financial crises of others may be brought on by a life event such as the loss of a job, divorce, or a serious illness. Regardless of the cause of the problem, the issues facing homeowners in today's credit environment are complex and in many cases overwhelming. The changing face of lending and servicing has made it much more important to know how to navigate the system to look for a solution – and much harder to do it. Whether it is a matter of making changes in their spending or negotiating an agreement with a lender, many homeowners, in particular first time low income homeowners, are not able to save their homes without help.

Mortgage default counseling has been demonstrated to have an impact on the homeownership rate by keeping existing homeowners in their homes. The purpose of mortgage default counseling is to save homes from foreclosure through the use of a variety of loss mitigation techniques. It involves an assessment of the homeowner's financial situation and evaluation of his or her assets, negotiation with a lender to find ways to bring the loan current over time, assistance in refinancing, or if necessary, a recommendation that the home be sold so that the borrower will receive the equity and avoid having a foreclosure on his credit report. The U.S. Department of Housing and Urban Development has supported the provision of mortgage default counseling in one form or another since the establishment of the Section 235 homeownership program in the 1960s, HUD also for many years required lenders to notify borrowers in default about the availability of mortgage default counseling from HUD-approved housing counseling agencies, an obligation honored mostly in the breach.

Most of the mortgage default counseling in central Virginia is provided by HOME, which has been offering the service for almost twenty years, and which has received some City support. The intervention has been critical in allowing many borrowers to keep their homes. Between 60% and 70% of the approximately 400 homeowners who receive mortgage default counseling from HOME every year succeed in avoiding foreclosure[37].

Chapter 8 *Summary:* Affordability is the top concern cited by nearly every person interviewed for this study. The explosion of credit opportunities and the rise of predatory lending represent major changes in the environment in which homeowners and prospective homeowners operate. Lack of information about housing choices and possibilities, money management skills, financial literacy, and impaired credit create housing barriers for many people. Investing in revitalizing neighborhoods and creating additional affordable housing choices; support for programs that enhance the capacity of individuals to find and keep housing and protect them from predatory lending practices that threaten homeownership are essential components to effective housing policy.

[37] This success rate compares very favorably with others reported. A recent study cited success rates of 30% - 50% in various programs. Todd, Richard M. and Michael Grover, *Post-purchase counseling: An EMHI strategy to close homeownership gaps,* Federal Reserve Bank of Minneapolis, Community Dividend Issue No.4, 2005.

Chapter 9: Access to Mortgage Loans

Issues:
Discrimination
Market failure leading to disinvested neighborhoods
Lack of individual capacity
Extraction of wealth from communities

Homeownership is the way in which Americans build wealth, and the only way that most Americans are able to buy a home is with a mortgage. Homeowners borrow against the equity in their homes to educate their children, improve their homes, and start their own businesses. Increased homeownership is a goal for the City of Richmond, and generally considered an important component in the revitalization of disinvested neighborhoods. Given the great disparity in the Richmond area between the homeownership rates for African-Americans and whites, and between the City of Richmond and the surrounding counties, a detailed analysis of access to mortgage loans both geographically and by race is essential to understand some of the limitations on homeownership.

HOME contracted with Bradford and Associates, of Williamsburg, Virginia, to prepare the following analysis. This section includes a summary of the lending analysis, fair lending issues and background. A comprehensive analysis of the data reviewed for this chapter and all of the tables, charts and maps referenced in the text appear as Appendix D.

Summary of Mortgage Lending Analysis

Historically, different ethnic and racial groups have encountered barriers to full access to home mortgage lending. Typically, these barriers were identified by higher rejection and failure rates for loan applications. In other instances, ethnic and minority groups have been steered to government-insured FHA (Federal Housing Administration) loans when they could have qualified and benefited from conventional loans in the private markets. The Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), the two federally-chartered secondary market enterprises that stimulate the mortgage markets by purchasing loans, are charged by the government with reaching specific goals for serving both affordable and minority housing markets with conventional loans. This indicates the clear policy goal of reaching as many borrowers as possible through the private conventional markets.

More recently, as the market of subprime lending has grown, studies by the U.S. Department of Housing and Urban Development and other researchers, as well as many lawsuits, have raised the concern that ethnic and racial groups have been unfairly steered to these higher interest rate products when they could have been served by either conventional prime loans or FHA lending. Thus, the key concerns presently raised about barriers to fair lending include both the impediments to access to conventional prime loans and the infusion of FHA and subprime lending into minority markets. Accordingly, this analysis of barriers to full access to mortgage lending focuses on the issues of access to conventional prime loans and steering to FHA and subprime loans in both the home purchase and refinance markets.

The lending markets of local communities are best analyzed within the context of a larger regional market. Therefore, this analysis of impediments to fair lending covers the Richmond Area. The term "Richmond Area" as used in this lending analysis is defined as the City of Richmond and the surrounding counties of Chesterfield and Henrico. Maps are used to localize key geographic lending patterns. Nonetheless, at the end of the report, a set of summary data are analyzed that compare lending patterns for the Richmond Area to the City of Richmond alone.

Interest rates have been quite low during the three years analyzed. In this context, the market is capable of serving a wide range of home seekers. It was able to provide financial relief and additional financial resources to a wide market of homeowners seeking to reduce their mortgage burdens or take advantage of the equity in their homes through refinancing the existing mortgage. Still, the lending data portray a market where access to home lending is still a significant barrier for some groups.

This analysis uses mortgage lending data from the Home Mortgage Disclosure Act (HMDA) for 2000 through 2002 (the most recent years available) to review racial and ethnic patterns in lending. The HMDA reports provide data on home purchase and refinance loans and indicate whether the loans are government-insured (FHA) or conventional loans. Data are provided on the loan decision for each loan application. Data are also provided on the race or ethnicity of the applicants, the income of the applicants used to secure the loan, and the census tract location of the property. Based on these and additional census data, differential patterns in loan decisions and the use of FHA and conventional loan products are compared by racial and ethnic groupings of individual applicants and geographic areas.

HMDA and census data are used to control for different income ranges within racial and ethnic groupings. Using a list of subprime lenders developed by the Office of Policy Development and Research at HUD, one can also estimate the levels of subprime lending by the race and ethnicity of borrowers and geographic areas. Within each applicant racial or ethnic category, data are compared by six income ranges. Within three different racial and ethnic groupings of census tract areas, data are compared by four income ranges.

In many cases, potential barriers are defined by measures of the disparity between white borrowers or predominantly white areas and minority borrowers or minority areas. These disparities are represented by a ratio that divides the measure for the minority population by the measure for the white population. Whenever the disparity ratio is greater than 1.0, minorities have a higher level of the measure than do whites. For example, a loan application rejection disparity ratio of 2.0 for Hispanics would mean that Hispanics are rejected twice as often as whites.

Racial and ethnic concentrations are defined as white (Anglo) if less than 25% of the population is defined as any kind of minority. Areas are defined as racially diverse if the population is between 25% and 50% minority. Areas are defined as predominantly minority if the area is more than 50% minority. In almost all predominantly minority census tracts, the largest minority population is African-American. The 1990 census tract areas that lenders were required to use for reporting the HMDA data are updated with 2000 census population data.

Geographically in the Richmond Area, the minority and white populations tend to be segregated by both income and race. In the white census tracts, 69 of the 71 tracts are in the highest two income ranges. This can be contrasted with the predominantly minority census tracts where there is only one tract in the highest income range and 48 of the 62 census tracts are in the lowest two income ranges. For the racially diverse tracts, 31 of the 40 census tracts are in the single Moderate and Middle Income range (80% to 120% of the area median family income). Given the distribution of census tracts across the income ranges, the only income range where robust comparisons can be made is in this Moderate and Middle Income range.

For home purchase lending for the Richmond Area as a whole, 73% of the loans to whites are in white areas. Within the City of Richmond, only 55% of the loans to whites are in white areas. For the Richmond Area as a whole, 50% of the loans to African-Americans are in predominantly minority areas. Within the City of Richmond, 91% of the loans to African-Americans are in predominantly minority areas.

For refinance loans, for the Richmond Area as a whole, 76% of the loans to whites are in white areas. Within the City of Richmond, only 60% of the loans to whites are in white areas. For the Richmond Area as a whole, 51% of the loans to African-Americans are in predominantly minority areas. Within the City of Richmond, 87% of the loans to African-Americans are in predominantly minority areas. Thus, within the City of Richmond, lending to African-Americans is more geographically concentrated in minority areas than in the entire Richmond Area. On the other hand, loans to whites are less geographically concentrated within the City of Richmond than in the entire Richmond Area.

The analysis of home purchase and refinance loans in the Richmond Area market shows several patterns of disparate service and underservice to minority markets. By most measures, Asians show parity and even more access than whites to conventional loan products and to prime conventional loans. On the other hand, Hispanics, and especially African-Americans, show significant racial disparities related to higher failure rates for conventional loan applications, unusually high levels of FHA lending, and clearly higher levels of subprime lending when compared to whites. Comparisons based on the racial composition of census tracts indicate the same disparities in the levels of FHA and subprime lending. Controlling for the income range of the borrowers or the area does not eliminate these patterns of disparities. The greatest evidence of racial disparities is in the high levels of subprime lending, particularly for African-American borrowers and in predominantly minority areas.

The Full Home Purchase Market

- FHA lending shows clear racial patterns. FHA lending is 1.5 times as high in racially diverse areas as in white areas. Moreover, FHA lending is 1.9 times as high in predominantly minority areas as in white areas.

- In the Moderate and Middle Income range where there are expansive data for each racial/ethnic group, FHA lending is 1.7 times as high in predominantly minority tracts compared to the same income range for white tracts.

- All but one of the 27 census tracts with levels of FHA lending greater than 150% of the overall Richmond Area level are either racially diverse or predominantly minority census tracts.

- Over all income ranges, both African-Americans and Hispanics are at least 2.5 times as likely to have an FHA loan as are whites. These disparities are actually higher at the highest income range than at the lowest income range.

- These disparities are most extreme for the highest income African-Americans, where the level of FHA loans is 3.8 times that of whites. This means that high-income African-Americans are close to 4 times as likely to have an FHA loan as are high-income whites.

- Freddie Mac shows racial disparities in its patterns of purchasing eligible home purchase loans. In the Moderate and Middle income range where adequate data exist for racial comparisons, Freddie Mac purchases 28% more of the eligible loans in white areas than in the comparable racially diverse areas and 63% more of the eligible loans in white areas compared to similar predominantly minority areas.

- Hispanics are rejected 3.1 times as often as whites for conventional loans. The percentage of loans that failed for any reason is more than twice as high as it is for whites.

- African-Americans are rejected 3.4 times as often as whites for conventional loans. The percentage of loans that failed for any reason is 2.3 times as high for African-Americans as for whites. The highest income African-Americans are rejected 2.2 times as often as the highest income whites.

- In all but the very lowest income group, African-Americans are more than twice as likely as whites to have a conventional loan application fail for some reason.

- There was an average of 329 lenders active in the home purchase market in any year. For the 20 largest lenders that control 66% of the loan market, African-Americans and predominantly minority areas are clearly underserved.

- The largest 20 lenders have over 68% of all white loans, and 68% of all the loans from white census tracts. However, these same lenders account for less than 59% of the African-American loans and less than 57% of the loans from predominantly minority census tracts.

The Full Refinance Market

- The overall level of FHA lending is 1.5 times as high in predominantly minority areas as in white areas. Moreover, in the Moderate and Middle income range where adequate data exist for comparisons across all racial/ethnic groups, the level of FHA loans is 1.6 times as high in predominantly minority areas as in white areas.

- African-American borrowers are 3.2 times as likely to have an FHA refinance loan as are whites.

- Both Fannie Mae and Freddie Mac show disparity ratios with respect to the purchase of eligible conventional loans in predominantly minority areas. Fannie Mae purchased 89% more of the eligible loans in white areas than in predominantly minority areas. Freddie Mac purchased 71% more of the eligible loans in white areas than in predominantly minority areas.

- Hispanics are rejected 2.4 times as often as whites for conventional refinance loans. When all the reasons for the failure of an application are included, Hispanics fail almost twice as often as do whites.

- African-Americans are rejected 3 times as often as whites for conventional refinance loans. When all the reasons for the failure of an application are included, Hispanics fail more than twice as often as do whites. The total failure rate for African-Americans is over 46% of all applications.

- For African-Americans, the conventional refinance rejection rate disparities vary between 1.9 and 4.3. Moreover, these disparity ratios increase systematically as the income range increases. Thus, the African-American applicants in the highest income range are 4.3 times as likely to be rejected as are the highest income whites.

- Overall failure rates are higher in every income range for both Hispanics and African-Americans when compared to whites. As with rejection rates, African-Americans have the highest failure rates in all but the lowest income range.

- The largest 20 refinance lenders underserve the minority markets. They account for about 51% of all refinance loans. These lenders have about 44% of the Hispanic and African-American loans while they have over 51% of the white loans. These lenders have about 46% of the loans from predominantly minority areas, but 53% of the loans from white areas.

The Subprime Home Purchase Market:

- Overall, the level of conventional subprime loans is twice as high in racially diverse areas as in white areas. Levels of conventional subprime loans are 4.4 times as high in predominantly minority areas as in white areas.

- In the Moderate and Middle income ranges (80% to 120% of the area median family income) where comparisons are possible across all racial and ethnic groups, these disparity ratios are 1.46 for racially diverse areas and 2.57 for predominantly minority areas.

- All but 2 (97%) of the 62 predominantly minority areas have levels of conventional subprime lending greater than 150% of the overall Richmond Area level. On the other hand, only 2 of the 71 white census tracts (3%) have levels of subprime lending greater than 150% of the Richmond Area overall.

- Overall, African-Americans are 5.7 times as likely to have a subprime home purchase loan as are whites.

- In every income range, African-American borrowers are at least 4.6 times as likely to have a subprime loan as are comparable whites. The disparity ratios on the six different income groups range from 4.6 to 6.3.

- For African-Americans, the overall disparity ratio for the combined level of FHA and subprime loans is 2.7.

- For African-Americans there are disparities in every income range for the combined levels of FHA and subprime loans. Moreover, the disparity ratios increase with increased income. Therefore, the highest disparity ratio is for the highest income African-Americans, where the disparity ratio is 4.0.

The Subprime Refinance Market

- For the Moderate and Middle income range for which comparisons can be made across racial and ethnic areas, conventional subprime refinance lending levels are 43% higher in racially diverse areas than in white areas.

- In this same income range, conventional subprime refinance lending levels are 2.3 times as high in predominantly minority areas as in white areas.

- All of the 62 predominantly minority tracts have subprime levels greater than 150% of the overall Richmond Area level. On the other hand, only one of the 71 white tracts has a subprime refinance level greater than 150% of the overall Richmond Area level.

- Overall, African-Americans are 5.6 times as likely to have a subprime refinance loan as are whites.

- For African-Americans, the disparity ratios increase with increased income. They range from 3.3, in the lowest income range, to 6.3, in the highest income range. This means that the highest income African-Americans are more than 6 times as likely to have a subprime conventional refinance loan when compared to the highest income whites.

- The percentage of conventional refinance loans that are subprime is greater for the highest income African-Americans than for the lowest income whites (15.6% compared to 12.3%, respectively).

- Overall, African-Americans are 3.8 times as likely to have an FHA or subprime refinance loan as are whites. For African-Americans, 45% of all the refinance loans are FHA or subprime.

- As with the pattern for subprime refinance loans alone, the disparities increase with increased income. Moreover, the percentage of FHA and subprime refinance loans is greater for the highest income African-Americans than for the lowest income whites (18.60% compared to 17.53%, respectively).

- There is an average of 68 lenders active in the subprime refinance market in any given year with the 20 largest lenders accounting for 49% of the subprime loans.

- In the subprime refinance markets, the largest 10 lenders have a higher share of the loans to African-Americans and in predominantly minority areas than they have of loans to whites or in white areas.

Summary Measures for the Home Purchase Market in the City of Richmond

- The racial composition of the area makes a difference in terms of lending patterns for both whites and African-Americans. For whites, the percentage of FHA home purchase loans is 2.6 times as high in predominantly minority areas as in white areas. For African-Americans, the percentage of FHA home purchase loans is 2.7 times as high in predominantly minority areas as in white areas.

- For whites, the percentage of conventional home purchase loans that are estimated to be subprime is 4.4 times as high in predominantly minority areas as in white areas. For African-Americans, the percentage of conventional home purchase loans that are estimated to be subprime is 4.7 times as high in predominantly minority areas as in white areas.

- There are enough white and African-American loans in the Lower income range (50% to 80% of the area median family income) in the predominantly minority tracts to compare outcomes for both whites and African-Americans. In these areas in this income range, African-Americans have a level of FHA lending that is 2.4 times as high as it is for whites. In these same areas and income range, African-Americans have a level of conventional subprime home purchase loans that is 2.6 times as high as it is for whites.

Summary Measures for the Refinance Market in the City of Richmond

- For whites, the percentage of FHA refinance loans is 2.6 times as high in predominantly minority areas as in white areas. For African-Americans, the percentage of FHA refinance loans is 1.4 times as high in predominantly minority areas as in white areas.

- For whites, the percentage of conventional refinance loans that are estimated to be subprime is 4.5 times as high in predominantly minority areas as in white areas. For African-Americans, the percentage of conventional refinance loans that are estimated to be subprime is only 1.5 times as high in predominantly minority areas as in white areas.

- The low disparity ratio for refinance subprime loans is due to the fact that the percentage of conventional refinance loans that are subprime for African-Americans is so much higher than the level for whites at all income ranges. Over all areas, the percentage of conventional refinance loans that are subprime for African-Americans is 35.55%. This is 7.4 times as high for African-Americans as for whites.

- In the white areas, the percentage of conventional loans that are subprime for African-Americans is 25.26%, which is 9.6 times the level for whites. Moreover, these loans are essentially from the two highest income ranges for both whites and African-Americans.

- Controlling for income reduces these disparities, but clearly it does not eliminate them. There are enough white and African-American loans in the Lower income range (50% to 80% of the area median family income) in the predominantly minority tracts to compare outcomes for both whites and African-Americans. In these areas in this income range, African-Americans have a level of FHA lending that is 2.5 times as high as it is for whites. In these same areas and income range, African-Americans have a level of conventional subprime refinance loans that is 2.7 times as high as it is for whites.

The measures used in this analysis gain their strength from defining overall patterns and from the consistency of patterns from one form of analysis to another. In the tables, graphs, and maps, there may be some particular income ranges or loan products where racial and ethnic disparities are overcome. Across the range of tables that group census tracts by both income and racial/ethnic composition, across the range of maps that portray geographic patterns, and across the range of charts that compare FHA and subprime use and loan decisions by race/ethnicity and income, however, there is a consistency in the patterns that supports the conclusion that there are differences that are related to race and ethnicity. These patterns are related to Hispanic and, particularly, to African-American borrowers and to geographic areas of minority concentrations. The patterns appear to be too strong and consistent to be due to either random factors or basic lending risks alone.

Fair Lending Issues and Background

This analysis covers three years of lending data for the Richmond Area. The data used in this analysis are based on home purchase and refinance loans for single-family homes in 2000 through 2002 as reported in the Home Mortgage Disclosure Act (HMDA) data. These are the most recent years of HMDA data available. The HMDA is a federal law that generally requires all but the very smallest home lenders to report information on their home loans. This information includes the race of the applicant(s), the income of the applicant(s), the amount of the loan, the purpose of the loan, the type of loan (FHA or conventional, etc.), the loan application decision, and the census tract location of the home being financed.

The census tract locations for the 2000-2002 HMDA data are based on the 1990 census. Therefore, the geographic analysis of lending is linked to the 1990 census tracts. Yet, there are significant changes in the boundaries of census tracts for the 2000 census. Two major issues emerge from this limitation. First, there has been significant racial change and change in the distribution of racial and ethnic minorities since 1990. A process was used to update the racial and ethnic population data to more closely match the 2000 distributions. This process is defined in Part II below. The second issue is that the number of single-family homes eligible for home loans has increased since 1990. There is no adjustment for this. One needs to interpret market penetration data taking account of the fact that the market penetration rates in this analysis would be somewhat lower in areas of new growth if the measures were based on the increased number of homes since 1990.

This analysis treats the home purchase markets and the refinance markets separately and also provides a separate section on subprime lending. The home purchase markets provide indications of the extent to which minorities are able to buy homes in various types of neighborhoods. The HMDA data also allow one to assess the extent to which applicants of different races and census tracts with different racial and ethnic compositions are served equally by specific types of loan products. Indirectly, this analysis of home purchase lending also reveals something about the marketing of loans through real estate agents, who are a prime source of loan referrals in the home purchase markets. The refinance markets only deal with existing homeowners. They provide information about the differential levels of access to loans used to secure cash for personal use and/or to reduce the debt levels on an existing mortgage. Marketing for refinance lending is often done through mail and telephone solicitation of existing homeowners.

FHA Lending

Levels of conventional lending are compared to levels of FHA lending by both racial and income groups. FHA loans are loans that are insured by the Federal Housing Administration (FHA), a part of the U.S. Department of Housing and Urban Development (HUD). The insurance is to protect the lender from losses due to foreclosure. FHA provides 100% coverage against the loss of the principal loan amount. No other program, public or private, provides such extensive protections to private lenders against this loss. The FHA program was created in the 1930s as a means of bringing stability and security to the housing markets during the Great Depression. By providing insurance that protected the lenders against the risks of foreclosures, FHA was able to encourage lenders to invest in housing. FHA remains a major force of influence in the mortgage markets. In the overall housing market, FHA’s role has been to stimulate new growth and to provide loans to markets underserved for various financial reasons. FHA accomplishes this by allowing people to make very low down payments when they buy a home. FHA even allows borrowers to finance many of the closing costs of a loan. This makes the total loan amount higher, but it reduces the need for cash reserves to close a loan. In addition, FHA allows people to qualify for a home loan with total housing and personal debts levels that are higher than are often accepted in the conventional markets (markets not insured by the government). FHA also allows for a more liberal policy on other issues, such as using third parties to co-sign for home loans.

In essence, FHA loans are designed to serve a market that has a higher risk of default and foreclosure than the prime conventional market. While anyone may use the FHA process to purchase a home, FHA has generally been seen as expanding the market to first time home buyers who have not been able to save enough for the higher down payments required for conventional loans or to young adults whose careers are just beginning and, therefore, have income levels that are low in relation to their housing costs and other debts. FHA has a maximum loan amount. This ceiling adjusts upward for properties with 2-4 units, which are also considered single-family homes for lending purposes. As a result, FHA is most active in housing markets with moderate values. This is frequently in new developing areas where starter homes are located, or areas where condominiums are concentrated. FHA can serve the moderately priced homes in established and older areas as well. Overall, where housing prices are high, FHA tends to play a smaller role than in markets where housing is generally closer to the national norms, as in the Richmond

Area. During the three years of this study, the FHA loan limit for a single-family home ranged from $151,050 in 2000 to $158,175 in 2002. In this analysis, loans that fall within the FHA loan limits are sometimes referred to as Tier 1 loans.

Historically, FHA lending has played a role in race discrimination in the lending markets. Prior to the middle 1960s, it was the practices of the FHA that were used to define the term “redlining”. In lending, redlining refers to any practice that restricts access to loans or provides access only at higher costs based on the racial composition of a particular area or market. In various cities, FHA developed maps indicating its perceived economic soundness of different neighborhoods. Many times, these maps drew red lines around minority and racially changing communities and refused to provide insurance in these areas. After the civil disorders in the middle 1960s, FHA literally reversed its racial redlining practices. Rather than refusing credit in inner-city minority areas, FHA targeted lending in these communities, especially through high risk programs. At the same time, many conventional lenders, not participating in loans insured by the federal government, continued to redline minority communities. Since the reversal of HUD’s redlining practices, FHA lending has often become the dominant form of lending in minority markets. While this does provide a source of home purchase lending that fills a vacuum created by discrimination in the conventional market, this also creates a dual housing finance market that has serious negative consequences.

FHA loans have higher risks than conventional loans. Historically, FHA has had a poor quality control system so that fraud and underwriting abuses have contributed to part of its higher foreclosure rate. Moreover, HUD has traditionally failed to provide effective forbearance and effective relief to the homeowners who fall into default. FHA homeowners who fall into default are more likely to end up in foreclosure than are conventional borrowers.

In existing minority communities, home sales are often not as competitive and the market is not as active as in newly developing areas or in the overall white market. As a result, when foreclosures occur, the homes are not as likely to be resold as in white markets. Because FHA requires that foreclosed properties be conveyed to HUD’s property disposition process vacant, each foreclosure becomes a vacant or abandoned home. In slower markets, these homes can sit on the market and continue to deteriorate. Through this process, FHA foreclosures have often contributed to blight in neighborhoods where they are concentrated. Unfortunately, this perpetuates the wrongful view that racial change and minority home purchasers contribute to neighborhood blight. Altogether, these problems in the administration of the FHA program and the handling of foreclosures have subjected minority markets with high levels of FHA lending to the most severe impacts from FHA defaults and foreclosures.

FHA loans do have attractive features for some buyers. Buyers need very little cash in order to purchase a home. The debt ratio limits allow buyers to purchase a home when they already have levels of personal debt that are somewhat beyond the guidelines of many private (conventional) market products. On the other hand, small down payments make the size of the mortgage, and thus the monthly payments, larger. Folding most of the closing costs and the costs of the insurance into the loan also make the loan and monthly payments larger.

Frequently, at any given time in the market, the interest rates on FHA loans are higher than on conventional loans, also increasing the cost of the loan. In some cases, when insurance payments and closing costs are added to the mortgage, the loan may be more than the value of the house, starting the borrower out with negative equity. With its minimal cash requirements and with no requirement that borrowers have the standard equivalent of two monthly mortgage payments in the bank as a reserve at the time of closing, real estate agents and lenders may use FHA loans to qualify borrowers for a more expensive house than in the private market - but the borrowers may also start out with negative equity, exceptionally high levels of personal debts, and virtually no cash reserves left.

The Role of Fannie Mae and Freddie Mac (the GSEs)

Ever since the anti-redlining movement began in the 1970s, it has been focused on providing alternatives to FHA lending. For over 25 years, community development groups across the nation have been working with the private sector to create special reinvestment loan programs and first time homebuyer programs in the conventional markets with the use of private mortgage insurance to protect the lender. These programs have become part of the standard conventional markets today. Most of the loan programs operate through the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), two Government Sponsored Enterprises (GSEs) that stimulate the mortgage markets by purchasing loans from the originating lenders. Other special programs for lower-income borrowers are run by depository institutions (commercial banks and savings banks) as part of their obligations to serve all the residents of their local service areas in compliance with the Community Reinvestment Act. As a result, there is only a segment of the previous FHA market that cannot be served by some type of conventional loan program. Therefore, one should expect a wide range of access for both conventional and FHA products in markets reflecting comparable income levels.

Congress has required Fannie Mae and Freddie Mac (the GSEs) to help meet the nation's housing needs by directing HUD to set goals for purchasing loans in lower-income markets and underserved markets, including markets with significant minority populations. The GSEs concentrate their purchasing in the conventional markets. That is, they purchase very few FHA or VA loans. Moreover, FHA and VA loans do not count toward the housing goals set for the GSEs by HUD. As with FHA, there are ceilings placed on the dollar value of each individual loan that the GSEs can purchase in order to ensure that they serve the most affordable segments of the housing markets. Loans that fall within these loan limits are called "conforming loans". During the years covered by this analysis the loan limit for single-family units for both Fannie Mae and Freddie Mac was $252,700 in 2000. That limit rose each year to $300,700 by 2002. The goals that HUD has established are designed to make the GSEs the leaders in serving both the conventional lower-income and minority markets. Therefore, we have included a review of the loan purchasing patterns of Fannie Mae and Freddie Mac as part of this analysis.

The HMDA data report loans sold to the GSEs. The HMDA data, however, tend to under report the loans sold to the GSEs. One major source of under reporting is lax reporting by some lenders. Such problems can create some bias in the GSE data. Another major source of under reporting is that the HMDA data record only those loans sold to the GSEs in the same year in which they were originated. Some loans are not sold immediately to the GSEs and, thus, are not reported in the HMDA data. This form of under reporting is likely to have less bias than any occasional failure to report sales to the GSEs by large individual lenders. While there is a separate set of GSE disclosure data, it does not provide for census tract level reporting by loan type (home purchase and refinance). Therefore, like most research looking at small area racial lending patterns, this analysis relies upon the HMDA data for its analysis of GSE purchases.

Loans that are above the FHA (Tier 1) loan limits and yet within the GSE loan limits are defined as Tier 2 loans. In this analysis, we shall refer to all conventional loans that fall within the GSE loan limits as "eligible" loans when reviewing the share of the market served by Fannie Mae and Freddie Mac. Therefore, all Tier 1 and Tier 2 conventional loans are GSE "eligible" loans. The market refers to loans above the GSE loan limits as "jumbo" loans.

Subprime Lending

During the 1980s and early 1990s, progress was made in expanding conventional markets through setting purchasing goals for Fannie Mae and Freddie Mac - thus encouraging lenders to originate more loans to lower-income borrowers and minority borrowers. Community-based organizations initiated the basic loan programs that have now become the basis of many products by Fannie Mae and Freddie Mac. Progress was also made through the implementation of the Community Reinvestment Act, especially through reinvestment programs initiated by community-based organizations. Increased litigation against lending discrimination during this period and strengthened fair lending laws and regulations have also added to the pressures that discourage lenders from engaging in the practices that have historically supported discriminatory lending markets. Nonetheless, discrimination in lending remains a problem in the conventional and FHA markets.

In addition, subprime lending has grown rapidly as a segment within the conventional market in the last decade. HUD estimated that the level of subprime lending in the national market grew from 80,000 loans in 1993 to 790,000 loans in 1998 - almost a ten-fold increase.[38] Subprime loans are conventional mortgage loans that are designed to be made to borrowers whose credit profiles exceed the standards set by the normal standards of the prime conventional market. Subprime lending has been defined by the federal financial regulatory agencies in a 1999 statement as "extending credit to borrowers who

[38] U.S. Department of Housing and Urban Development, *Unequal Burden: Income and Racial Disparities in Subprime Lending in America*, April 12, 2000.

exhibit characteristics indicating a significantly higher risk of default than traditional bank lending customers".[39] Generally, these have been seen as loans that exceed the risk standards set by Fannie Mae and Freddie Mac. The recent rapid growth of the subprime market has created a wide range of varied standards and loan products. As a result, there is no clearly defined standard for what constitutes a subprime loan. Moreover, Fannie Mae and Freddie Mac have both made some entries into the subprime market, making it harder to use their standards as a benchmark for subprime lending.

Subprime loans are typically classified by a letter grade, from A- to D (and sometimes even lower for extremely high risk loans). D class loans would serve people with severe credit problems. Some subprime lenders even have products for people in the process of foreclosure on their present loans. According to industry publications such as *Inside B & C Lending*, the vast majority of subprime loans are loans that fall just below the prime market standards. These are termed A- loans. The next largest share is for B loans, which fall in a higher risk category than the A- loans. The pool of C and D loans is smaller.

Subprime loans are supposed to be priced according to the risks by charging higher interest rates for higher risk loans.[40] The subprime market can provide valuable sources of lending for borrowers with troubled credit. In recent years, subprime loans have also included loans with loan to value amounts in excess of prime lending standards. In order to protect the lender, lenders have restricted most loans to amounts less than the full value of the home. The relation between the loan amount and the value of the home is called the loan-to-value ratio (LTV). LTVs have proven to be one important factor in predicting loan risks. In general, higher LTV loans pose a higher risk of loss. Therefore, when subprime lenders have offered such products as loans with 125% LTVs (loans with amounts up to 25% more than the home value), the lenders have charged higher rates - even when the applicants have excellent credit histories. Therefore, subprime lending is a term that can generally be applied to all loans where any of the terms or conditions of the loans or where the economic profiles of the borrowers are in excess of the standards typically used in the main conventional markets.

Abuses in the Subprime Market

While subprime lending may serve a genuine market need, there is a major public policy concern that within this industry some lenders are exploiting borrowers and using

[39] Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and Office of Thrift Supervision, AInteragency Guidance on Subprime Lending", March 1, 1999.

[40] In addition to higher interest rates, subprime loans typically also charge more points at the time of closing. A point is equal to one percent of the mortgage amount. In general, points are reflected in the calculation of the Annual Percentage Rate (APR) which must be disclosed to the borrower. When points have been charged on the loan, the APR is greater than the contract interest rate - the rate shown on the face of the mortgage instrument. Nonetheless, the APR does not always reflect all of the charges and fees charged by the lenders in the form of various percentages of the mortgage amount.

deceptive and misleading practices. In some cases, this results in interest rates and other loan costs not justified by the risks posed by the borrower. In other cases, the lenders drain equity from people's homes with no real benefit to the borrower. In some extreme cases, predatory lenders intentionally make loans that the borrower cannot repay in order to take away the borrower's property. Congress has passed legislation to provide some protection from "high cost" loans, as in the Home Ownership and Equity Protection Act of 1994 (HOEPA). There have been many Congressional hearings on the deceptive and exploitive practices of some subprime lenders. HUD and the U.S. Department of the Treasury issued a joint report on curbing the predatory lending practices that have arisen within the subprime markets.[41] Placing curbs on abusive subprime practices has become the focus of national, state and local legislation.

Some of the practices of lenders associated with this rapidly expanding market have raised concerns and led to litigation for exploitation of borrowers. Many of the abuses relate to the failure of the lenders to clearly inform the borrowers of all the costs and conditions of the loan. One of the abusive practices is packing credit life insurance policies or other insurance products into the loan. Other practices have included loan flipping, the practice of getting the borrower to refinance the loan in larger amounts or at higher rates. Most of the concern has been focused on the fairness of the interest rates, points, and other fees charged on the loans. The questions relate to whether these higher costs are actually related to higher risks.

Borrowers are exploited when the costs of the loan are not fairly related to the real risks. If borrowers are steered to a subprime loan, for example, when they could have qualified for a prime loan product, then they have been exploited. This is similar to a borrower being steered to an FHA loan when they could have qualified for a conventional loan. We see that simply receiving a conventional loan does not indicate that the borrower was treated fairly. If the borrower pays an interest rate that is higher than what is required to cover the risk of that loan, then the borrower has been exploited. If the borrower is drawn into purchasing insurance products that they are not aware of or that they do not understand, want, or need, then they have been exploited.

Subprime lending abuses occur when lenders pass over the line from providing a resource to financially troubled borrowers to exploiting borrowers. This exploitation typically falls into four areas. Exploitation takes place when (1) the lending program and products fail to provide the borrowers with the full range of information about the costs of the loans; (2) the loan includes charges and costs that are not related to services provided or to the risks of the loan; (3) the lender packs products into the loan that are not understood by or requested by the borrower; and (4) the loan imposes terms and conditions that unnecessarily burden the borrower with disadvantages in the case of either early or late payments.

[41] U.S. Department of Housing and Urban Development and U.S. Department of the Treasury, *Curbing Predatory Home Mortgage Lending: A Joint Report*, June 20, 2000.

Abusive practices increase the costs of a loan. Moreover, in as much as most subprime lending is related to second liens or refinance loans, abusive practices are seen as stripping the equity out of the borrowers' homes. In some of the most abusive practices, the lenders may actually seek to make loans which cannot be repaid so that they can foreclose and gain full control of the equity in the home. Such practices exist, but the far more common issues are related to the loan costs themselves and the profits made by lenders in making and continually refinancing (flipping) these loans.

Examples of the Failure to Disclose Conditions and Costs. In spite of federal requirements for the disclosure of many terms, conditions, and costs of a mortgage loan, there has been a focus in public policy and in litigation on the failure of some subprime lenders to disclosure key conditions of a loan. Examples are the failure to disclose all fees associated with the loan. In other cases, disclosure is provided only at the time of closing, giving the borrower little chance to review and understand the documents. Some disclosures are misleading, such as a disclosure concerning credit life insurance that fails to indicate that the company providing the insurance is owned by the lender.

Examples of Charges Not Related to Services or Risks. Some lenders charge multiple fees for the same task, such as an origination fee and an underwriting fee. Using different names for the same task misleads the borrower into thinking that these costs are for separate services. Some lenders pay fees to brokers just for placing a loan at an interest rate above what the lender would require for the loan. These fees are either paid directly by the borrower or folded into the interest rate, where they may not be known to the borrower at all. Payments made to a loan broker out of an increased interest rate are termed Yield-Spread Premiums (YSP). Credit scoring and automated underwriting are used less in the subprime market than in the prime market, thus making it hard for the lender to justify the interest rates charged on loans based on a sound assessment of the risk. Some borrowers who should qualify for prime lending rates are charged higher rates by subprime lenders. This would be considered particularly abusive for lenders that have both prime and subprime divisions or subsidiaries to which they could send their borrowers for the loan that actually fits the borrower's risk.

Examples of Products Packed into the Loan. The most common items packed into loans are various insurance products. Credit life insurance has received the most attention, though lenders often also sell involuntary unemployment insurance and disability insurance as well. Where borrowers are aware of these products in the loan, they are often not informed about the alternative costs or the claims provisions. For example, some disability policies are sold with the claim that they provide 36 months of coverage. The borrower may assume that this means that from the time they are disabled, they can receive up to 36 months of coverage to cover their mortgage payments. In reality, these policies provide coverage only during the first 36 months of the policy. If a borrower were to be disabled in month 37 of the loan, there would be no benefit at all. In some cases, credit life policies may not be in amounts large enough to cover the loan. Many alleged abuses are based on claims that the credit insurance products were more expensive than could be obtained from another provider or that lenders mislead the borrower into believing that insurance was required, or that insurance was sold to applicants who clearly had no need of it. Moreover, insurance packing issues have focused on single-payment policies that fold the premiums into the loan, where the borrower pays interest and points on the premium.

Examples of Terms that Disadvantage the Borrower. Another issue is placing conditions on the loan that are not required by the risk and are more onerous to the borrower than the terms and conditions of loans in the prime markets. One example of these terms includes prepayment penalties for borrowers who pay off their loans early - or at least within the first few years. Another example is the requirements of increased interest if the loan goes into default or becomes delinquent. A third abusive condition is the requirement that any disputes concerning the loan will be resolved by arbitration, thus waiving the right of the borrower to sue the lender.

Predatory Lending

When lenders intentionally use any of these abusive practices, this is called predatory lending. Predatory lending is not a particular abuse, but rather the conscious effort on the part of a lender to market and solicit loans with some or all of the abusive practices. This term is most commonly used when the lenders target specific populations for loans marketed with these abusive practices in order to exploit particular populations that are either unsophisticated or in desperate financial situations. Lenders may systematically prey on elderly populations, minority populations, populations in the throes of serious financial or medical problems, etc. In litigation, such schemes have frequently been litigated under federal racketeering laws as well as consumer protection and fair lending laws.

Specific Fair Lending Issues

The pervasiveness of the subprime market is itself the object of concern. High levels of subprime lending represent markets where borrowers are paying unusually high costs for credit. High levels of subprime lending represent markets where borrowers have unusually high risks of losing their homes. Predatory lending represents an exploitive submarket within the larger subprime and FHA markets.

In the past several years, the patterns of subprime lenders have also become a focus of fair lending concerns. Some of the practices that have been the focus of litigation, policy review, and legislation have been based on violations of various federal and state consumer protection laws. But many of the subprime lending patterns of concern are based on possible violations of fair housing, fair lending, and civil rights laws.

One can use the protected class characteristic of race as an example to show how subprime abuses may violate the fair lending laws. The issue of whether there is racial exploitation in the subprime markets essentially rests on two situations. First, are there disparities in subprime lending related to race? Second, is it unlikely that these disparities can be fully explained by legitimate risk factors? For the example of race, we have several studies showing racial disparities and some evidence that risk alone does not explain the differences.

The study of subprime lending released by the U.S. Department of Housing and Urban Development in April of 2000 (*Unequal Burden: Income and Racial Disparities in Subprime Lending in America*) indicated that "subprime loans were five times more likely in black neighborhoods than in white neighborhoods". In its study of subprime lending patterns, HUD highlighted the national disparities in levels of subprime mortgage lending by race. The study also provided detailed examples of these disparities in Atlanta, Baltimore, Chicago, Los Angeles, and New York.[42] Some studies have focused on the high levels of foreclosure for subprime lending that harm both the borrowers and the communities where the loans are concentrated.[43] A recent study of subprime lending in all the metropolitan areas of the country revealed systematic disparities by both the race of borrowers and the racial and ethnic composition of neighborhoods. Moreover, this study indicated that for the nation as a whole and for many metropolitan areas, these racial and ethnic disparities actually increased with higher borrower and neighborhood incomes.[44]

Almost all of these studies that show large disparities in subprime lending related to race have been based on Home Mortgage Disclosure Act data. These data do not provide information on the credit profiles, loan-to-value (LTV) ratios, debt ratios, and some other factors generally associated with risk. Yet, there is reason to question whether large racial disparities can be explained away by risk factors alone. This is especially true when the racial disparities are within similar borrower income ranges.

Several factors indicate the need to question the adequacy of risk to explain these racial disparities in subprime lending. First, industry publications, such as *Inside B&C Lending*, indicate that almost two-thirds of subprime lending is comprised of A- loans.[45] These are loans on the margin between prime loan risk standards and the subprime market. Discrimination often occurs on the margins of eligibility.

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[42] See both *Unequal Burden* and the following special studies by the Office of Policy Development and Research, U.S. Department of Housing and Urban Development: *Unequal Burden in Atlanta: Income and Racial Disparities in Subprime Lending* (April 2000); *Unequal Burden in Baltimore: Income and Racial Disparities in Subprime Lending* (May 2000); *Unequal Burden in Chicago: Income and Racial Disparities in Subprime Lending* (May 2000); *Unequal Burden in Los Angeles: Income and Racial Disparities in Subprime Lending* (April 2000); and, *Unequal Burden in New York: Income and Racial Disparities in Subprime Lending* (May 2000).

[43] In addition to the foreclosure data included in the special city reports by HUD and Treasury, see National Training and Information Center, *Preying on Neighborhoods: Subprime Mortgage Lenders and Chicagoland Foreclosures*, September 21, 1999.

[44] Calvin Bradford, *Risk or Race? Racial Disparities and the Subprime Refinance Markets*, Washington, D.C.: Center for Community Change, May 2002.

[45] "Retail Retains Momentum During First Half of 2001" in *Inside B&C Lending*, Bethesda, Maryland: Inside Mortgage Finance Publications (September 17, 2001), page 3.

Second, both Fannie Mae and Freddie Mac have questioned whether risk explains the use of subprime loans. Freddie Mac has estimated that from "10 to 30 percent of borrowers who obtained mortgages in the subprime market could have qualified for a conventional loan through Loan Prospector" (Freddie Mac's automated underwriting system).[46] In its discussion paper on subprime lending, Fannie Mae expresses the same confidence that a significant share of the subprime market actually could be served under prime risk underwriting standards. The draft reads, "evidence suggests that the competition in this market is limited and many borrowers are paying higher costs for their mortgage than they should." Another section reads, "research commissioned by Fannie Mae suggests that there are real opportunities for conventional prime market lenders to bring their low-cost financing options to markets now dominated by high-cost providers". Speaking specifically about minority communities and the growth of subprime lending there, the paper states that "the growth in subprime lending in these communities indicates that there are opportunities for prime credit lenders to serve more consumers and deliver value in some of these markets.[47]

Third, subprime refinance lending, in particular, is often "sold" to customers rather than "sought" by the borrower. Subprime lenders often engage in marketing designed to sell the advantages of loan consolidation or cash-back refinancing that allegedly lowers a borrower's monthly payments. Moreover, marketing techniques may disproportionately target minority market segments. For example, sophisticated marketing can target people who have loans that have not been refinanced in many years, creating the prospect of considerable equity against which to market a refinance loan. Also, sophisticated marketing can target persons with substantial reliance on credit card debt that can be consolidated into mortgage refinancing. In many urban areas where discrimination in past prime mortgage markets causes minorities to rely more heavily on credit card and finance company debt, such marketing is likely to disproportionately target minorities. At its conference on subprime lending, Fannie Mae officials highlighted recent research on market segments that indicated that minority borrowers were more likely than white borrowers to focus on whether they would be accepted for a loan. White borrowers were more likely than minority borrowers to focus on the costs of the loan.[48] This is consistent with the past history of discrimination. It would also make minorities more susceptible to the subprime marketing techniques which tend to minimize loan qualification issues and focus on the alleged advantages of refinancing.

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[46] Freddie Mac, "We Open Doors for America's Families," *Freddie Mac's Annual Housing Activities Report for 1997*. McLean, Virginia: Freddie Mac (1998), pages 23-24.

[47] Barry Zigas and Paul Weech, *The Rise of Subprime Lending: Causes, Implications, and Proposals,* Draft Paper circulated by Fannie Mae (October 2001), pages 27, 24 and 6, respectively.

[48] The findings were presented at the Fannie Mae Predatory Lending Conference "Lending to Borrowers with Blemished Credit: Challenges and Opportunities", in the session ABlemished Credit Borrowers & the Non-Traditional Market", October 10, 2001. See also a review of this research and additional related information in Barry Zigas and Paul Weech, *The Rise of Subprime Lending* (2001), pages 26-27.

Fourth, there is evidence that racial differences in the use of subprime lending remain even when risk factors are analyzed. Broad-scale subprime lending studies that analyze both race and individual risk are extremely rare and limited in scope. One recent study by the Research Institute for Housing America does attempt to control for risk factors in accounting for an analysis of which borrowers receive subprime loans. The authors conclude that "after controlling for borrower income, debt, and credit history, racial groups behave differently". Specifically, the authors note that Blacks, Indians, Hispanics, and Asians are more likely to use subprime lending than are whites.[49] Collectively, the persistent historical patterns of discrimination in the mortgage markets, the fact the most subprime loans are on the margin with prime loans, the assessment by the GSEs that more of the market could be served by prime lenders, the marketing practices of subprime lenders, the perceptions of minorities concerning their treatment in the market, and the analysis of risk factors all lead to doubts that risk can adequately explain racial differences in the use of subprime loans.

Discriminatory subprime lending harms both individual borrowers and communities. When a borrower receives a subprime loan when they could have qualified for a conventional prime loan, that person suffers losses due to the higher costs and other onerous terms associated with subprime loans. These may be related to higher interest rates, higher loan fees, and costs typically not found in the prime market, such as prepayment penalties or single-premium credit insurance.[50] Subprime borrowers also suffer from foreclosure rates that are higher than comparable rates for both FHA loans and for the prime market.[51]

In addition to the harm done to individuals who receive subprime loans when they could have qualified for the less onerous terms and conditions of a prime loan, there may be neighborhood impacts as well. Because of racial segregation patterns in this country, when subprime loans, and subprime foreclosures, are concentrated among minority populations, they also tend to be concentrated in minority neighborhoods as well. This has been a well-documented condition for FHA foreclosures and minority communities.[52]

[49] Anthony Pennington-Cross, Anthony Yezer, and Joseph Nichols, *Credit Risk and Mortgage Lending: Who Uses Subprime and Why?*, Arlington, Virginia: Research Institute for Housing America (2000), page 13.

[50] See Barry Zigas and Paul Weech, *The Rise of Subprime Lending* (2001) for a review of many of these impacts.

[51] See the joint HUD/Treasury report *Curbing Predatory Lending* (2000), pages 34-35.

[52] Early studies documenting the neighborhood effects of FHA foreclosures are documented in The National Commission on Neighborhoods, "Neighborhood Reinvestment," Chapter 1 in *People Building Neighborhoods* (1979) and in U.S. Department of Housing and Urban Development, *Redlining and Disinvestment as a Discriminatory Practice in Residential Mortgage Lending,* (1977). Contemporary studies include, for example, National Training and Information Center, *The Devil's in the Details: An Analysis of FHA Default Concentration and Lender Performance in 20 U.S. Cities,* Chicago: National Training and Information Center (1997) and Calvin Bradford, *Crisis in Deja Vu* (2000).

Concentrated foreclosures undermine property values and contribute to neighborhood decline and blight. One study of subprime foreclosures in Chicago found that "subprime lenders and servicers were responsible for 30 foreclosures in 1993. The number skyrocketed to 1,417 in 1998, a 4,623% increase.[53] Maps in this study show the areas in the Chicago metropolitan market where the foreclosures are located. The areas of heaviest foreclosures coincide with minority areas and areas of high FHA foreclosures identified in earlier studies. A study done by Abt Associates for HUD in Atlanta indicated that subprime foreclosures had increased 232% between 1996 and 1999 while prime lender foreclosures had decreased by 15%. The study indicates that the share of subprime foreclosures was higher in minority areas than in white areas.[54] HUD's review of foreclosure filings in the Baltimore area concludes, "In predominantly black tracts, subprime lenders accounted for 57 percent of mortgages being foreclosed (compared with a subprime market share of 42 percent [of the originations]). The data show that subprime loans were much quicker to foreclose than were conventional or FHA loans.[55]

Conclusion

The analysis of home purchase and refinance loans in the Richmond Area market shows several patterns of disparate service and underservice to minority markets. By most measures, Asians show parity and even more access than whites to conventional loan products and to prime conventional loans. On the other hand, Hispanics, and especially African-Americans, show significant racial disparities related to higher failure rates for conventional loan applications, unusually high levels of FHA lending, and clearly higher levels of subprime lending when compared to whites. Comparisons based on the racial composition of census tracts indicate the same disparities in the levels of FHA and subprime lending. Controlling for the income range of the borrowers or the area does not eliminate these patterns of disparities. The greatest evidence of racial disparities is in the high levels of subprime lending, particularly for African-American borrowers and in predominantly minority areas.

The measures used in this analysis gain their strength from defining overall patterns and from the consistency of patterns from one form of analysis to another. In the tables, graphs, and maps, there may be some particular income ranges or loan products where racial and ethnic disparities are overcome. Across the range of tables that group census tracts by both income and racial/ethnic composition, across the range of maps that portray geographic patterns, and across the range of charts that compare FHA and subprime use and loan decisions by race/ethnicity and income, however, there is a consistency in the

[53] National Training and Information Center, *Preying on Neighborhoods* (1999), page 17.

[54] U.S. Department of Housing and Urban Development: *Unequal Burden in Atlanta* (2000), Figure 8 and pages 7-8.

[55] U.S. Department of Housing and Urban Development: *Unequal Burden in Baltimore* (2000), page 4 - see also Figure 8 and Figure 11.

patterns that supports the conclusion that there are differences that are related to race and ethnicity. These patterns are related to Hispanic and, particularly, to African-American borrowers and to geographic areas of minority concentrations. The patterns appear to be too strong and consistent to be due to either random factors or basic lending risks alone.

Chapter 9 Summary: This chapter identifies the various ways in which the mortgage lending market operates to the disadvantage of Hispanics and, in particular, African-Americans and African-American neighborhoods. Historical patterns of discrimination in lending – redlining – resulted in disinvestment in black communities. Minorities remain underserved by mainstream lending and are more likely to have loans that cost more. African-Americans are almost 6 times as likely to have a subprime loan as whites and subprime loans are more than 4 times as prevalent in black neighborhoods as in white neighborhoods. Lack of information about housing choices, money management skills, financial literacy, and impaired credit create housing barriers for many people and result in their vulnerability to abuses in the lending market. Discriminatory subprime lending harms both individual borrowers and communities and the rise of lending abuses extracts wealth from the very communities the City is working to revitalize.

Chapter 10: Six Views of the Housing Market: African-Americans, Hispanics, Families with Children, People with Disabilities, the Elderly, the Homeless

Issues:
Discrimination
Lack of accessibility
Marginalization of the homeless

This chapter summarizes housing barriers from the perspective of African-Americans, Hispanics, families with children, persons with disabilities, the elderly, and the homeless.

African-Americans

The issues of race and housing choice are of paramount importance in evaluating impediments to fair housing in the Richmond region. There is substantial data that suggest that throughout the region African-Americans continue to experience illegal housing discrimination in an array of housing transactions as well as suffering the lingering effects of historic discrimination. African-Americans report experiencing housing discrimination, are shown by testing evidence to be treated less favorably than whites in housing transactions, are less likely to be homeowners, are more likely to have difficulty getting mortgage loans, are more likely to have subprime (more expensive) mortgage loans, and, if they need housing assistance, are likely to live in segregated communities.

<u>Segregated communities</u>

Richmond has a long history closely linked to race and racism. Like many other cities in Virginia, Richmond adopted zoning ordinances early in the 20th century that enforced segregated neighborhoods. When such ordinances were declared illegal by the U.S. Supreme Court, many neighborhoods adopted restrictive covenants to ensure that houses could not be sold to African-Americans. Many of those covenants, while unenforceable, remain on the deeds. Segregation has been illegal for almost sixty years, but segregated patterns and mindsets linger.

<u>Segregation and poverty</u>

Some people maintain that race is not the issue in today's segregated housing patterns as much as economics or personal preferences for living among people who are similar to oneself. However, sociologists Douglas Massey and Nancy Denton demonstrated in 1988 that in all the geographic areas they studied, blacks of all income levels were segregated from whites. In fact, blacks in any income bracket are more likely than members of another racial or ethnic group (in the same income bracket) to remain in racially segregated neighborhoods. Massey and Denton point to a history of legally segregated housing and to continuing housing discrimination to explain the persistence of segregation for blacks.

Furthermore, economics cannot be divorced from race. The continued close links between race and income ensure that segregation along economic lines will be segregation in great part by race. This housing pattern has had disastrous impacts on African-Americans. Massey and Denton argue that segregation has been the most important cause of poverty within the black community. Black neighborhoods have historically suffered from redlining and environmental racism, which means they have been made repositories for generally unwanted land uses. These factors have combined over decades to devalue black neighborhoods, discourage investment and limit the ability of homeowners in those neighborhoods to accumulate wealth through building equity. Americans use the equity in their homes to finance many important milestones to a better life: education for their children, home improvements, small businesses. White families have a much greater degree of wealth than black families[56], primarily because black Americans have not have access to home equity as readily as have whites. Even if African Americans did not face barriers to housing today, the lack of equity caused by historic patterns of discrimination would ensure that they do not have the same access to housing opportunities as whites.

The role of personal preferences and expectations in promoting segregation

Although personal preferences are a strong motivating factor when an individual chooses housing, those personal preferences are shaped by cultural norms, which until relatively recently were shaped by national and state laws that helped create and perpetuate a segregated society. A black family may have to choose between living in a white neighborhood, which will offer more opportunities but also exact an emotional cost; and living in a black neighborhood in which the opportunities are more limited but the family is comfortable. This is a choice that white families are not forced to make.

The long history of segregated housing in Richmond creates expectations that are themselves a great barrier to housing choice. Both black and white homeseekers may prefer to avoid what they perceive as the hassle and potential danger of moving into a neighborhood in which they do not feel welcome. To make a decision to live in a neighborhood in which most of one’s neighbors are a different race can take determination and courage, regardless of how attractive the neighborhood may be.

Racial steering

When a housing provider artificially restricts the choices of homeseekers by withholding or emphasizing certain information, this limitation of choice is referred to as “steering”.

[56] In 2001, the median net worth of black families was $19,000 while the median net worth of white families was $120,990, according to a recent study. Aizcorbe, Kennickell and Moore, “Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances”, Federal Reserve Bulletin 89 January 2003.

Racial steering in Richmond has contributed for many years to the persistent segregation of the Richmond region, and it continues today.

More than twenty-five years ago, HOME conducted a series of sales tests that showed that African-Americans were steered away from white neighborhoods. The local real estate community responded very positively, by working to eliminate the practice through increased training. The current study is the first systemic look at real estate sales to be done since that much earlier one. In the recent testing, matched pair testing of sales agents showed less favorable treatment of black testers and steering by real estate agents on the basis of race (Chapter Six). In some instances, black and white testers were told about or shown houses in completely different neighborhoods; in others, the real estate agents made discouraging racially-based comments about different neighborhoods. These practices were corroborated by several real estate professionals, who told HOME that racial steering continued to occur in the Richmond area housing market. In addition, the continued high levels of segregation at the neighborhood level and white-flight patterns are typical results of racial steering, and the results of the current study are consistent with studies in other parts of the country.

Hispanics

The population of the Richmond region includes a growing number of people who identify themselves as Hispanic or Latino. According to the 2000 census, slightly less than three percent of the region's population is Hispanic; however, this is nearly triple the number of Hispanics in the Richmond area in 1990. Hispanics may face several interrelated limitations on their housing choices, such as racism and a dislike of immigrants, or, in fair housing terms, discrimination based on race and national origin. Documentation is also an issue for many Hispanics, whether they lack proper documentation and so are not accepted by many housing providers, or because a landlord believes that most Hispanics are undocumented and requires applicants to jump through additional hoops to provide proof of legal residency.

The cost of housing can also be a barrier for Hispanics. The median household income of Hispanics in the City of Richmond is only 87% of the median household income of all households in the City, and the median household income of Hispanics in Chesterfield is 79% of that of all households. Hispanics typically have less access to subsidized rental housing than whites or African-Americans because of documentation issues; because they either do not know about programs or believe they are not eligible for them; and because there is frequently no staff person who speaks Spanish or Spanish application forms. The small number of Hispanics in public housing or holding Housing Choice Voucher is described in Chapter Seven. The result of this lack of access to subsidized housing is that many Hispanics end up in substandard housing, or in other situations in which landlords take advantage of their vulnerability. City staff encounter Hispanic tenants when they enforce the building codes; they are also aware that other Hispanics in unsafe housing do not complain to the City because they are afraid of getting in trouble with immigration authorities.

Lastly, Hispanics are more likely to have an extended family structure and larger family sizes than many other groups. As a result, barriers to housing choice for families with children – in particular limitations on occupancy – may have a disproportionate impact on Hispanic families. In some other parts of the Commonwealth, an influx of Hispanic families has triggered an effort to limit their housing opportunities through the use of increasingly restrictive occupancy standards, and in at least one case, using the zoning ordinance to limit the relationships of the people who could occupy a dwelling.

Several organizations and individuals interested in improving service delivery to the Hispanic community, including the Hispanic Chamber of Commerce, HOME, Refugee and Immigration Services, the City Code Enforcement Office and Hispanic Liaison, RRHA, the Virginia Fair Housing Office, and others, have begun to meet on a regular basis to coordinate a response to the needs of this community. Not surprisingly, a lack of bilingual staff among the service providers has been identified as a major barrier. The City's Hispanic Liaison Office was cited as being very helpful to Hispanic immigrants. That office indicated the need for investigation into discriminatory housing practices against Hispanics in the rental market.

Families with Children

Richmond has a smaller proportion of families with children but more single-parent families with children compared to other jurisdictions in the region (Table 10). Families with children make up 23 percent of the households in Richmond, and of families with children, 61 percent are headed by single parents. Households with children tend to have lower incomes than households without children and are more likely to spend more than a third of their income on housing.

The most frequently cited concerns regarding housing barriers for families with children were affordability, schools, and space. Interview respondents noted that the affordability issue is even more significant for larger families, as is the difficulty of finding landlords who have dwellings with more bedrooms and occupancy standards that accommodate larger families.

Occupancy Standards

Housing providers may establish reasonable occupancy standards for rental housing, as long as those occupancy standards do not operate to exclude families with children (this is true for subsidized as well as private units). Today, the generally accepted occupancy standard established by HUD guidance and various cases across the country is at least two people per bedroom, but a reasonable limit may be higher or lower depending on the size and configuration of the unit.

Most large housing providers have instituted occupancy standards that meet legal requirements, but not all. While testers with children were discouraged in only twenty percent of the ten familial status tests relating to occupancy standards, one tester was told she had too many in her family and that the landlord preferred to rent to students.

Familial status complaints are the third largest number of complaints filed with HOME, the Virginia Fair Housing Office, and with HUD, and familial status discrimination frequently involves restrictive occupancy standards. Private landlords renting larger single family houses are reluctant to rent to large families, citing concerns about wear and tear. Houses with 3 or 4 bedrooms should permit families of 6 and 8, respectively; however, one Richmond area landlord with more than 25 houses for rent restricted her 4 bedroom houses to families of four. That occupancy standard was expanded after a fair housing complaint was filed and a charge of discrimination issued by the Virginia Fair Housing Board.

The persistence of confusion over occupancy standards in public and subsidized housing and with the Housing Choice Voucher program led HUD to issue guidance in 2003 reiterating the right of parents to choose the number of bedrooms for which they are eligible. Housing providers may not adopt standards that require children of the opposite sex to have separate bedrooms, or prohibit a parent and a child of the opposite sex from sharing a bedroom, since requiring a family to take a larger unit may make the housing unaffordable.

Lead Paint

The existence of lead paint in a building is a hazard to young children, and housing providers are required both to provide notice and to abate lead paint for families with young children. Tests conducted to determine whether or not housing providers would resist renting to families with young children because of the potential existence of lead-based paint in their units did not reveal a single instance in which this was true.

Persons with Disabilities

Persons with physical, mental or emotional disabilities encounter a variety of barriers to housing, from lack of accessibility through active discrimination. Until several years ago, there were relatively few fair housing complaints filed on the basis of disability, but efforts across the county to educate persons with disabilities about their rights under the fair housing laws have resulted in an increase in the number of disability-related fair housing complaints. On the national level, disability discrimination recently outpaced race as the most frequent type of complaint.

Lack of accessible public transportation also limits housing choice for many people with disabilities. While the fixed-route GRTC service has limited access for people with mobility impairments, GRTC also provides curb-to-curb van service. The larger problem is GRTC's limited presence in the region surrounding the City, which creates a barrier to housing choice for people with disabilities, just as it does for anyone else needing public transportation.

Accessibility Requirements

Federal and state fair housing law require "covered multi-family dwellings" designed for first occupancy after March 13, 1991, to meet certain standards for accessibility. A covered multi-family dwelling is a building with four or more dwelling units. If a building meeting this definition has one or more elevators then all of the units must meet the standards for accessibility. If a building meeting this definition does not have an elevator, the ground floor units must meet the accessibility requirements. Five percent of the units in public housing must be accessible to people with disabilities.

Most multi-family buildings in the City of Richmond were built before these requirements became law (map 14). However, the City should make a special effort to ensure accessibility whenever new multi-family housing is constructed.

Reasonable Accommodations and Modifications

Virginia and federal fair housing laws require housing providers to make reasonable accommodations in policies and reasonable modifications to the physical structure of a unit when requested by someone with a disability. Requested accommodations and modifications must be necessary for the disabled person to fully enjoy the unit and amenities.

The need for reasonable accommodations and modifications is most likely to arise in the rental market (although all forms of housing and housing-related transactions are covered). Examples of typical requests are for a service dog in a building that otherwise prohibits pets, or permission to install a wheelchair ramp. In the private rental market, the cost of modifications is paid by the tenant. In subsidized housing, Section 504 of the Rehabilitation Act of 1973 requires the housing provider to cover the costs. In a sales transaction, a real estate agent might be required to make changes to her normal procedures to accommodate the needs of someone with a disability.

Real estate agents are most likely to be trained on the housing rights of persons with disabilities since continued fair housing training is required to get and keep a real estate license. Large property management companies also tend to incorporate fair housing training into in-house training programs. However, smaller, individual housing providers are frequently unfamiliar with the requirements of the law (for a discussion on the response of housing providers to reasonable accommodation and modification requests see Chapter 6).

Disabled homeseekers are most likely to work successfully with housing providers if they have the services of an advocate who is familiar with the provisions of the law. Individuals who do not know their rights under the law, and who do not use the services of an advocate are likely to encounter resistance – if they even know they can request the accommodations.

Affordable and Accessible Housing

Accessible housing can mean many different things. It can range from adding a ramp to the front door to fully accessible housing that meets American National Standards Institute (ANSI) standards. People with specific disabilities have specific needs. Someone with rheumatoid arthritis may not need a roll-in shower but will need levers instead of knobs on doors and faucets. Someone who is deaf may need smoke detectors and doorbells that use strobe lights instead of sounds.

People interviewed for this study indicated that there is a shortage of safe, accessible, affordable housing for people with disabilities in the Richmond region. Income limitations and limits on mobility mean that many people with disabilities must rely on rental housing. The most affordable rental housing in the City, however, is often in older and sometimes dilapidated structures. This housing is generally not accessible because it frequently has many stairs and is often situated on uneven terrain or surrounded by cracked sidewalks lacking curb cuts. Currently there are 1000 Housing Choice Vouchers from the Virginia Housing Development Authority that are administered by Resources for Independent Living (RIL). Generally, if a disabled person has a voucher, RIL can help find housing for them, but there are not enough vouchers to meet the needs of people with disabilities, just as there are not enough for low income households generally. There were 125 people with disabilities on the waiting list for these vouchers as of early 2005.

Universal Design

There is relatively little new construction of housing in the City, and more conversion of older structures. While retrofitting existing structures for full accessibility can be very expensive, there are many inexpensive features that can increase accessibility (which can, of course, also be applied to new construction). The concept of universal design involves the use of design elements that work for everyone, not just people with disabilities. Common universal design elements include:

- building wider doorways - allows wheelchairs to pass through, but also makes moving furniture easier;
- installing levers instead of knobs on doors so that a door may be opened by the hand, wrist or elbow - of a disabled person or a person with their arms full of laundry or groceries; and,
- making sure kitchens and bathrooms are large enough to allow wheelchair access, with appliances and doors placed for ease of use – designs which benefit all users.

In Richmond, 21 percent of the population is 55 years or older and a quarter are disabled (Tables 12 and 11, respectively). While there is already a clear need for accessible housing, as the population ages the need for and popularity of housing that incorporates universal design features will grow. Nationally, there is increasing interest in the use of universal design features. There is also growing recognition that there is a large and growing market for universal design features in both multi-family and single-family construction for all income levels.

There is no provision in the housing programs funded by the City that construction should include universal design features. In most new construction, many universal design features can be incorporated at little or no cost. The City should encourage the use of universal design features in the private market and require them to the greatest extent feasible in City funded programs. The use of Community Development Block Grant and federal HOME Funds for housing provides the City with a great opportunity to encourage grant recipients to use universal design features in construction. The City should also require the Richmond Redevelopment and Housing Authority (RRHA) to incorporate certain universal design and accessible features in all new construction or rehab projects.

The Elderly

As the baby-boomer generation ages, the issues the elderly face gain greater attention. Elderliness (persons age 55 or over) is a protected class under the Virginia fair housing law, but illegal discrimination against the elderly appears to be fairly uncommon. For the many elderly people who live on fixed retirement incomes, the greater problem is affordability, and many need subsidized housing. Thirty-one percent of the Low Income Housing Tax Credit units in the city are in elderly complexes, a total of 1497 units. Among RRHA programs, 28 percent of heads of household in public housing are elderly, although only 14 percent of current housing choice voucher holders and 10 percent of those on the waiting list are over 55. Although the data are from different years and thus not directly comparable, it appears that something close to one third of elderly renter households in the city receive one of these forms of subsidy. Elderly renters without access to subsidized housing pay a high percentage of their income for housing: 44% of the total number of elderly renters in the City pay more than 35 percent.

Elderly homeowners face different barriers. Fixed incomes frequently mean that elderly homeowners have trouble maintaining their homes or paying for items such as wheelchair ramps or upgrades to plumbing and electrical systems. Twenty-one percent of the elderly homeowners in the city pay more than 35 percent of their income for housing. This figure is based only on mortgage and associated costs, and does not take into account any other costs, such as for essential repairs. The elderly are also frequently victims of predatory lenders: the typical victim is an elderly, African-American female with a high level of equity in her home.

The Homeless

While homelessness is a continuing problem in Richmond as elsewhere, the founding of Homeward, a nonprofit organization that helps coordinate homeless services, has improved service delivery and the community's understanding of homeless issues. In 2004, Homeward conducted a comprehensive survey of homelessness in the Greater Richmond area (defined as the City of Richmond and the counties of Chesterfield, Henrico and Hanover). 449 individuals, or 70 percent of all adults staying in local emergency shelters and transitional housing on January 21, 2004, were surveyed. Homeward estimates that about 1,400 persons are homeless on any given day in the Richmond and that throughout the year, 5,600 to 8,400 people may be homeless in the Richmond area for one or more days.

According to the Homeward study, a disproportionate number of the homeless are African-American and a significant proportion (19%) are families with children. Sixteen percent of those surveyed reported long-term physical disabilities, or roughly twice as many as the population as a whole. The study also found that 10 percent of clients had a mental health problem in the past year, and 13 percent had a serious mental illness.

The study also shows the extent of homelessness among the working poor: almost half of the adults in homeless families were employed (49%), with the most common reason for unemployment being physical disability (16%). Only a little more than a third of those surveyed with physical disabilities reported receiving Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI). Only one percent of all survey respondents reported receiving child support.

Table 27: Homeless Adults in the Greater Richmond Area* on January 21, 2004

Variable Name	Statistic
Male	63%
Female	37%
White	23%
Black	73%
Other	4%
Hispanic	2%
Age (adults)	Range: 18 to 67 Median: 41
Less Than High School	22%
High School or GED	50%
Some College	27%
Previously Incarcerated (jail and prison)	51%
Never Incarcerated	38%
Employed (full-time, part-time, or day labor)	41%
Length of Employment (full-time and part-time)	Mean: 33 weeks Median: 12 weeks
Length of Current Homeless Episode	Median: 16 weeks
This First Episode of Homelessness	40%

* Greater Richmond area is defined here as the City of Richmond and the counties of Chesterfield, Henrico and Hanover

Source: Homeward and Marc Leslie. “Characteristics of Persons Who Are Homeless in Greater Richmond: Results of the January 21st, 2004 Point-In-Time Survey.” March, 2004.

There are many organizations providing a range of services to the homeless, from shelter to supportive services. Assuming Homeward's estimate that 1,400 are homeless in greater Richmond on any given night is accurate, the region's shelter programs can house just under half of its homeless population. There are a total of 661 beds equally divided between emergency shelter and transitional housing. Although there are an insufficient number of shelter beds, the goal is not to increase the number of beds, but to help more people make the transition to stable housing. There are 304 units of supportive housing – affordable housing with services such as mental health services provided on a continuing basis – many of which are occupied by formerly homeless individuals. The shelters are operated by non-profit organizations that rely on community support, largely supplied through United Way Services. In addition, several receive support from the City through the federal Emergency Shelter Grant. Over the past six years, this grant has averaged roughly $212,000 per year, which the City has divided between shelter services for single adults and those for families. Support goes to nine programs, with somewhat more of the money allocated to services for single adults.

In 2005, as a result of discussions among homeless service providers about gaps in service, a new program is helping those in transitional housing move to stable, so-called "permanent" housing. Funded by The Community Foundation and the Mary Margaret Parsons Foundation, and administered by HOME, the Stable Housing Access Program coordinates services with transitional housing providers, and provides support for participating individuals and families and landlord recruitment to expand the available housing opportunities. The program is only a pilot program, however, with no funding beyond one year.

For at least the past decade there has been considerable tension between advocates for the homeless, who believe that services should be integrated into the life of the larger community, and neighborhood residents and downtown business owners, who believe that the presence of a large homeless population hinders the City's revitalization efforts. A 2003 report commissioned by Homeward, United Way Services, and Richmond Renaissance concludes that homeless services are best provided in small clusters integrated into neighborhood settings. This way the homeless have access to services they need without traveling across the city several times, and no part of the city must house the bulk of homeless services for the region. The report acknowledges that location of homeless services in neighborhoods will meet resistance from residents, but says objections must be addressed and resistance overcome.

However, contrary to the recommendations of this report, an effort is being made to create a concentration of homeless services on Oliver Hill Way, away from the downtown area.

Homeless advocates argue that this is a deliberate effort to segregate the homeless from the rest of the city. Those who favor the Oliver Hill Way site argue either that the homeless must be removed from downtown Richmond in order for downtown to be revitalized, or that homeless services should be concentrated for greater efficiency and there is no other viable place for them.

An unresolved question is whether, given the large proportion of African-Americans and people with disabilities among the homeless population, this effort to move the homeless constitutes illegal housing discrimination on the basis of race or disability. It also appears to be a continuation of the historic pattern of siting unwanted land uses in or near poor black neighborhoods. The site is geographically separate from the rest of the city, in an overwhelmingly poor and African-American area. The fair housing implications combined with an approach contrary to the best practice recommendations for dealing with homelessness should be a matter of great concern for the City.

Summary: Audit testing conducted for this study demonstrated that discriminatory housing practices limit access to the full range of housing choices to African-American homeseekers in the Richmond region and that landlords are particularly unaware of their obligations under fair housing laws with respect to the housing needs of people with disabilities. While there is a growing Hispanic population in both the City and the Richmond region, there is no available information on the level of discrimination faced by this population. Lack of accessible housing (and accessible transportation) limits housing choice for people with disabilities and this limitation is exacerbated by the reluctance of landlords to make reasonable modifications or accommodations to existing housing as required by fair housing laws. There is a shortage of safe, accessible, affordable housing for people with disabilities – a shortage which has a significant impact on the elderly population as well. Homelessness is shifting from a shelter issue to a stable housing issue that needs to be addressed through prevention and intervention, while avoiding the concentration of services and housing choices.

Chapter 11: Summary of Recommendations for Addressing Impediments to Fair Housing

This study identifies nine broad impediments to housing choice in the Richmond region. This chapter provides a brief explanation of the contribution each makes as a barrier to equal access to housing. Many of the impediments appear in more than one chapter of this study; they are interrelated and their causes and impact frequently overlap.

This section also includes a variety of recommendations for solutions to address the impediments. While the impact of each barrier is felt by individuals, the structure of barriers was constructed over time and was not an accident. The solutions recommended are geared both toward helping individuals overcome barriers and to dismantling the system of barriers that creates individual obstacles. Many of the solutions may be related to more than one impediment. For clarity, the specific impediments to which solutions relate are noted parenthetically.

The Impediments

1. Market failure leads to disinvested neighborhoods that are subject to unfavorable and predatory lending practices.

2. Concentration of poverty is perpetuated by lack of access to neighborhoods of opportunity.

3. Discrimination continues to limit housing choices.

4. Affordability limits the range of housing choices.

5. Gentrification puts people at risk of displacement from their neighborhoods.

6. Lack of individual capacity keeps people from finding and keeping decent housing.

7. Credit environment jeopardizes individual capacity and the ability to sustain homeownership.

8. Lack of accessible housing limits housing choices.

9. Marginalization of the homeless

1. Market failure has lead to disinvested neighborhoods and many individuals unable to access conventional loans at good prices:

An analysis of lending practices in the City shows that minority individuals and neighborhoods are underserved by mainstream lending. Minority neighborhoods have more FHA loans, African-Americans and Hispanics are at least two and a half times as likely to have FHA loans as are whites; the secondary market supports more loans in white neighborhoods than in African-American neighborhoods, and African-Americans and Hispanics are rejected for loans 2-3 times as often as whites. African-Americans are almost six times as likely to have a subprime loan as whites, levels of conventional subprime loans are 4.4 times more prevalent in African-American neighborhoods than white neighborhoods. Minorities are more likely to have loans that cost more. Minority neighborhoods with high concentrations of FHA loans are more likely to experience high rates of foreclosure. The market has failed both minority individuals and minority neighborhoods.

2. Concentration of poverty is perpetuated by lack of access to neighborhoods of opportunity:

Richmond has 27 census tracts with more than 20% of residents living in poverty. Those 27 census tracts, and three others located in Henrico and Chesterfield, are home to 86,000 people. Studies confirm that large numbers of poor people concentrated in such neighborhoods leads to a variety of social ills and lack of opportunity – crime, inadequate schools, lack of access to jobs, lack of appropriate role models, and poor health. Concentration of poverty limits the quality of life and the futures of its residents and has a negative impact on the community as a whole. Poverty also reinforces the negative impacts of segregation, and the location of so many African-Americans in these areas of concentrated poverty strongly limits their ability to gain access to the opportunities that would mean real equality.

3. Discrimination continues to limit housing choices:

Audit testing conducted for this study demonstrated that race discrimination denies access to the full range of housing choices to African-American homeseekers in the Richmond region and that landlords are particularly unaware of their obligations under fair housing laws with respect to the housing needs of people with disabilities. While there is a growing Hispanic population in both the City and the Richmond region, there is no available information on the level of discrimination in housing faced by this population.

4. Affordability limits the broad range of housing choices:

Affordability was the number one concern of nearly every person interviewed for this study. Virginia housing prices are in the top third of housing costs in the nation; between

2004 and 2005, Richmond's housing price index rose by 15.9%, almost double the national average of 8%; in 2005, 57% of renter households in the City (and 45% in the Richmond region) were unable to afford a two bedroom apartment at the fair market rent; people with disabilities. Testing showed that 80% of testers with vouchers were refused or discouraged by landlords. Families with children, people with disabilities, and the elderly face critical affordability issues.

5. Gentrification puts people at risk of displacement from their neighborhoods:

Gentrification is a reality which will only become worse if ignored. Gentrification occurs when investment in a formerly disinvested community leads to rising housing prices that drive out existing residents. It is critical to seek solutions that create mixed income communities that allow existing residents to remain. "When gentrification is just beginning, few original residents see cause for concern, even though steps taken early to limit adverse effects of the process seem to have greatest effect. As gentrification proceeds and both positive and negative effects become clearer, residents and policymakers have fewer opportunities for intervention, less time to pass laws or secure approval for and build affordable housing, fewer degrees of freedom."[57]

6. Lack of individual capacity prevents people from finding and keeping decent housing:

Finding and keeping decent housing requires a set of skills that people do not acquire automatically. Lack of information about housing choices and possibilities, money management skills, financial literacy, and impaired credit create housing barriers for many people. Studies show that education increases the likelihood that people will find and keep housing.

7. The credit environment threatens the capacity of new homeowners and the ability to sustain homeownership for Richmond residents:

The explosion of credit opportunities and the rise of predatory lending represent major changes in the environment in which homeowners and prospective homeowners operate. Payday lending, auto title lending, and rent-to-own provide consumer "debt-traps" from which most people find it impossible to escape. Abusive lending practices include making loans not affordable to consumers and loan servicing practices that jeopardize loans and make it difficult to find solutions for loans in default.

8. Lack of accessible housing:

In Richmond, 21 % of the population is 55 years or older and a quarter are disabled. Most multi-family housing in the City was built before the fair housing accessibility requirements became law and the most affordable rental housing in the City is often in

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[57] *Dealing with Neighborhood Change: A Primer on Gentrification and Policy Choices,* Brookings Institution Center on Urban and Metropolitan Policy, 2001.

older structures. This study revealed a shortage of safe, accessible, affordable housing for people with disabilities.

9. Marginalization of the homeless:

Homelessness is shifting from a shelter issue to a stable housing issue that needs to be addressed through both prevention and intervention. A 2004 comprehensive survey of homelessness in the region by Homeward revealed that nearly half of the adults in homeless families were employed; 19% were families with children; 16% had long term physical disabilities; 13% had a serious mental illness. Challenges will be to avoid the concentration of services and housing choices.

Recommended Solutions

Successful deconcentration of poverty requires two equally important approaches: the revitalization of the poor neighborhoods with investments that attract middle income residents and create socially and economically integrated communities, and the creation of affordable housing opportunities in low poverty neighborhoods.

1. Invest in poverty stricken neighborhoods to raise standard of living for existing residents and to attract higher income residents and promote private investment in the neighborhoods (*market failure, concentration of poverty, lack of access to neighborhoods of opportunity)*.

Recommendations:

* Continue the City's highly effective approach of supporting targeted investment in designated neighborhoods, Neighborhoods in Bloom (NIB).

* Evaluate the progress of NIB, decide whether to shift/add neighborhoods.

* Continue to provide support for community development corporation rehabilitation and construction in target neighborhoods.

* Continue to provide support for pre-purchase counseling, homebuyer education, and down payment assistance to promote homeownership in those neighborhoods.

* Support and hold the housing authority (RRHA) accountable for making progress on its strategic plan, particularly the conversion of public housing to mixed income communities.

* Work with RRHA to improve its capacity to cooperate with the private sector.

* Utilize the Mayor's Task Force on Community Infrastructure to evaluate regulatory and procedural barriers to private investment in the City and make changes where appropriate to reduce or eliminate those barriers.

2. Create affordable housing opportunities in LOW poverty neighborhoods and help low income families move to those neighborhoods *(lack of access to neighborhoods of opportunity, affordability, homelessness).*

Recommendations:

* Adopt an inclusionary zoning ordinance for the City of Richmond with either requirements or incentives for developers to incorporate a percentage of affordable housing in their plans.
* Support conversion of subsidies for public housing units to housing choice vouchers and ensure that RRHA identifies affordable housing opportunities for voucher holder.
* Continue to support expanded homeownership opportunities throughout the City through the provision of pre-purchase counseling, homebuyer education, and down payment assistance.
* In support of RRHA plans for deconcentration of poverty, ensure that all residents displaced by the conversion of public housing units have access to and support for the transition to low poverty neighborhoods
* Support programs that provide training and encouragement to help voucher holders move to low poverty neighborhoods (mobility programs).
* Encourage and support outreach to landlords to encourage acceptance of housing choice vouchers.
* Support training for renters that increases their knowledge and capacity to rent units in low poverty neighborhoods.
* Provide incentives for housing providers to accept housing choice vouchers.
* Promote regional cooperation on various issues – like transportation
* Review and evaluate the Baltimore case (*Carmen Thompson et al. v. HUD and the City of Baltimore*) to evaluate the city's exposure to similar allegations and determine whether the city should take proactive steps to address such issues and avoid such litigation.

3. Promote increased affordable housing choices *(affordability, lack of access to neighborhoods of opportunity, homelessness).*

Recommendations:

* Support creation of a state wide affordable housing trust fund as part of the city's legislative agenda.
* Create an affordable housing trust fund using local dollars.
* Create incentives for developers to build affordable housing, such as waiving cash proffers for affordable housing, providing real estate tax assessment consideration, reduce water and sewer connection fees.
* Utilize the Mayor's Task Force of Community Infrastructure to evaluate regulatory and procedural barriers to private investment in the city, change where appropriate.
* Promote regional approaches to the creation of affordable housing.

4. Protect Richmond residents from predatory lending practices that threaten the capacity of new homeowners and the ability to sustain homeownership for Richmond residents *(predatory lending, credit environment, market failure, homelessness).*

Recommendations:

* Support anti-predatory lending education campaigns.

* Support efforts to eliminate payday, auto title and exploitative lending practices – by local ordinance and as part of the city's state legislative agenda.

* Coordinate with the Office of the Commonwealth's Attorney on addressing potentially criminal aspects of foreclosure rescue scams (e.g., fraud, larceny, forgery), whether through increased enforcement of existing laws or increased regulation.

* Support anti-predatory lending legislation in the General Assembly.

* Support counseling and assistance to sustain homeownership for those in danger of foreclosure and for victims of predatory lending practices.

5. Protect Richmond residents from discriminatory housing practices *(discrimination, lack of access to neighborhoods of opportunity, accessibility).*

Recommendations:

* Ensure that the housing authority, CDCs, and all entities receiving city funds for housing have training in fair housing requirements and compliance.

* Support education for city residents about their fair housing rights and how to report a fair housing violation.

* Support training for the for-profit housing sector in their fair housing responsibilities.

* Support activities to identify and assess levels of discrimination among segments of Richmond residents, particularly the growing Hispanic population.

* Support enforcement of the fair housing laws.

* Ensure that relevant city employees have appropriate fair housing training to ensure that they recognize fair housing issues and make appropriate decisions and referrals.

* Ensure that building officials are adequately trained on the accessibility requirements of the fair housing act and the building code.

6. Address issues of gentrification that displace people from their neighborhoods *(gentrification, lack of access to neighborhoods of opportunity, affordability).*

Recommendations:

* Convene a task force of stakeholders to discuss the issue and come up with recommendations. Utilize a consultant if desired to direct the process.

* Develop community land trust.

* Support expansion of the City's ability to create tax abatement in gentrifying neighborhoods as a part of the City's legislative agenda.

* Create a program that encourages investors in *gentrifying* communities to provide affordable rental housing.

7. Enhance the capacity of individual residents to find and keep decent housing through counseling and education *(individual capacity, predatory lending, lack of access to neighborhoods of opportunity, homelessness).*

Recommendations:

* Continue to support programs that provide financial literacy, money management and credit training for individuals.

* Continue to support programs that enhance the ability of renters to gain access to and maintain decent housing.

* Expand housing opportunities though the provision of counseling and education on the possible range of housing choices.

* Support programs that provide case management, education, and self-sufficiency counseling to prevent loss of housing.

8. Increase the housing choices available to people who need accessible housing *(accessibility, discrimination, lack of access to neighborhoods of opportunity, affordability).*

Recommendations:

* Ensure that all multi-family housing meets the accessibility standards of fair housing laws and the building code.

* Require that all entities using public funds for residential construction or rehabilitation use universal design and/or visitability standards in all construction, unless doing so would constitute "undue burden" Hardship – infeasible – check FHAA and ADA for language

* Provide incentives for developers not using public funds to use universal design features in all residential construction.

9. Address the housing issues that marginalize the homeless *(marginalization of the homeless, discrimination, affordability, deconcentration of poverty, access to neighborhoods of opportunity)*

* Support efforts to recruit landlords willing to work with those who are homeless to transition to stable housing.

* Support efforts to provide a wider range of housing options for people with mental illness and substance abuse issues without concentrating such populations.

* Support scattered site housing with support services available.

Appendix A: Demographic Maps

Appendix B: Demographic Tables

Table 28: Racial Distribution of the Richmond Area, 1990 and 2000

Locality	White	Black	Other Race	Hispanic
2000				
Richmond City	75,744	113,108	8,938	5,074
Henrico	180,761	64,805	16,734	5,946
Chesterfield	199,447	46,195	14,261	7,617
Regional Total	455,952	224,108	39,933	18,637
1990				
Richmond City	88,028	112,122	2,906	1,898
Henrico	168,453	43,827	5,601	2,171
Chesterfield	177,067	27,196	5,011	2,511
Regional Total	433,548	183,145	13,518	6,580

Note: The sum of the percent white, black and other equal 100 percent. The percent Hispanic is calculated independent from racial identification.

Source: HOME staff analysis of 1990 and 2000 Census data.

Table 29: Frequency Distribution of Census Tracts by Percent Black of Census Tract, Richmond Region 2000

Locality		Tracts with Percent Black from:					Regional Total
		0% - 20%	21% - 40%	41% - 60%	61% - 80%	81% - 100%	
Richmond	N	17	7	5	14	22	65
	%	26%	11%	8%	22%	34%	100%
Henrico	N	35	13	5	4	3	60
	%	58%	22%	8%	7%	5%	100%
Chesterfield	N	39	15	4	0	1	59
	%	66%	25%	7%	0%	2%	100%
Total		91	35	14	18	26	184

Source: HOME staff analysis of 2000 Census data.

Table 30: White Flight Analysis, Part I, Census Tracts with Increasing Total Population and Decreasing Black Population Richmond Region, 1990 to 2000

Locality	Census Tract 2000	1990 Population			2000 Population			Percent Change in Population		
		Total	Black	White	Total	Black	White	Total	Black	White
Richmond	106	2,262	2,173	73	2,280	2,161	96	1%	-1%	32%
Richmond	205	1,764	1,282	475	2,262	1,194	1,007	28%	-7%	112%
Richmond	206	1,519	1,242	270	1,540	1,070	431	1%	-14%	60%
Richmond	405	3,394	386	2,938	3,455	324	2,950	2%	-16%	0%
Richmond	504	2,704	297	2,390	2,714	274	2,391	0%	-8%	0%
Henrico	2001.09	3,428	64	3,329	3,578	58	3,455	234%	-9%	4%
Henrico	2005.01	3,409	759	2,304	3,531	696	1,973	4%	-8%	-14%
Chesterfield	1007.02	1,519	780	729	1,585	774	778	4%	-1%	7%

Source: HOME staff analysis of 1990 and 2000 Census data.

Table 31: White Flight Analysis, Part II, Census Tracts with Increasing Total Population and Decreasing White Population Richmond Region, 1990 to 2000

Locality	Census Tract 2000	1990 Population			2000 Population			Percent Change in Population		
		Total	Black	White	Total	Black	White	Total	Black	White
Richmond	202	4,202	4,153	26	4,238	4,176	13	1%	1%	-50%
Richmond	204	5,311	5,123	167	5,520	5,314	161	4%	4%	-4%
Richmond	210	1,605	1,065	537	1,638	1,315	285	2%	23%	-47%
Richmond	211	1,145	885	258	1,396	1,208	167	22%	36%	-35%
Richmond	212	1,559	1,166	389	1,605	1,321	228	3%	13%	-41%
Richmond	502	2,966	29	2,908	2,997	99	2,838	1%	241%	-2%
Richmond	609	1,248	434	798	1,298	658	569	4%	52%	-29%
Richmond	703	3,128	691	2,337	3,252	1,295	1,725	4%	87%	-26%
Richmond	706	6,713	4,117	2,423	7,848	5,276	1,428	17%	28%	-41%
Richmond	707	4,780	2,768	1,932	4,798	3,468	997	0%	25%	-48%
Richmond	711	4,697	1,129	3,481	4,766	1,914	2,635	1%	70%	-24%
Richmond	708.01.02	8,537	4,144	4,267	9,181	5,878	2,641	8%	42%	-38%
Henrico	2003.05	3,882	224	3,417	4,095	360	3,088	5%	61%	-10%
Henrico	2004.04	2,517	330	2,116	2,567	562	1,646	2%	70%	-22%
Henrico	2005.01	3,409	759	2,304	3,531	696	1,973	4%	-8%	-14%
Henrico	2005.03	3,379	227	3,074	3,544	458	2,865	5%	102%	-7%
Henrico	2006	4,756	144	4,547	4,893	628	3,930	3%	336%	-14%
Henrico	2007	2,576	48	2,509	2,596	127	2,407	1%	165%	-4%
Table B-4, continued										

Locality	Census Tract 2000	1990 Population			2000 Population			Percent Change in Population		
		Total	Black	White	Total	Black	White	Total	Black	White
Henrico	2008.01	3,263	667	2,565	3,319	1,004	2,164	2%	51%	-16%
Henrico	2008.04	5,253	3,142	2,007	5,774	4,710	766	10%	50%	-62%
Henrico	2009.04	4,076	1,524	2,511	4,330	2,082	2,108	6%	37%	-16%
Henrico	2010.01	3,148	953	2,152	4,476	3,122	1,251	42%	228%	-42%
Henrico	2010.02	2,867	1,399	1,417	2,939	2,127	720	3%	52%	-49%
Henrico	2011.01	4,615	3,226	1,330	5,382	4,225	956	17%	31%	-28%
Henrico	2011.02	3,312	1,233	2,039	3,810	1,882	1,762	15%	53%	-14%
Henrico	2012.01	5,994	1,502	4,387	6,234	2,224	3,818	4%	48%	-13%
Henrico	2012.02	5,266	2,134	3,047	5,630	3,312	2,110	7%	55%	-31%
Henrico	2014.03	4,844	1,352	3,422	5,522	2,491	2,805	14%	84%	-18%
Henrico	2014.05	789	46	731	875	240	586	11%	422%	-20%
Henrico	2015.01	5,472	2,486	2,901	7,272	4,901	2,184	33%	97%	-25%
Henrico	2015.02	2,989	110	2,850	3,218	467	2,693	8%	325%	-6%
Henrico	2016.02	3,347	724	2,601	3,721	1,141	2,483	11%	58%	-5%
Henrico	2001.25.26	4,816	441	4,235	6,288	1,176	4,171	31%	167%	-2%
Henrico	2004.09.10	5,790	1,578	4,055	5,939	1,840	3,533	3%	17%	-13%
Henrico	2004.11.12	5,048	803	4,012	6,672	1,977	3,649	32%	146%	-9%
Chesterfield	1001.06	2,951	87	2,826	3,030	242	2,706	3%	178%	-4%
Chesterfield	1001.07	1,915	209	1,567	2,162	551	1,226	13%	164%	-22%
Chesterfield	1002.05	6,116	1,521	4,373	6,241	2,870	2,667	2%	89%	-39%
Chesterfield	1002.06	5,514	1,106	4,317	5,931	1,845	3,734	8%	67%	-14%
Chesterfield	1002.07	7,730	1,069	6,492	7,880	2,160	5,243	2%	102%	-19%
Chesterfield	1002.08	2,641	165	2,330	2,713	271	2,266	3%	64%	-3%
Chesterfield	1003	2,450	298	1,870	2,520	534	1,573	3%	79%	-16%
Chesterfield	1004.04	1,691	329	1,287	2,162	559	1,195	28%	70%	-7%
Chesterfield	1004.05	2,018	319	1,657	2,092	432	1,446	4%	35%	-13%

Table B-4, continued

Locality	Census Tract 2000	1990 Population			2000 Population			Percent Change in Population		
		Total	Black	White	Total	Black	White	Total	Black	White
Chesterfield	1004.07	3,030	329	2,655	3,211	586	2,410	6%	78%	-9%
Chesterfield	1005.05	4,382	347	3,927	4,766	758	3,759	9%	118%	-4%
Chesterfield	1006.00	3,099	2,682	397	3,464	3,012	342	12%	12%	-14%
Chesterfield	1007.01	4,338	1,734	2,555	4,845	2,189	2,508	12%	26%	-2%
Chesterfield	1008.04	3,949	237	3,538	4,307	1,232	2,746	9%	420%	-22%
Chesterfield	1008.05	3,279	692	2,465	4,508	1,769	2,398	37%	156%	-3%
Chesterfield	1008.14	3,420	717	2,627	3,642	1,121	2,257	6%	56%	-14%
Chesterfield	1008.16	4,360	452	3,814	4,420	686	3,521	1%	52%	-8%
Chesterfield	1009.07	2,294	269	1,992	2,441	371	1,921	6%	38%	-4%
Chesterfield	1009.10	5,102	764	4,182	5,135	1,119	3,697	1%	46%	-12%

Source: HOME staff analysis of 1990 and 2000 Census data.

Table 32: White Flight Analysis, Part III, Census Tracts with Decreasing Total Population, Increasing Black Population, and Decreasing White Population, Richmond Region, 1990 to 2000

Locality	Census Tract 2000	1990 Population			2000 Population			Percent Change in Population		
		Total	Black	White	Total	Black	White	Total	Black	White
Richmond	102	4,243	781	3,431	3,855	973	2,803	-9%	25%	-18%
Richmond	403	2,529	591	1,809	2,511	756	1,397	-1%	28%	-23%
Richmond	404	3,819	317	3,258	3,811	405	3,050	0%	28%	-6%
Richmond	407	2,440	103	2,309	2,369	116	2,117	-3%	13%	-8%
Richmond	604	5,582	4,539	897	5,447	4,747	597	-2%	5%	-33%
Richmond	607	5,559	4,671	841	5,268	4,702	435	-5%	1%	-48%
Richmond	704	4,070	554	3,431	3,848	668	2,981	-5%	21%	-13%
Richmond	709	6,620	4,345	2,127	6,578	4,952	1,130	-1%	14%	-47%
Richmond	103-104	8,230	3,936	4,185	8,207	4,286	3,652	0%	9%	-13%
Richmond	710.01.02	8,726	4,726	3,797	8,027	4,870	2,671	-8%	3%	-30%
Henrico	2001.04	5,295	135	4,986	5,208	235	4,657	-64%	74%	-7%
Henrico	2001.05	5,747	662	4,873	5,645	669	4,635	-15%	1%	-5%
Henrico	2001.06	4,398	308	3,872	4,299	313	3,556	-32%	2%	-8%
Henrico	2001.12	5,386	241	5,030	5,204	293	4,613	-3%	22%	-8%
Henrico	2003.01	1,602	136	1,432	1,489	167	1,234	-7%	23%	-14%
Table B-5, continued										

Locality	Census Tract 2000	1990 Population			2000 Population			Percent Change in Population		
		Total	Black	White	Total	Black	White	Total	Black	White
Henrico	2003.02	3,112	29	2,987	2,990	98	2,672	-4%	238%	-11%
Henrico	2004.07	4,349	272	3,868	4,297	425	3,202	-1%	56%	-17%
Henrico	2005.02	1,993	31	1,921	1,877	36	1,763	-6%	16%	-8%
Henrico	2008.02	2,029	263	1,716	1,947	540	1,333	-4%	105%	-22%
Henrico	2013	3,198	42	3,107	3,167	111	2,939	-1%	164%	-5%
Henrico	2014.01	3,569	1,498	2,021	3,336	1,806	1,409	-7%	21%	-30%
Chesterfield	1008.06	4,044	1,277	2,503	3,945	1,840	1,495	-2%	44%	-40%
Chesterfield	1008.07	1,508	138	1,330	1,392	269	1,042	-8%	95%	-22%
Chesterfield	1009.02	4,112	88	4,004	3,914	115	3,743	-5%	31%	-7%
Chesterfield	1009.12	5,566	176	5,270	5,534	425	4,933	-1%	141%	-6%
Chesterfield	1009.15	4,158	438	3,612	3,911	497	3,168	-6%	13%	-12%
Chesterfield	1009.20.21	7,056	458	6,355	6,828	638	5,720	-3%	39%	-10%
Chesterfield	1009.22.23	8,184	1,070	6,895	7,604	1,536	5,587	-7%	44%	-19%

Source: HOME staff analysis of 1990 and 2000 Census data.

Appendix C: Census Tract Equivalency and Population Changes in the Richmond Region, 1990-2000

Table 33: Census Tract Equivalency and Population Changes, Richmond Region, 1990-2000

1990 Population			2000 Population			Total Population Change		Black Population Change	
Tract	Total	Black	Tract	Total	Black	N	%	N	%
Henrico									
2001.01	4,635	364	2001.18	8,140	244				
2001.01			2001.19	6,503	492				
2001.01	4,635	364	2001.18.19	14,643	736	10,008	216%	372	102%
2001.17	4,816	441	2001.25	3,181	815				
2001.17			2001.26	3,107	361				
2001.17	4,816	441	2001.25.26	6,288	1,176	1,472	31%	735	167%
2001.04	5,295	135	2001.04	5,208	235	-87	-64%	100	74%
2001.05	5,747	662	2001.05	5,645	669	-102	-15%	7	1%
2001.06	4,398	308	2001.06	4,299	313	-99	-32%	5	2%
2001.07	6,470	366	2001.07	7,146	379	676	185%	13	4%
2001.08	2,389	6	2001.08	2,719	15	330	5500%	9	150%
2001.09	3,428	64	2001.09	3,578	58	150	234%	-6	-9%
2001.13	5,437	109	2001.2	7,024	222				
2001.13			2001.21	5,928	168				
2001.13	5,437	109	2001.20.21	12,952	390	7,515	138%	281	258%
2001.14	8,564	365	2001.22	4,524	87				
2001.14			2001.23	2,865	456				
2001.14			2001.24	4,351	197				
2001.14	8,564	365	2001.22.23.24	11,740	740	3,176	37%	375	103%
2001.15	5,323	151	2001.15	9,175	327	3,852	72%	176	117%
2001.16	5,632	133	2001.16	5,825	227	193	3%	94	71%
2001.12	5,386	241	2001.12	5,204	293	-182	-3%	52	22%
2002.01	2,748	84	2002.01	2,629	81	-119	-4%	-3	-4%
2002.92	3,722	6	2002.02	3,821	21	99	3%	15	250%
2003.01	1,602	136	2003.01	1,489	167	-113	-7%	31	23%
2003.02	3,112	29	2003.02	2,990	98	-122	-4%	69	238%
2003.03	3,503	352	2003.03	2,920	302	-583	-17%	-50	-14%
2003.05	3,882	224	2003.05	4,095	360	213	5%	136	61%
2004.05	5,525	642	2004.05	8,073	966	2,548	46%	324	50%

Table continues on next page.

Table C-1, continued
Census Tract Equivalency and Population Changes
Richmond Region, 1990-2000

1990 Population			2000 Population			Total Population Change		Black Population Change	
Tract	Total	Black	Tract	Total	Black	N	%	N	%
2004.06	4,652	335	2004.06	6,722	774	2,070	44%	439	131%
2004.07	4,349	272	2004.07	4,297	425	-52	-1%	153	56%
2004.08	5,048	803	2004.11	4,819	1,420				
2004.08			2004.12	1,853	557				
2004.08	5,048	803	2004.11.12	6,672	1,977	1,624	32%	1,174	146%
2004.03	5,790	1,578	2004.09	2,043	579				
2004.03			2004.1	3,896	1,261				
2004.03	5,790	1,578	2004.09.10	5,939	1,840	149	3%	262	17%
2004.04	2,517	330	2004.04	2,567	562	50	2%	232	70%
2005.01	3,409	759	2005.01	3,531	696	122	4%	-63	-8%
2005.02	1,993	31	2005.02	1,877	36	-116	-6%	5	16%
2005.03	3,379	227	2005.03	3,544	458	165	5%	231	102%
2006	4,756	144	2006	4,893	628	137	3%	484	336%
2007	2,576	48	2007	2,596	127	20	1%	79	165%
2008.01	3,263	667	2008.01	3,319	1,004	56	2%	337	51%
2008.02	2,029	263	2008.02	1,947	540	-82	-4%	277	105%
2008.04	5,253	3,142	2008.04	5,774	4,710	521	10%	1,568	50%
2008.05	3,854	3,594	2008.05	3,800	3,517	-54	-1%	-77	-2%
2009.01	6,860	2,655	2009.01	8,047	3,192	1,187	17%	537	20%
2009.03	2,035	132	2009.03	4,940	1,058	2,905	143%	926	702%
2009.04	4,076	1,524	2009.04	4,330	2,082	254	6%	558	37%
2010.01	3,148	953	2010.01	4,476	3,122	1,328	42%	2,169	228%
2010.02	2,867	1,399	2010.02	2,939	2,127	72	3%	728	52%
2010.03	5,835	5,292	2010.03	5,073	4,661	-762	-13%	-631	-12%
2011.01	4,615	3,226	2011.01	5,382	4,225	767	17%	999	31%
2011.02	3,312	1,233	2011.02	3,810	1,882	498	15%	649	53%
2012.01	5,994	1,502	2012.01	6,234	2,224	240	4%	722	48%
2012.02	5,266	2,134	2012.02	5,630	3,312	364	7%	1,178	55%
2013	3,198	42	2013	3,167	111	-31	-1%	69	164%
2014.01	3,569	1,498	2014.01	3,336	1,806	-233	-7%	308	21%
2014.03	4,844	1,352	2014.03	5,522	2,491	678	14%	1,139	84%
2014.04	3,256	205	2014.04	4,110	557	854	26%	352	172%
2014.05	789	46	2014.05	875	240	86	11%	194	422%
2015.01	5,472	2,486	2015.01	7,272	4,901	1,800	33%	2,415	97%
2015.02	2,989	110	2015.02	3,218	467	229	8%	357	325%
2016.01	1,927	303	2016.01	2,301	359	374	19%	56	18%
2016.02	3,347	724	2016.02	3,721	1,141	374	11%	417	58%

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Table C-1, continued
Census Tract Equivalency and Population Changes
Richmond Region, 1990-2000

1990 Population			2000 Population			Total Population Change		Black Population Change	
Tract	Total	Black	Tract	Total	Black	N	%	N	%
Richmond									
102	4,243	781	102	3855	973	-388	-9%	192	25%
103	1,404	1,386	103	1720	1661				
104	6,826	2,550	104	6487	2625				
103-104	8,230	3,936	103-104	8,207	4,286	-23	0%	350	9%
105	1,714	1,537	105	1579	1423	-135	-8%	-114	-7%
106	2,262	2,173	106	2280	2161	18	1%	-12	-1%
107	3,022	2,973	107	2800	2703				
110	3,218	3,155	110	2926	2806				
107-110	6,240	6,128	107-110	5,726	5,509	-514	-8%	-619	-10%
108	4,788	4,642	108	4475	4356	-313	-7%	-286	-6%
109	3,765	3,569	109	3190	3083	-575	-15%	-486	-14%
111	3,481	3,313	111	3239	3017	-242	-7%	-296	-9%
201	2,029	2,012	201	1716	1676	-313	-15%	-336	-17%
202	4,202	4,153	202	4238	4176	36	1%	23	1%
203	2,013	2,001	203	1889	1808	-124	-6%	-193	-10%
204	5,311	5,123	204	5520	5314	209	4%	191	4%
205	1,764	1,282	205	2262	1194	498	28%	-88	-7%
206	1,519	1,242	206	1540	1070	21	1%	-172	-14%
207	1,471	1,435	207	1276	1245	-195	-13%	-190	-13%
208	1,823	1,348	208	1714	1083	-109	-6%	-265	-20%
209	3,209	3,157	209	2949	2868	-260	-8%	-289	-9%
210	1,605	1,065	210	1638	1315	33	2%	250	23%
211	1,145	885	211	1396	1208	251	22%	323	36%
212	1,559	1,166	212	1605	1321	46	3%	155	13%
301	3,019	2,980	301	2747	2659	-272	-9%	-321	-11%
302	1,502	1,282	302	1609	1044				
303	444	88	302						
302-303	1,946	1,370	302	1,609	1,044	-337	-17%	-326	-24%
101.98	85	38	402	1457	1218				
401	145	18	402						
402	1,353	1,270	402						
101.98-401-402	1,583	1,326	402	1,457	1,218	-126	-8%	-108	-8%
403	2,529	591	403	2511	756	-18	-1%	165	28%
404	3,819	317	404	3811	405	-8	0%	88	28%
405	3,394	386	405	3455	324	61	2%	-62	-16%

Table continues on next page.

Table C-1, continued
Census Tract Equivalency and Population Changes
Richmond Region, 1990-2000

1990 Population			2000 Population			Total Population Change		Black Population Change	
Tract	Total	Black	Tract	Total	Black	N	%	N	%
406	1,934	185	406	1674	113	-260	-13%	-72	-39%
407	2,440	103	407	2369	116	-71	-3%	13	13%
408	1,400	206	408	1343	146	-57	-4%	-60	-29%
409	2,741	683	409	2643	479	-98	-4%	-204	-30%
410	2,754	97	410	2612	85	-142	-5%	-12	-12%
411	3,426	1,585	411	3290	1110	-136	-4%	-475	-30%
304	46	10	305	2317	933				
305	1,415	507	305						
306	694	484	305						
412	913	13	412	785	17				
412	*913*	*13*	413	2941	2774				
413	1,685	1,636	413						
415	1,073	1,049	413						
605	5,870	2,206	413						
306	*694*	*484*	601	430	325				
601	1,526	1,371	601						
601	*1,526*	*1,371*	603	1667	1161				
603	1,758	1,314	603						
605	*5,870*	*2,206*	603						
605	*5,870*	*2,206*	605	6073	2738				
606	2,389	225	605						
606	*2,389*	*225*	606	2536	430				
304---606	17,369	8,815	305---606	16,749	8,378	-620	-4%	-437	-5%
414	2,529	2,207	414	2353	1894	-176	-7%	-313	-14%
416	1,558	1,079	416	1520	960	-38	-2%	-119	-11%
501.98	2,387	50	501	2612	146	225	9%	96	192%
502	2,939	29	502	2997	99				
502.98	27	0	502						
502-502.98	2,966	29	502	2,997	99	31	1%	70	241%
503	1,142	13	503	1268	19	126	11%	6	46%
504	2,704	297	504	2714	274	10	0%	-23	-8%
505	4,972	57	505	5407	187				
505.98	2	0	505						
505-505.98	4,974	57	505	5,407	187	433	9%	130	228%
506	2,155	12	506	2287	13	132	6%	1	8%
602	2,809	2,644	602	2097	1988	-712	-25%	-656	-25%

Table continues on next page.

Table C-1, continued
Census Tract Equivalency and Population Changes
Richmond Region, 1990-2000

1990 Population			2000 Population			Total Population Change		Black Population Change	
Tract	Total	Black	Tract	Total	Black	N	%	N	%
604	5,582	4,539	604	5447	4747	-135	-2%	208	5%
607.98	5,559	4,671	607	5268	4702	-291	-5%	31	1%
608.98	4,827	3,258	608	3436	2461	-1,391	-29%	-797	-24%
609.98	1,248	434	609	1298	658	50	4%	224	52%
701	4,618	766	701	4224	720	-394	-9%	-46	-6%
702	779	103	703	3252	1295				
703	2,349	588	703						
702-703	3,128	691	703	3,252	1,295	124	4%	604	87%
704	4,070	554	704	3848	668	-222	-5%	114	21%
706	6,713	4,117	706	7848	5276	1,135	17%	1,159	28%
707	4,780	2,768	707	4798	3468	18	0%	700	25%
708	8,533	4,144	708.01	6881	4620				
708.98	4	0	708.01						
708	*8,533*	*4,144*	708.02	2300	1258				
708	8,537	4,144	708.01.02	9,181	5,878	644	8%	1,734	42%
709.98	6,620	4,345	709	6578	4952	-42	-1%	607	14%
710.98	8,726	4,726	710.01	4870	2826				
710.98			710.02	3157	2044				
710.98	8,726	4,726	710.01.02	8,027	4,870	-9,425	-54%	-4,582	-48%
711	4,697	1,129	711	4766	1914	69	1%	785	70%
Chesterfield									
1001.96	2,951	87	1001.06	3030	242	79	3%	155	178%
1001.97	1,915	209	1001.07	2162	551	247	13%	342	164%
1002.06	5,514	1,106	1002.06	5931	1845	417	8%	739	67%
1002.08	2,641	165	1002.08	2713	271	72	3%	106	64%
1002.07	6,425	828	1002.07	7880	2160				
1002.94	1,305	241	1002.07						
1002.07.94	7,730	1,069	1002.07	7,880	2,160	150	2%	1,091	102%
1002.95	6,116	1,521	1002.05	6241	2870	125	2%	1,349	89%
1003.02	2,450	298	1003	2520	534	70	3%	236	79%
1004.03	2,681	170	1004.03	3803	318	1,122	42%	148	87%
1004.04	1,691	329	1004.04	2162	559	471	28%	230	70%
1004.05	2,018	319	1004.05	2092	432	74	4%	113	35%
1004.06	1,586	629	1004.06	966	370	-620	-39%	-259	-41%
1004.07	3,030	329	1004.07	3211	586	181	6%	257	78%

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Table C-1, continued
Census Tract Equivalency and Population Changes
Richmond Region, 1990-2000

1990 Population			2000 Population			Total Population Change		Black Population Change	
Tract	Total	Black	Tract	Total	Black	N	%	N	%
1004.08	5,353	297	1004.08	7618	643				
1005.03	977	57	1004.08						
1004.08-1005.03	6,330	354	1004.08	7,618	643	1,288	20%	289	82%
1005.02	734	16	1005.06	4656	1005				
1005.06	2,660	679	1005.06						
1005.02.06	3,394	695	1005.06	4,656	1,005	1,262	37%	310	45%
1005.91	4,457	315	1005.01	7184	981	2,727	61%	666	211%
1005.04	5,918	815	1005.04	7953	1485	2,035	34%	670	82%
1005.05	4,382	347	1005.05	4766	758	384	9%	411	118%
1006	3,099	2,682	1006.00	3464	3012	365	12%	330	12%
1007.01	4,338	1,734	1007.01	4845	2189	507	12%	455	26%
1007.02	1,519	780	1007.02	1585	774	66	4%	-6	-1%
1007.03	4,741	1,023	1007.03	5542	1038	801	17%	15	1%
1008.04	3,949	237	1008.04	4307	1232	358	9%	995	420%
1008.05	3,279	692	1008.05	4508	1769	1,229	37%	1,077	156%
1008.06	4,044	1,277	1008.06	3945	1840	-99	-2%	563	44%
1008.07	1,508	138	1008.07	1392	269	-116	-8%	131	95%
1008.09	4,870	819	1008.09	5964	1035	1,094	22%	216	26%
1008.11	3,688	460	1008.11	6817	857	3,129	85%	397	86%
1008.12	3,611	297	1008.12	4608	742	997	28%	445	150%
1008.93	4,208	558	1008.13	6270	1985	2,062	49%	1,427	256%
1008.14	3,420	717	1008.14	3642	1121	222	6%	404	56%
1008.15	3,341	305	1008.15	3902	610	561	17%	305	100%
1008.16	4,360	452	1008.16	4420	686	60	1%	234	52%
1008.17	2,774	382	1008.17	3538	846	764	28%	464	121%
1009.02	4,112	88	1009.02	3914	115	-198	-5%	27	31%
1009.07	2,294	269	1009.07	2441	371	147	6%	102	38%
1009.08	7,056	458	1009.2	958	47				
1009.08			1009.21	5870	591				
1009.08	7,056	458	1009.20.21	6,828	638	-228	-3%	180	39%
1009.09	8,184	1,070	1009.22	5269	966				
1009.09			1009.23	2335	570				
1009.09	8,184	1,070	1009.22.23	7,604	1,536	-580	-7%	466	44%
1009.1	5,102	764	1009.10	5135	1119	33	1%	355	46%
1009.12	5,566	176	1009.12	5534	425	-32	-1%	249	141%

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Table C-1, continued
Census Tract Equivalency and Population Changes
Richmond Region, 1990-2000

1990 Population			2000 Population			Total Population Change		Black Population Change	
Tract	Total	Black	Tract	Total	Black	N	%	N	%
1009.13	5,952	549	1009.13	7581	1073	1,629	27%	524	95%
1009.15	4,158	438	1009.15	3911	497	-247	-6%	59	13%
1009.16	4,706	369	1009.27	4870	411				
1009.16			1009.28	1092	56				
1009.16	4,706	369	1009.27.28	5,962	467	1,256	27%	98	27%
1009.17	5,524	166	1009.29	4030	213				
1009.17			1009.3	3777	151				
1009.17	5,524	166	1009.29.30	7,807	364	2,283	41%	198	119%
1009.18	6,393	212	1009.31	5376	195				
1009.18			1009.32	2648	216				
1009.18	6,393	212	1009.31.32	8,024	411	1,631	26%	199	94%
1009.19	4,700	386	1009.19	6063	975	1,363	29%	589	153%
1009.94	9,766	218	1009.24	2777	75				
1009.94			1009.25	7060	162				
1009.94			1009.26	4414	147				
1009.94	9,766	218	1009.24.25.26	14,251	384	4,485	46%	166	76%
1010.01	8,615	533	1010.03	2101	54				
1010.01			1010.04	3620	296				
1010.01			1010.05	6003	478				
1010.01			1010.06	9000	885				
1010.01	8,615	533	1010.03.04.05.06	20,724	1,713	12,109	141%	1,180	221%
1010.02	5,593	190	1010.07	6558	277				
1010.02			1010.08	3929	215				
1010.02	5,593	190	1010.07.08	10,487	492	4,894	88%	302	159%

Note: Census tracts may not be in numerical order because of how tracts were converted from 1990 to 2000. 1990 tracts are not listed if they contributed geographic area only and not population to the 2000 tract.

Note: Tracts that are shaded and boxed together were split or merged in some way. These data in these tracts are adjusted to one aggregate for calculations. Italicized numbers for 1990 total and black populations are not included in the adjusted calculations to avoid double counting - these numbers are provided to indicate that a portion of 1990 population contributed to the corresponding 2000 tract.

Note: Regarding the large highlighted section for Richmond, at least one of the 1990 tracts within each grouping marked by table lines had population split into a 2000 tract that is outside the lined group but within the highlighted region.

Note: For the percent of population split for each 1990 tract into 2000 tracts for Richmond only, see City of Richmond Guidebook to U.S. Census Summary File 1, April 2002 by the Department of Community Development, Division of Comprehensive Planning.

Sources: HOME staff analysis of 1990 and 2000 Census data and data provided by the City of Richmond and the counties of Henrico and Chesterfield on how to convert 1990 tracts to 2000 tracts.

Table 34: Census Tracts with Increasing Total Population and Decreasing Black Population, Richmond Region, 1990-2000

Jurisdiction	Census Tract 2000	1990 Population			2000 Population			Population Change		
		Total	Black	White	Total	Black	White	Total	Black	White
Richmond	106	2,262	2,173	73	2,280	2,161	96	1%	-1%	32%
Richmond	205	1,764	1,282	475	2,262	1,194	1,007	28%	-7%	112%
Richmond	206	1,519	1,242	270	1,540	1,070	431	1%	-14%	60%
Richmond	405	3,394	386	2,938	3,455	324	2,950	2%	-16%	0%
Richmond	504	2,704	297	2,390	2,714	274	2,391	0%	-8%	0%
Henrico	2001.09	3,428	64	3,329	3,,578	58	3,455	234%	-9%	4%
Henrico	2005.01	3,409	759	2,304	3,531	696	1,973	4%	-8%	-14%
Chesterfield	1007.02	1,519	780	729	1,585	774	778	4%	-1%	7%

Source: HOME staff analysis of 1990 and 2000 Census data.

Table 35: Census Tracts with Increasing Total Population and Decreasing White Population, Richmond Region, 1990-2000

Jurisdiction	Census Tract 2000	1990 Population			2000 Population			Population Change		
		Total	Black	White	Total	Black	White	Total	Black	White
Richmond	202	4,202	4,153	26	4,238	4,176	13	1%	1%	-50%
Richmond	204	5,311	5,123	167	5,520	5,314	161	4%	4%	-4%
Richmond	210	1,605	1,065	537	1,638	1,315	285	2%	23%	-47%
Richmond	211	1,145	885	258	1,396	1,208	167	22%	36%	-35%
Richmond	212	1,559	1,166	389	1,605	1,321	228	3%	13%	-41%
Richmond	502	2,966	29	2,908	2,997	99	2,838	1%	241%	-2%
Richmond	609	1,248	434	798	1,298	658	569	4%	52%	-29%
Richmond	703	3,128	691	2,337	3,252	1,295	1,725	4%	87%	-26%
Richmond	706	6,713	4,117	2,423	7,848	5,276	1,428	17%	28%	-41%
Richmond	707	4,780	2,768	1,932	4,798	3,468	997	0%	25%	-48%
Richmond	711	4,697	1,129	3,481	4,766	1,914	2,635	1%	70%	-24%
Richmond	708.01.02	8,537	4,144	4,267	9,181	5,878	2,641	8%	42%	-38%
Henrico	2003.05	3,882	224	3,417	4,095	360	3,088	5%	61%	-10%
Henrico	2004.04	2,517	330	2,116	2,567	562	1,646	2%	70%	-22%
Henrico	2005.01	3,409	759	2,304	3,531	696	1,973	4%	-8%	-14%
Henrico	2005.03	3,379	227	3,074	3,544	458	2,865	5%	102%	-7%
Henrico	2006	4,756	144	4,547	4,893	628	3,930	3%	336%	-14%
Henrico	2007	2,576	48	2,509	2,596	127	2,407	1%	165%	-4%
Henrico	2008.01	3,263	667	2,565	3,319	1,004	2,164	2%	51%	-16%
Henrico	2008.04	5,253	3,142	2,007	5,774	4,710	766	10%	50%	-62%
Henrico	2009.04	4,076	1,524	2,511	4,330	2,082	2,108	6%	37%	-16%
Henrico	2010.01	3,148	953	2,152	4,476	3,122	1,251	42%	228%	-42%
Henrico	2010.02	2,867	1,399	1,417	2,939	2,127	720	3%	52%	-49%

Table continues on next page.

Table C-3, continued
Census Tracts with Increasing Total Population and Decreasing White Population
Richmond Region, 1990-2000

Jurisdiction	Census Tract 2000	1990 Population			2000 Population			Population Change		
		Total	Black	White	Total	Black	White	Total	Black	White
Henrico	2011.01	4,615	3,226	1,330	5,382	4,225	956	17%	31%	-28%
Henrico	2011.02	3,312	1,233	2,039	3,810	1,882	1,762	15%	53%	-14%
Henrico	2012.01	5,994	1,502	4,387	6,234	2,224	3,818	4%	48%	-13%
Henrico	2012.02	5,266	2,134	3,047	5,630	3,312	2,110	7%	55%	-31%
Henrico	2014.03	4,844	1,352	3,422	5,522	2,491	2,805	14%	84%	-18%
Henrico	2014.05	789	46	731	875	240	586	11%	422%	-20%
Henrico	2015.01	5,472	2,486	2,901	7,272	4,901	2,184	33%	97%	-25%
Henrico	2015.02	2,989	110	2,850	3,218	467	2,693	8%	325%	-6%
Henrico	2016.02	3,347	724	2,601	3,721	1,141	2,483	11%	58%	-5%
Henrico	2001.25.26	4,816	441	4,235	6,288	1,176	4,171	31%	167%	-2%
Henrico	2004.09.10	5,790	1,578	4,055	5,939	1,840	3,533	3%	17%	-13%
Henrico	2004.11.12	5,048	803	4,012	6,672	1,977	3,649	32%	146%	-9%
Chesterfield	1001.06	2,951	87	2,826	3,030	242	2,706	3%	178%	-4%
Chesterfield	1001.07	1,915	209	1,567	2,162	551	1,226	13%	164%	-22%
Chesterfield	1002.05	6,116	1,521	4,373	6,241	2,870	2,667	2%	89%	-39%
Chesterfield	1002.06	5,514	1,106	4,317	5,931	1,845	3,734	8%	67%	-14%
Chesterfield	1002.07	7,730	1,069	6,492	7,880	2,160	5,243	2%	102%	-19%
Chesterfield	1002.08	2,641	165	2,330	2,713	271	2,266	3%	64%	-3%
Chesterfield	1003	2,450	298	1,870	2,520	534	1,573	3%	79%	-16%
Chesterfield	1004.04	1,691	329	1,287	2,162	559	1,195	28%	70%	-7%
Chesterfield	1004.05	2,018	319	1,657	2,092	432	1,446	4%	35%	-13%
Chesterfield	1004.07	3,030	329	2,655	3,211	586	2,410	6%	78%	-9%

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Table C-3, continued
Census Tracts with Increasing Total Population and Decreasing White Population
Richmond Region, 1990-2000

Jurisdiction	Census Tract 2000	1990 Population			2000 Population			Population Change		
		Total	Black	White	Total	Black	White	Total	Black	White
Chesterfield	1005.05	4,382	347	3,927	4,766	758	3,759	9%	118%	-4%
Chesterfield	1006.00	3,099	2,682	397	3,464	3,012	342	12%	12%	-14%
Chesterfield	1007.01	4,338	1,734	2,555	4,845	2,189	2,508	12%	26%	-2%
Chesterfield	1008.04	3,949	237	3,538	4,307	1,232	2,746	9%	420%	-22%
Chesterfield	1008.05	3,279	692	2,465	4,508	1,769	2,398	37%	156%	-3%
Chesterfield	1008.14	3,420	717	2,627	3,642	1,121	2,257	6%	56%	-14%
Chesterfield	1008.16	4,360	452	3,814	4,420	686	3,521	1%	52%	-8%
Chesterfield	1009.07	2,294	269	1,992	2,441	371	1,921	6%	38%	-4%
Chesterfield	1009.10	5,102	764	4,182	5,135	1,119	3,697	1%	46%	-12%

Note: Shaded rows represent adjusted census tracts; see Table C-1 for how 1990 tracts were matched to 2000 tracts.

Source: HOME staff analysis of 1990 and 2000 Census data.

Table 36: Census Tracts with Decreasing Total Population, Increasing Black Population, and Decreasing White Population, Richmond Region, 1990-2000

Jurisdiction	Census Tract 2000	1990 Population			2000 Population			Population Change		
		Total	Black	White	Total	Black	White	Total	Black	White
Richmond	102	4,243	781	3,431	3,855	973	2,803	-9%	25%	-18%
Richmond	403	2,529	591	1,809	2,511	756	1,397	-1%	28%	-23%
Richmond	404	3,819	317	3,258	3,811	405	3,050	0%	28%	-6%
Richmond	407	2,440	103	2,309	2,369	116	2,117	-3%	13%	-8%
Richmond	604	5,582	4,539	897	5,447	4,747	597	-2%	5%	-33%
Richmond	607	5,559	4,671	841	5,268	4,702	435	-5%	1%	-48%
Richmond	704	4,070	554	3,431	3,848	668	2,981	-5%	21%	-13%
Richmond	709	6,620	4,345	2,127	6,578	4,952	1,130	-1%	14%	-47%
Richmond	103-104	8,230	3,936	4,185	8,207	4,286	3,652	0%	9%	-13%
Richmond	710.01.02	8,726	4,726	3,797	8,027	4,870	2,671	-8%	3%	-30%
Henrico	2001.04	5,295	135	4,986	5,208	235	4,657	-64%	74%	-7%
Henrico	2001.05	5,747	662	4,873	5,645	669	4,635	-15%	1%	-5%
Henrico	2001.06	4,398	308	3,872	4,299	313	3,556	-32%	2%	-8%
Henrico	2001.12	5,386	241	5,030	5,204	293	4,613	-3%	22%	-8%
Henrico	2003.01	1,602	136	1,432	1,489	167	1,234	-7%	23%	-14%
Henrico	2003.02	3,112	29	2,987	2,990	98	2,672	-4%	238%	-11%
Henrico	2004.07	4,349	272	3,868	4,297	425	3,202	-1%	56%	-17%
Henrico	2005.02	1,993	31	1,921	1,877	36	1,763	-6%	16%	-8%
Henrico	2008.02	2,029	263	1,716	1,947	540	1,333	-4%	105%	-22%
Henrico	2013	3,198	42	3,107	3,167	111	2,939	-1%	164%	-5%
Henrico	2014.01	3,569	1,498	2,021	3,336	1,806	1,409	-7%	21%	-30%

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Table C-4, continued
Census Tracts with Decreasing Total Population, Increasing Black Population, and Decreasing White Population
Richmond Region, 1990-2000

Jurisdiction	Census Tract 2000	1990 Population			2000 Population			Population Change		
		Total	Black	White	Total	Black	White	Total	Black	White
Chesterfield	1008.06	4,044	1,277	2,503	3,945	1,840	1,495	-2%	44%	-40%
Chesterfield	1008.07	1,508	138	1,330	1,392	269	1,042	-8%	95%	-22%
Chesterfield	1009.02	4,112	88	4,004	3,914	115	3,743	-5%	31%	-7%
Chesterfield	1009.12	5,566	176	5,270	5,534	425	4,933	-1%	141%	-6%
Chesterfield	1009.15	4,158	438	3,612	3,911	497	3,168	-6%	13%	-12%
Chesterfield	1009.20.21	7,056	458	6,355	6,828	638	5,720	-3%	39%	-10%
Chesterfield	1009.22.23	8,184	1,070	6,895	7,604	1,536	5,587	-7%	44%	-19%

Note: Shaded rows represent adjusted census tracts; see Table C-1 for how 1990 tracts were matched to 2000 tracts.

Source: HOME staff analysis of 1990 and 2000 Census data.

Appendix D: Mortgage Lending Analysis

Appendix to Chapter 8: Access to Mortgage Loans

THE CATEGORIES AND CONVENTIONS USED IN THIS ANALYSIS

The analysis provided here uses several conventions for the presentation of tables, graphs and maps.

Census Tract Race

HMDA data are linked to the 1990 census tract boundary areas. Therefore, geographic definitions of race and ethnic concentrations must be linked to these same 1990 boundaries. Some of these boundaries have changed as the 188 census tracts in 1990 are redefined as 184 populated census tracts in 2000. While some of the 1990 census tracts were subdivided into new tracts to account for suburban growth, nine tracts which had almost no physical size and had no people were consolidated into other tracts. In this report, the racial composition of census tracts is defined in 3 categories. Initially the categories are defined by 1990 census data. These *initial definitions* are:

White (Anglo) Census tracts that had a total minority population of less than 25% in the 1990 census.

Racially Diverse Census tracts with a total minority population from 25% to 50% in the 1990 census.

Predominantly Minority Census tracts with a total minority population greater than 50% in the 1990 census.

Both the 1990 and 2000 sets of census tracts were coded according to the same definitions of racial and ethnic concentrations. For the 2000 census, individuals identified as having an Hispanic heritage were coded as Hispanic regardless of the racial code. Minority racial status for the 2000 census tracts is defined by persons who identified themselves as one race only. For the Richmond Area, 99% of the persons in the 2000 census identified themselves as either of one race only or Hispanic.

The 1990 census tract boundaries were laid over 2000 census tract boundaries. Where the 1990 and 2000 tract boundaries were the same or where two or more 2000 tracts could be reasonably merged to match 1990 boundaries, the racial categories were updated to reflect the 2000 data. These updated data are the basis for the racial and ethnic concentration categories used in the analysis.

Minority Areas

The Richmond Area is largely white, but has populations from several different racial and ethnic groups. Based on the 2000 census data, the Richmond Area is about 62% white (defined as white alone, non-Hispanic, in the census categories). About 31% of the

population defined itself as African-American. Less than 3% of the population defined itself as Hispanic and about the same percentage defined itself as Asian or Pacific Islander. In total, about 36.5% of the population is minority. Of the total minority population, about 85% is African-American. Thus, patterns of lending to minorities are substantially about lending to African-Americans or lending in African-American areas.
Map #1 shows the updated census tract areas in the Richmond Area with an inset of a more detailed map of the City of Richmond. Based on the updated data for the 1990 census tracts, there are 173 census tracts with enough people to calculate a minority percentage (10 or more persons). Of these tracts, 71 census tracts are defined as white (less than 25% minority). There are 40 tracts that are defined as racially diverse. There are 62 tracts that are defined as predominantly minority (greater than 50% minority). These minority tracts are essentially African-American. White census tracts are represented by unshaded areas. Diverse census tracts are represented by the light shaded areas. Predominantly minority census tracts are represented by the more heavily shaded areas.

Applicant Income

Two sets of income groups are used in this analysis. One set relates to the income levels of census tracts and the other refers to the income ranges of loan applicants. The income of loan applicants is divided into 6 ranges based on estimates of the Richmond Metropolitan Statistical Area (MSA) Median Family Income (MFI) that HUD estimates for each individual year. The applicant income from the HMDA data are related to the HUD-estimated median family income for the year in which the loan was reported in the HMDA data. These MFI estimates ranged from $59,500 in 2000 to $65,900 in 2002. These ranges are defined as:

Very Low Income: Applicants with incomes less than 50% of the HUD-estimated MSA median family income

Lower Income: Applicants with incomes from 50% to (but not including) 80% of the HUD-estimated MSA median family income

Moderate Income: Applicants with incomes from 80% to (but not including) 100% of the HUD-estimated MSA median family income

Middle Income: Applicants with incomes from 100% to (but not including) 120% of the HUD-estimated MSA median family income

Upper Income: Applicants with incomes from 120% to (and including) 150% of the HUD-estimated MSA median family income

High Income: Applicants with incomes greater than 150% of the HUD-estimated MSA median family income

Census Tract Income

The census tract income ranges are defined in terms of the Median Family Income (MFI) for the Richmond Area Metropolitan Statistical Area (MSA) reported in the 1990 census. The 1990 MFI for the MSA was $40,195. The 4 ranges are as follows:

Very Low Income: Census tracts with median incomes less than 50% of the 1990 MSA median family income

Lower Income: Census tracts with median incomes from 50% to (but not including) 80% of the 1990 MSA median family income

Moderate and Middle Income: Census tracts with median incomes from 80% to (but not including) 120% of the 1990 MSA median family income

Upper and High Income: Census tracts with median incomes greater than 120% of the 1990 MSA median family income

Loan Types

The HMDA data provide codes that identify loans as either conventional, FHA, VA or "Farmers Home" loans. This analysis is limited to a review of conventional and FHA lending. Conventional loans are loans that are either not insured at all or have mortgage insurance provided by a private company. Mortgage insurance protects the lender against losses from foreclosure. Veterans loans are excluded because only the population of military veterans and certain relatives are eligible for these loans. Federal Rural Housing Services (Farmers Home) loan programs are excluded because the analysis focuses on urban markets.

Market Penetration

Market penetration is defined as the number of loans per 1,000 single-family properties. Single-family properties are defined as properties that have from 1 to 4 dwelling units. This includes townhouses, condominiums and mobile homes. The number of these properties is estimated from the 1990 census according to a process defined in the Technical Notes at the end of this analysis. The market penetration rates used in this report are annualized. That is, where the number of loans is provided for all three years combined, the number of loans is divided by 3 in order to provide an average market penetration rate per year.

Market Share

Market share is defined as the percentage of the entire market that belongs to a particular lender, investor, group of lenders, or group of investors. Market share can relate to any specific lending category, such as applications or loans, for example. Market share measures also can be used in relation to specific subcategories, such as the market share of FHA loans to minorities or the market share of conventional loans to white census tracts, for example.

Loan Decisions

Aside from the patterns of actual loans, the HMDA data provide information on the decisions made for applications made to lenders covered by the disclosure law. There are 5 categories for lending decisions in the HMDA data for each loan application filed. These categories are defined as:

Loan Made This means that the application was accepted by the lender and the loan was made.

Rejected (Declined) This means that the lender formally made a decision to decline the loan application.

Withdrawn This means that the applicant withdrew the loan application. This category is open to some unclear interpretation. In some instances, lenders inform applicants that the application is not going to be accepted - and the applicant can withdraw the loan to avoid having a loan rejection. There is some incentive for lenders to encourage borrowers to withdraw the loan so that the lender will not have to report the decision as a rejection - especially if the applicant is a member of a protected class, such as a female or a minority. Therefore, one is concerned when protected class members have unusually high rates of withdrawn applications.

Approved but This category is also subject to unclear interpretations.
Not Accepted This means that the lender approved the application but the borrower decided not to accept the loan. Normally, borrowers do not go through the burden of the loan application process and then turn down the loan. Sometimes this category indicates that the lender has changed the terms and conditions of the loan so that they are no longer acceptable to the applicant. In this case the applicant might turn down the loan. However, when applicants fall into classes of people that have traditionally had barriers to access to credit, they are more inclined to accept the loan even though the terms have been changed to a less favorable condition.

Another common situation that can be indicated by this category is when a loan broker takes the loan application and submits the same loan to several lenders for review. Clearly if more than one of these lenders approves the loan, the borrower can only accept the loan from one lender. The other lenders that approved the loan would report the loan as approved but not accepted.

File Closed This category is for cases where the lender has closed the
as Incomplete file because it is incomplete and the borrower cannot or will not provide the information necessary to complete the file so that a loan decision can be made. Generally, this is a rare circumstance. However, this category raises some concern that the lender might use this claim to discourage an applicant so that the lender does not have to report that a loan was rejected.

THE REVIEW OF LENDING DATA

The Home Purchase Market

Market Penetration. Table #1 provides a selection of population and housing data for reference purposes. The table also lists the market penetration rate for all home purchase loans, the percentage of loans that are FHA, and the share of the "eligible" conventional market that is reported sold to the GSEs in the HMDA data. The table breaks down the data by census tract racial and ethnic groupings - and within these groupings by the four income ranges that are defined for use with census tracts.

First, some general patterns can be noted from the grouping of the census tracts. The table includes 173 of the 188 census tract areas defined for 1990. Fifteen of the tracts are not included in the table because they either had no population in 1990 or had so few people that no median family income was computed. Collectively, these tracts accounted for 4 loans – or less than 0.01% of all the home purchase loans. Therefore, their omission has no significant effect on the lending patterns.

In the white census tracts, 69 of the 71 tracts are in the highest two income ranges. This can be contrasted with the predominantly minority census tracts where there in only one tract in the highest income range and 48 of the 62 census tracts are in the lowest two income ranges. Geographically, the minority and white populations tend to be segregated by both income and race. For the racially diverse tracts, 31 of the 40 census tracts are in the single Moderate and Middle Income range (80% to 120% of the area median family income).

When comparing income ranges, some caution needs to be taken when there are only a few census tracts (and/or a small number of loans) in an income range. Also, some caution is needed when comparing income ranges with no set upper or lower limits. This is particularly true for the highest income range. For example, due to the uneven distribution of incomes across different racial groups in our society, applicants in the racially diverse tracts in the income range greater than 120% of the MSA median family income are going to be clustered more closely to the 120% lower limit than are the applicants in the same income range in the white tracts. Given the distribution of census tracts across the income ranges, the income range where the most robust comparisons can be made is in this Moderate and Middle Income range.

FHA and GSE patterns will be reviewed in more detail later. Over all income ranges, the home purchase market penetration data in Table #1 show the highest levels for white areas and the lowest level for predominantly minority areas. White tracts have an annual market penetration rate of 100 loans for every 1,000 single-family homes while the penetration rate in minority areas is only 43 loans per 1,000 single-family homes (or only 43% of the market penetration rate in white areas). This relationship is also true when one examines the individual income ranges where there are enough loans to make comparisons.

Map #2 shows the pattern of market penetration for the Richmond Area. The updated racial codes for census tracts are defined by three patterns. White areas are left blank. Diverse areas are represented by the pattern of random dots. Predominantly minority areas are defined by a cross hatch pattern. Four market penetration levels are indicated on the map. Each level represents a range compared to the overall Richmond Area market penetration level of 77 loans per 1,000 single-family units. Areas are left blank when the market penetration level is less than half of the overall market level. Light shaded areas define a market penetration rate from 50% to 100% of the overall level. Medium shaded areas represent a market penetration rate that is from 100% to 150% of the overall level. The dark shaded areas represent market penetration rates greater than 150% of the overall Richmond Area level. Black census tracts had fewer than 20 single-family housing units and no measures were calculated for these tracts.

One can see that the predominantly minority areas are characterized by low market penetration rates. The highest market penetration rates are in suburban areas. There are no predominantly minority tracts in the highest range of market penetration. In the highest range, 15 of the 17 census tracts are white and 2 are diverse.

The Location of Loans by Race and Ethnicity. The 2000 to 2002 home purchase market in Richmond Area included 39,825 loans with race data. Of these loans there were 29,759 loans to whites (Anglos), 7,220 loans to African-Americans, 790 loans to Hispanics, and 1,295 loans to Asians.

Maps #3 through #6 show the locations of the home purchase loans for whites, African-Americans, Hispanics, and Asians (with each dot representing 1 loan and randomly distributed within each census tract). Map #3 shows that while there are some white loans in almost all areas, the highest concentrations of white loans are in the predominantly white areas in a few Richmond neighborhoods and in the suburban areas of northern Chesterfield County and western Henrico County Area. Map #4 shows that the African-American home purchase loans are heavily concentrated in the predominantly minority areas and in some of the diverse areas in Richmond and in a few suburban areas. Map #5 shows that the Hispanic loans show concentrations in and near the diverse areas northwest of Richmond, in the southern part of Richmond, and southwest of Richmond. Map #6 indicates that the Asian loans are generally concentrated in the same areas as the Hispanic loans, with some high concentrations in the white areas southwest of Richmond and in the western part of Henrico Richmond Area.

FHA Lending. Table #2 shows the patterns of FHA home purchase lending by the census tract racial and ethnic groupings. Here data are provided for each individual year and for the three years as a whole. Data are presented for the percentage of all loans that are FHA and for the percentage of all loans within the FHA loan limits (FHA Eligible loans) that are FHA. The analysis focuses on the loans within the FHA limits that are FHA as this provides the most reasonable picture of FHA market share. Loans that fall within the FHA loan limits are referred to as Tier 1 loans. Overall, somewhat more than 32% of the home purchase loans in Tier 1 are FHA loans. Within this market, however, FHA lending shows clear racial patterns. FHA lending is 1.5 times as high in racially diverse areas as in white areas. Moreover, FHA lending is almost twice as high (1.9 times as high) in predominantly minority areas as in white areas.

Chart #1 portrays the Tier 1 FHA lending by both racial groupings and census tract income ranges. Wherever racial/ethnic group comparisons can be made across income ranges, FHA levels are always higher in predominantly minority areas than in white areas. In the Moderate and Middle Income range where there are substantial data for each racial/ethnic group, FHA lending is 1.1 times as high in racially diverse areas as in white areas. In this income range, however, FHA lending is 1.7 times as high in predominantly minority tracts compared to the same income range for white tracts. Therefore, income does not explain all the racial/ethnic differences in FHA geographic lending patterns.

Map #7 shows the patterns of FHA lending overlaid with the estimated racial composition of the census tracts in the Richmond Area. The conventions used in this map are similar to those used in the Market Penetration map. The map represents the percentage of Tier 1 loans that are FHA loans. The map shows the percentages of FHA lending related to the overall Richmond Area level of 32.4%. There are 3 levels of shading and a clear pattern for the lowest level of FHA lending. Areas that are completely blacked out are areas with too few Tier 1 loans to calculate a reasonable percentage of FHA lending. The darker the shading, the higher the level of FHA lending. All but one of the 27 census tracts with the highest levels of FHA lending are either racially diverse or predominantly minority census tracts. None of the predominantly minority tracts has an FHA lending level in the lowest range (less than 50% of the overall Richmond Area level).

We can also review FHA lending patterns by the race and ethnicity and income ranges of borrowers. Table #3 shows the number and percentages of loans that are FHA for each racial and ethnic group of borrowers. These figures are presented for the group as a whole and for the 6 applicant income ranges we have defined. Finally, this table shows the disparity ratio comparing the percentage of minority loans that are FHA to the same percentage for whites. In this ratio, the percentage of loans that are FHA for each minority group is divided by the FHA percentage for whites. Whenever the disparity ratio is larger than 1.0, there is a racial disparity with the minority groups having a higher percentage of FHA loans than the comparable white group. A disparity ratio of 3.0, for example, means that the percentage of FHA loans for the minority group is 3 times as great as the same percentage for the comparable white group.

As noted in the background section, FHA lending is designed to serve homebuyers with limited financial resources. Therefore, one would expect the trend in the data to be for the percentage of FHA loans to decline as the income ranges increase. The FHA trends from Table #3 are portrayed in Chart #2. For all racial and ethnic groups, the lowest levels of FHA lending are in the upper income ranges. The percentage of FHA loans declines with each increase in the income range, except for the second highest income range for Hispanics.

Nationally, Asians generally have lower percentages of FHA lending than comparable white groups. This is also the case in the Richmond Area. On the other hand, when one compares the percentages of FHA lending within comparable income ranges for Hispanic, African-American, and white borrowers, important disparities emerge.

Over all income ranges, both African-Americans and Hispanics are at least 2.5 times as likely to have an FHA loan as are whites. These disparities are actually higher at the highest income range than at the lowest income range. These disparities are most extreme for the highest income African-Americans, where the level of FHA loans is 3.77 times that of whites, though this may be partly explained by the likelihood that in this open-ended income range, whites may have higher incomes, on average, than African-Americans. On the other hand, the next highest disparity ratio is for African-Americans in the next to highest income range.

Loan Purchases by Fannie Mae and Freddie Mac (The GSEs). Table #4 shows the patterns of GSE loan purchases by the census tract racial and ethnic and income groupings. Data are presented for the percentage of all conventional Tier 1 and Tier 2 (all GSE Eligible) loans that are reported in the HMDA as sold to the GSEs. Data are presented for each individual year and for the three years as a whole. Over the entire Richmond Area market, 37% of the GSE eligible loans were purchased by the GSEs. For the three years overall, GSE purchases are highest in white areas and lowest in predominantly minority areas. Looking specifically at the Moderate and Middle income range where the best comparisons can be made, the difference between the percentage of loans purchased in white areas and in racially diverse areas is about 4%. The difference between the percentage of loans purchased in white areas and in predominantly minority areas is 5.7%. This means that the GSEs purchase about 19% more of the eligible loans in white areas in this income range compared to similar predominantly minority areas.

Table #5 shows the patterns of GSE purchases for Fannie Mae and Freddie Mac separately. Freddie Mac is smaller than Fannie Mae, so one expects Freddie Mac to purchase a lower share of all eligible loans overall. In the Richmond Area, Freddie Mac does have a market presence that is less than that of Fannie Mae. Overall, Fannie Mae purchased 21.56% of all the GSE eligible conventional loans while Freddie Mac purchased 15.48% of all such loans. When looking at disparities by racial groups, however, one can see that Freddie Mac has a poorer record in both an absolute sense and after we control for its smaller size. Looking, again, at the Moderate and Middle income range, Fannie Mae purchased 20.02% of the eligible loans in white areas and a very similar level (19.65%) of the eligible loans in racially diverse areas. The difference is only 0.37%. In predominantly minority areas, Fannie Mae purchased 20.67% of the eligible loans, slightly more than in white areas.

On the other hand, Freddie Mac purchased 16.50% of the eligible loans in Moderate and Middle income white areas and the lower amount of 12.90% in racially diverse areas. Its lowest level of purchases was in predominantly minority areas, where the level was just 10.12%.

To account for differences in market size between the two GSEs, we can look at the disparity ratios for the percentage of loans purchased in whites areas divided by the percentage of loans purchased in minority areas. This gives us a disparity ratio measure that controls for the relative difference in the overall market size of the two GSEs.

The disparity ratio for Fannie Mae comparing Moderate and Middle income white tracts to similar racially diverse tracts is 1.02, meaning that Fannie Mae purchases 2% more loans in these white areas than in the comparable racially diverse areas. Fannie Mae's disparity ratio for Moderate and Middle income predominantly minority tracts is actually less than 1.0 (at 0.97), meaning that it purchases about 3% more of the market of eligible loans in predominantly minority tracts compared to similar white tracts.

Meanwhile, for Freddie Mac, the disparity ratio for Moderate and Middle income racially diverse tracts is 1.28 and the disparity ratio for predominantly minority tracts is 1.63. This means that Freddie Mac purchases 28% more of the eligible loans in these white areas than in the comparable racially diverse areas and 63% more of the eligible loans in white areas compared to similar predominantly minority areas.

Therefore, in the income range most easily compared across racial/ethnic groups, Fannie Mae shows almost no disparities in service to racially diverse or predominantly minority areas. Freddie Mac, however, shows a large racial disparity in racially diverse areas and an especially large disparity in predominantly minority areas.

Loan Decision Patterns. The HMDA data allow one to look at racial and ethnic differences in loan decisions. Table #6 shows the HMDA categories of loan decisions for all applicants and for white and Hispanic applicants separately. The table indicates the percentage of applications that fall into each decision category and the total percentage of applications that failed to be originated for any reason. The table breaks down the loan decision categories for both conventional and FHA lending. Data are presented for each year and for the three years as a whole. The section on the far right hand side of the table shows the disparity ratios for each loan category comparing minority percentages to white percentages.

This analysis focuses particularly on loan decisions for conventional lending, as this is the type of loan most commonly seen as being withheld from minority applicants. Table #6 shows that the disparity ratio for conventional rejection rates (the percentage of loan applications rejected) is 3.10. That means that Hispanics are rejected more than three times as often as whites for conventional loans. The percentage of loans that failed for any reason is more than twice as high as it is for whites (indicated by a disparity ratio of 2.10).

Table #7 shows the same data and format as Table #6, except that it compares white and African-American applicants. Table #7 shows that the disparity ratio for conventional rejection rates for African-Americans compared to whites is 3.38. That indicates that African-Americans are rejected well over three times as often as whites for conventional loans. The percentage of loans that failed for any reason is well over twice as high for African-Americans than for whites (indicated by a disparity ratio of 2.32).

Table #8 provides the same data and format comparing white and Asian applicants. Table #8 shows that the disparity ratio for conventional rejection rates for Asians compared to whites is less than 1.0 (at 0.88). That indicates that Asians are rejected less often than are whites. The percentage of loans that failed for any reason is also lower for Asians than for whites. Thus, African-Americans have the highest rejection disparity ratio and the highest disparity ratio for the percentage of loans that failed for any reason and Hispanics are close behind.

We can present a more accurate picture of disparity ratios by controlling for the income of the applicants. Overall, minority applicants tend to have incomes that are lower than whites. Lower-income applicants also tend to have higher rejection rates and higher rates of applicant failure for other reasons as well. Therefore, comparing applicants in comparable income ranges provides a better indicator of true racial and ethnic disparities.

Chart #3 shows the rejection rates by racial and ethnic groups by the 6 income ranges for all three years of conventional home purchase applications combined. Comparing rejection rates has been the main focus of studies of differential access to home purchase loans. Asian rejection rates are extremely low across all income ranges, and often less than those of whites. For African-Americans, rejection rates decline with each increase in the income range. With the exception of one income range, the same pattern holds for Hispanics. This deviation from a systematic pattern may be largely explained by the fact that the sudden drop in the rejection rate for Hispanics in the 120% to 150% of median family income range is based on only 31 loan applications.

Table #9 shows the rejection rates for all 4 racial and ethnic groups that are displayed in Chart #3. Table #9 also lists the disparity ratios in rejection rates for each racial or ethnic group compared to whites. Over all incomes, Asians are rejected only 5.7% of the time while whites are rejected 6.4% of the time. Over all income ranges, the rejection rate disparity for Hispanics is 3.1, meaning that they are rejected more than 3 times as often as whites. There are large fluctuations within income ranges due to the small number of Hispanic applications in some ranges.

African-Americans have an overall rejection rate disparity ratio of 3.38 for conventional loans. African-Americans have high conventional loan rejection disparity ratios in every income range. They never fall below 1.66, and they are as high as 3.66. Even in the highest income range, the disparity ratio is 2.18.

As discussed in the background section, rejection ratios are important but they represent only one of several reasons why a loan application may fail. Rejection rate comparisons should be tempered by a review of the total rates of loan application failure as well. Chart #4 shows the total loan application failure rates by racial and ethnic group by the 6 income ranges for all three years of conventional home purchase applications combined. Here, the trend for failure rates to decline with increased income is much more modest than it was for rejection rates.

For Asians, failure rates are lower than those of comparable whites, except in the highest income ranges. In the higher-income ranges, African-American failure rates do not decline as much as the rates for Hispanics. Failure rates are always greater for both African-Americans and Hispanics than for whites.

Table #10 shows the total failure rates used in Chart #4 as well as the loan failure disparity ratios. Because failure rates include all the categories for loan decisions that result in no loan being made, disparity ratios for total failure compare much larger percentages of all applications than do rejection rates alone. As a result, the disparity ratios are generally smaller than simple rejection ratios alone.

For Asians, conventional loan failure disparity ratios are often less than 1.0, and they never rise above 1.27. For both Hispanics and African-Americans, the disparity ratios exist in all income ranges. Over all income ranges, the disparity ratio for Hispanics is 2.1 while the comparable ratio for African-Americans is 2.3. The disparity ratios for African-Americans are above 2.0 in all but the lowest income range.

The Dominance of Large Lenders in the Market. The final focus of this analysis of home purchase lending patterns is on the dominance of large lenders in the market. While there are at least 320 lenders active in the home purchase market in each of the three years under review, the markets are dominated by a few large lenders. Table #11 presents a selection of measures of the role of the largest lenders. The table lists data for each year individually and for the three years collectively. Data are presented for the 10 lenders with the greatest number of home purchase applications and again for the expanded group of the 20 lenders with the greatest number of applications.

There was an average of 329 lenders active in the home purchase market in any year. If all the lenders had the same market share, each lender would account for a little less than one-third of one percent of the total market. With such an even distribution across the market, the 10 largest lenders (actually any 10 lenders) would account for about 3% of the market and any 20 lenders would account for about 6% of the market. In reality, the 10 largest lenders account for 42.78% of all applications and the 20 largest lenders account for 60.24% of all applications.

Table #11 presents these market share data for the percentage of applications with race data, the percentage of loans, the percentage of FHA loans and the percentage of loans from each of the four racial and ethnic groups reviewed in this analysis. The table also presents comparable data for the three census tract minority concentration groups.

For the largest 10 lenders, the market share of all loans with race data is slightly higher than their market share of all applications. Their percentage of all loans is also higher than their percentage of all applications (47.56% and 42.78%, respectively), meaning that they have higher origination rates than the market as a whole. Of course, loan applicants would want to deal with lenders with high origination rates. Notably, the largest 10 lenders have a 56.75% market share of FHA loans. This is due largely to the fact that the largest lenders are also the largest FHA lenders.

There are also noticeable variations in the percentages of loans from the different racial and ethnic groups. The market share of loans to Hispanics is slightly higher than the percentage of all loans while the market share to African-Americans is slightly lower. The largest 10 lenders have 49.03% of the loans from white census tracts compared to their 42.96% share of loans from predominantly minority census tracts. Since the largest 10 lenders have high volumes of FHA loans and African-American markets tend to have high levels of FHA lending, the lower level of service to African-Americans and predominantly minority areas is related to lower levels of conventional loans in these markets.

When the pool of the largest lenders is expanded to the top 20 lenders, one can see that the percentage of all FHA loans made by these 20 lenders represents over 75% of all FHA loans. Nonetheless, their shares of all loans to African-Americans and in predominantly minority areas remain lower than their shares of comparable white markets. The largest 20 lenders have over 68% of all white loans, but less than 59% of the African-American loans. The largest 20 lenders have over 68% of the loans from white census tracts, but less than 57% of the loans from predominantly minority census tracts.

Thus, we see that the market is dominated by a few very large lenders. Differences in the patterns of a few of these lenders can affect the racial and ethnic lending patterns for the entire market. For the 10 largest lenders that control almost 43% of the loan market, African-Americans and predominantly minority areas are underserved. As the pool of large lenders is increased to the largest 20 (which control more than 60% of the loan market), African-Americans and predominantly minority areas remain underserved.

The Refinance Market

Many of the barriers to access to lending that exist in the home purchase market also exist in the refinance market. Generally, though, FHA lending is not a focus of analysis here. First, FHA loans have a special streamlined process for refinancing that makes the market much different from the conventional refinance market. Second, as a practical matter, the levels of FHA in the refinance market are much lower overall. While FHA lending makes up about 24% of all loans in the home purchase market, FHA accounts for only 8.4% of the refinance market in the Richmond Area. Therefore, the focus in refinance lending is even more on conventional loan patterns.

Market Penetration. Table #12 provides the same selection of population and housing data for reference purposes that was presented in Table #1. As with Table #1, this table also lists the market penetration for all refinance loans, the percentage of loans that are FHA, and the share of the “eligible” conventional market that is reported sold to the GSEs in the HMDA data. The table breaks down the data by census tract racial and ethnic groupings - and within these groupings by the four income ranges that we have defined for use with census tracts.

The refinance market during the three years was larger than the home purchase market. There were 48,993 refinance loans during the period compared to 45,867 home purchase loans. Therefore, the overall market penetration rate for refinance loans is higher than the comparable rates for home purchase loans. Overall, the annualized rate of home purchase loans was 77 loans per 1,000 eligible single-family homes. For refinance loans, the annualized market penetration rate was 82 loans for 1,000 eligible single-family units.

In Table #12, the highest market penetration rate is for white areas (at 110 loans per 1,000 single-family homes). The lowest rate is for predominantly minority areas (with a rate of 46 loans per 1,000 single-family homes). This is only 42% of the market penetration rate in white areas. The highest rate of all is for the highest income white areas (with a rate of 131 loans per 1,000 single-family homes). The lowest rate of all is in the lowest income range for predominantly minority areas (with a rate of 32 loans per 1,000 single-family homes).

Map #8 shows the market penetration patterns for refinance loans during the 2000 to 2002 period in the Richmond Area. The format is the same as for the home purchase market penetration presentation in Map #2. Areas that are completely blacked out are areas with too few housing units to calculate penetration rates. Otherwise, the darker the shading, the higher the market penetration rate. All of the predominantly minority census tracts have market penetration rates below the overall Richmond Area level. Of the 15 census tracts in the highest range of market penetration, 13 of these are white.

The Location of Loans by Race and Ethnicity. The 2000 to 2002 refinance market in the Richmond Area included 35,743 loans with race data. Of these loans, there were 28,123 loans to whites (Anglos), 5,517 loans to African-Americans, 346 loans to Hispanics, and 836 loans to Asians. These numbers may not accurately reflect the racial composition of the refinance market in as much as race data are not reported as fully for refinance loans. This is due largely to the omission of race data from subprime loans, as reviewed in the subprime lending section for refinance loans below. In fact, while there are more refinance loans than home purchase loans during this period, there are fewer refinance loans recorded with race data for all racial and ethnic groups.

Maps #9 through #12 show the locations of the refinance loans for whites, African-Americans, Hispanics, and Asians (with each dot representing 1 loan and randomly distributed within each census tract). We see in Map #9 that the white loans are distributed in the same pattern of concentrations as were the home purchase loans. For African-American loans, Map #10 looks similar to Map #4, except that there are a lot fewer refinance loans. Map #11 shows a distribution of Hispanic refinance loans. This pattern is also similar to the pattern for home purchase loans, except that there are fewer than half as many loans. Map #12 shows that the pattern for Asian refinance loans is similar to the pattern for Asian home purchase loans, except that there are fewer loans.

FHA Lending. Table #13 shows the patterns of FHA refinance lending by the census tract racial and ethnic groupings. The data and format for this table are comparable to that for FHA Tier 1 lending in Table #2 for home purchase loans. This level of FHA lending in the full refinance market is relatively small when compared to the FHA level for home purchase lending (24.0% compared to 8.4% respectively). Table #13 indicates that there are patterns of disparity when we compare white and minority areas, especially within Tier 1. The overall level of FHA lending in Tier 1 loans is 1.5 times as high in predominantly minority areas as in white areas. The overall level of FHA lending in Tier 1 loans is 1.6 times as high in racially diverse areas as in white areas. In the Moderate and Middle income range (80% to 120% of the area median family income) where adequate data exist for comparisons across all racial/ethnic groups, the level of FHA Tier 1 loans is 1.6 times as high in predominantly minority areas as in white areas. In this same income range, the level of FHA Tier 1 loans is almost 1.3 times as high in racially diverse areas as in white areas. Therefore, income differences do not explain the disparities in FHA lending by area.

We can also review FHA lending patterns by the race and ethnicity and income ranges of borrowers. In this case, we can review the patterns in Chart #5. The chart presents data for each racial or ethnic group and within each group by the 6 income ranges. This is comparable to Chart #2 for home purchase lending. The chart shows the number of loans for each income range. The patterns appear to be quite erratic for Hispanics and Asians because of the small number of loans in many of the income ranges. Given the smaller number of loans in the three higher income ranges for African-Americans, one should not read too much into the patterns here either. In the three lower income ranges, the level of FHA lending declines consistently for whites while it actually increases for African-Americans.

Table #14 shows the data from Chart #5 along with the disparity ratios for each income range. Over all income ranges, the disparity ratio for African-Americans is 3.22, meaning that African-Americans are more than three times as likely to have an FHA refinance loan as are whites. Only the African-American and white data for the three lower income ranges provide enough loans for reasonable calculations of disparity ratios within income ranges. Here the disparity ratios range from 1.48 (at the lowest income range) to 3.15 (for the highest of these three income ranges).

Loan Purchases by Fannie Mae and Freddie Mac (The GSEs). Table #15 shows the patterns of GSE loan purchases by the census tract racial and ethnic and income groupings for refinance loans. Over the entire Richmond Area market, 39.23% of the GSE eligible refinance loans were purchased by the GSEs. As with Table #4 for home purchase lending, the data are presented for the percentage of all Tier 1 and Tier 2 (all GSE Eligible) loans that are reported in the HMDA as sold to the GSEs. Data are presented for each individual year and for the three years as a whole. For the three years overall, GSE purchases are highest in white areas (43.81%), lower in racially diverse areas (35.30%) and extremely lower in predominantly minority areas (24.24%). Racial disparities exist within the Moderate and Middle income range where comparisons can best be made across all racial/ethnic groups. In this income range, the GSEs are 29% more likely to purchase loans in white areas than in predominantly minority areas. While there are only 113 white loans in the Lower Income range (50% to 80% of the area median family income) the racial disparities in this range are of concern. The GSEs purchase loans in this income range in white areas at almost 2.2 times the rate they purchase loans in this income range in predominantly minority areas. Both race and income appear to have an impact on the refinance purchasing patterns of the GSEs.

Table #16 shows the patterns of GSE purchases for Fannie Mae and Freddie Mac separately. As noted in the home purchase section, Freddie Mac is smaller than Fannie Mae, so one might expect Freddie Mac to purchase a lower share of all eligible loans overall. In fact, Freddie Mac purchased 17.6% of the eligible refinance loans while Fannie Mae purchased 21.6%. Both Fannie Mae and Freddie Mac show racial disparities in their overall purchases.

Fannie Mae purchased more than 24% of the eligible loans in white areas while it purchased just under 13% of the eligible loans in predominantly minority areas. This is a disparity ratio of 1.89. This means that Fannie Mae purchased 89% more of the eligible loans in white areas than in predominantly minority areas.

Freddie Mac purchased 19.51% of the eligible loans in white areas and 11.42% of the eligible loans in minority areas, for a disparity ratio of 1.71. This means that Freddie Mac purchased 71% more of the eligible loans in white areas than in predominantly minority areas.

Thus, both Fannie Mae and Freddie Mac show severe disparity ratios with respect to the purchase of conventional eligible refinance loans. Unlike the pattern for home purchase loans, Fannie Mae has the worst pattern for refinance loans. This is attributed largely to the fact that it purchased less than 8% of the eligible loans in the Very Low Income range in predominantly minority areas.

Loan Decision Patterns. Turning to the HMDA data on refinance loan decisions, Tables #17 through #19 show the HMDA categories of loan decisions comparing minority groups to whites in the same format that was used for the loan decision tables for home purchase loans. With the lower level of FHA lending in the refinance markets, one would be even more concerned about the disparity ratios for conventional loans than was the case for home purchase lending.

In Table #17, one can see that the disparity ratio for conventional rejection rates for Hispanics is 2.40. Although this is lower than the 3.10 disparity ratio for home purchase loans, Hispanics are still rejected for refinance loans at a rate 2.4 times that of whites. The disparity ratio for loans that failed for any reason is 1.92. Generally, refinance applications have lower origination rates than home purchase applications. For Hispanics, 41% of all conventional refinance loan applicants fail for some reason compared to 21% for whites.

Table #18 shows the refinance loan decision data comparing white and African-American refinance loan applicants. The disparity ratios are smaller than they are for home purchase loans, though the disparity ratios are still very large. The disparity ratios for conventional African-American loans are somewhat smaller than they are for home purchase loans. The rejection rate disparity ratio is 2.99 (compared to 3.38 for home purchase loans). This means that African-Americans are rejected 3 times as often as are whites. The overall failure disparity ratio for African-Americans is 2.15 (compared to 2.32 for home purchase loans). This means that African-Americans fail to secure refinance loans more than twice as often as do whites. The total failure rate for African-Americans is over 46% of all applications.

Table #19 provides the same data and format comparing white and Asian refinance applicants. In home purchase lending, Asians had lower rejection rates and lower failure rates than did whites. Here, the rejection rate disparity ratio for refinance loans is 1.05 (compared to a home purchase loan disparity ratio of 0.88). The loan failure disparity ratio for Asians for refinance loans is 1.21 (compared to a home purchase ratio of 0.98). Thus, Asians do not fare as well as whites in refinance loan applications.

As with home purchase lending, we can present a more accurate picture of disparity ratios by controlling for the income of the applicants. Chart #6 shows the rejection rates by racial and ethnic groups by the 6 income ranges for all three years of conventional refinance applications combined.

For both whites and Asians, the rejection rates decline with each increase in the income range. For Hispanics, there were fewer than 50 loan applications in each of the two income ranges from 100% to 150% of the area median family income. If one removes these two income ranges, the pattern is for the rejection rates to decline as the income range increases. For African-Americans, however, after a decline in rejection rates from the lowest income range, rejection rates tend to level off across the remaining income ranges. Therefore, African-Americans have the highest rejection rates in all but the lowest income range.

Table #20 shows the refinance rejection rates for all 4 racial and ethnic groups that are displayed in Chart #6. Table #20 also lists the disparity ratios in rejection rates for each racial or ethnic group compared to whites. The conventional rejection rate data are the most important. Overall, the Asian rejection rate disparity ratio is at 1.05, though it reaches 1.49 for the Middle income range.

For Hispanics, the conventional refinance rejection rates vary between 1.90 and 2.71 in the four income ranges with more than 50 applications. For African-Americans, the conventional rejection rate disparities vary between 1.85 and 4.32. Moreover, these disparity ratios increase systematically as the income range increases. Thus, the African-American applicants in the highest income range are more than 4 times as likely to be rejected as are the highest income whites.

Chart #7 shows the total loan application failure rates by racial and ethnic group by the 6 income ranges for all three years of conventional refinance applications combined. Again, the two income ranges with fewer than 50 Hispanic loan applications are removed from the analysis. Then, the general, though not systematic, pattern is for some decline in overall failure rates with increased income. Overall failure rates are higher in every income range for both Hispanics and African-Americans when compared to whites. As with rejection rates, African-Americans have the highest failure rates in all but the lowest income range.

Table #21 shows the total failure rates used in Chart #7 as well as the loan failure disparity ratios. Again, the conventional patterns are of prime concern. For Hispanics and Asians, there is no clear pattern in disparity ratios related to income ranges. Moreover, the highest disparity ratio for Hispanics in the income ranges with more than 50 loan applications is 1.84. The highest disparity ratio for Asians in the income ranges with more than 50 loan applications is 1.28.

On the other hand, for African-Americans, the disparity ratios increase continually from the lowest to the highest income range, with only one modest exception. The disparity ratios range from 1.60 (in the lowest income range) to 2.37 (in the highest income range). Overall, African-American applicants for conventional refinance loans fail more than twice as often as do white applicants. Moreover, well over half of the Very Low Income Hispanics and African-Americans fail while about one-third of the Very Low Income whites fail.

The Dominance of Large Lenders in the Market. As with home purchase lending, the final focus of this analysis of refinance lending patterns is on the dominance of large lenders in the market. On average, there are 337 lenders active in the refinance market in the Richmond Area in any given year. Like the home purchase markets, the refinance markets are dominated by a small number of very large lenders. Table #22 presents data for the 10 lenders with the greatest number of refinance applications and again for the expanded group of the 20 lenders with the greatest number of applications in the same format as Table #11 for home purchase lenders.

For home purchase lending, the 10 largest lenders accounted for a larger overall market share of loans than of applications. For refinance lending, this is not the case. The 10 largest lenders account for over 36% of the applications compared to less than 33% of the loans. In large measure this is due to the fact that some of the very largest lenders in terms of applications tended to be subprime lenders that actually made very few loans. For example, in 2000, the lender with the most applications was Advanta National Bank. It accounted for 1,557 refinance applications but made only 25 loans. The second largest lender was HomeGold, Inc., which had 918 applications and only made 47 loans.

In part, these data reflect a confusion related to whether lenders needed to count as applications pre-approved loan offers and some other forms of solicitation and borrower inquiries that did not involve formal applications. These forms of solicitation are much more common among subprime lenders than among prime lenders. As a result, several large subprime lenders reported all offers and inquiries that might be interpreted as applications. Both Advanta National Bank and HomeGold are subprime lenders. This aggressive reporting of applications produced large disparities between the market share of applications and loans by some of the largest lenders. Large subprime lenders also contributed to a very low market share of the FHA refinance lending, as the subprime lenders generally made few FHA loans. By 2001, there was a more clear understanding of what needed to be reported and the table reflects this with an increased share of both overall loans and FHA loans for that year as the result of more prime lenders accounting for the greatest numbers of what were reported as applications. For example, in 2000 the largest 10 lenders accounted for over 39% of the applications but less than 17% of the loans. By 2002, the largest 10 lenders accounted for equal shares of the applications and loans (36.44% and 36.47%, respectively).

The largest 10 lenders had a share of the FHA refinance market that is only 69% of their share of all loans. This is explained by the fact the some of the largest prime lenders and most of the largest subprime lenders do not make FHA loans. As with the largest 10 home purchase lenders, the lowest market share by applicant race is for African-Americans and the lowest market share racial/ethnic census tract groupings is for predominantly minority census tracts.

When the analysis is expanded to the largest 20 lenders, these lenders account for about 54% of all applications and about 51% of all refinance loans. For the 20 largest lenders, their market share of FHA loans is about 79% of their share of all loans. The largest 20 lenders have about 44% of the Hispanic and African-American loans while they have over 51% of the white loans. These lenders have about 46% of the loans from predominantly minority areas, but 53% of the loans from white areas. Thus, the largest lenders underserve the minority markets.

SUBPRIME LENDING

The most commonly cited reference for subprime lenders is the annually updated list provided by Randall M. Scheessele at the Office of Policy Development and Research at HUD.[58] This list is compiled each year and released by HUD. There is no direct way to define a subprime loan in the HMDA data. Although there is also no definitive list of subprime lenders, the HUD list has become the standard tool for identifying such lenders. This list was used, for example, in the *Risk or Race?* study of the nation's MSAs. Using a range of industry sources and interviews, the HUD list defines those lenders that are covered each year by the HMDA and that are primarily engaged in subprime lending. The list separates lenders that generally make subprime loans on traditional homes and those that make loans on manufactured housing (generally mobile homes). The HUD list is likely to remain the standard until better data on the subprime status of loans is included in the HMDA.

While the lenders on the HUD list are defined as subprime lenders, many of these lenders do make significant numbers of conventional prime loans as well as FHA loans. In order to refine our estimate of the subprime loans, we have screened all the loans made by these subprime lenders and coded as subprime only those loans that are not FHA loans and that were not sold to Fannie Mae or Freddie Mac. While Fannie Mae and Freddie Mac have increased their role in the subprime markets, they have done so on a limited

[58] For the definition of the structure of this list, see Randall M. Scheessele, *1998 HMDA Highlights - Working Paper No. HF-009*, Office of Policy Development and Research, U.S. Department of Housing and Urban Development (October 1999).

basis, especially in the years covered by this analysis. Moreover, the GSEs have purchased loans that are generally on the margin between prime and subprime. Using this definition of subprime loans provides a conservative estimate of the number of subprime loans in the Richmond Area markets.

The public policy concerns about the rapid growth in subprime lending have not focused on loan denials and the failure to receive a loan. Rather, the focus has been on the infusion of subprime loans within different markets. Therefore, the focus of this review is on the patterns of loans made and not on loan decision patterns. Indeed, the definition of a subprime loan that is used in this analysis incorporates a screen on whether the loan was sold to one of the GSEs. Since only loans that are actually made can be screened in this way, the definition of the subprime market is exclusively based on actual loans.

There are some limitations in the use of the HMDA data for subprime lending that are more serious than when using the HMDA data in general. Much of the subprime marketing is done through telephone and mail solicitations, especially for refinance loans. For loan applications taken over the phone and by mail, the HMDA presently provides for only voluntary reporting of the race or ethnicity of the applicant. As a result, some subprime lenders report race for only a fraction of their loans.

Other exclusions in the HMDA allow some of even the largest subprime lenders not to report their loans if the mortgage loans they make represent less than 10% of their overall lending business. Moreover, an increasing number of lenders make both prime and subprime loans. If these lenders predominantly make prime loans, they are not on the HUD list of subprime lenders. Therefore, we have no way of identifying their subprime loans.

Finally, this analysis reviews subprime lending in combination with FHA lending. There are sound reasons to trace the parallels in subprime and FHA patterns. First, FHA can be categorized as a form of subprime lending. FHA loans are designed to serve a market that is not served by the conventional prime markets. While there are clear indications in studies of FHA patterns that, in fact, FHA lending does serve a population that could be served by conventional lending, FHA itself has maintained that the markets are separate.[59] Regardless of what overlap may exist, the costs of FHA insurance, slightly higher interest rates, and more liberal credit standards for applicants make the FHA lending program a subprime program where the higher risk is offset by the cost of insurance rather than an increase in the interest rate. Such a definition seems consistent with the structure of the subprime market. Where higher than prime risks are involved in the loan, lenders and investors need to have protections against presumed higher losses. In most subprime markets, this risk is offset by higher pricing of the loan in the interest rate. In the FHA program, this risk is offset by insurance on the loan.

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[59] See Calvin Bradford, AThe Patterns of GSE Participation in Minority and Racially Changing Markets Reviewed from the Context of the Levels of Distress Associated with High Levels of FHA Lending", Vol.6, No. 1, *Cityscape: A Journal of Policy Development and Research* (2002), pp. 145-311.

Subprime Lending in the Home Purchase Market

Subprime lending has its greatest role in the refinance markets. Nonetheless, the role of subprime lending has increased in the home purchase markets in recent years. The analysis of subprime lending in the home purchase markets is somewhat limited by having a smaller share of the loans with reported applicant race than for conventional prime lending. Over the three years of data, about 86% of the conventional prime loan applications reported race data while about 76% of the subprime home purchase loans reported race data.

The Levels of Subprime Lending. Table #23 shows the number of subprime loans for each of the census tract racial and income ranges used in this analysis. The table also shows the percentage of all loans that are estimated to be subprime loans. Since subprime lending is defined as a subcategory within the conventional markets, the table also lists the percentage of all conventional loans estimated to be subprime. This latter figure is the most important measure of subprime lending.

The table illustrates the racial disparities in subprime home purchase lending based on the racial and ethnic composition of the area. Overall, the percentage of conventional home purchase loans that are estimated to be subprime is 4.19% for white areas, 8.55% for racially diverse areas, and 18.35% for predominantly minority areas.

Therefore, the racial disparity ratio is 2.04 for racially diverse areas and 4.38 for predominantly minority areas. The large disparity ratio between white and predominantly minority areas can be partly explained by the lack of enough data in the lower two income ranges for the white areas and the concentration of loans in minority tracts in these same lower income ranges. Nonetheless, if one compares the Moderate and Middle income ranges (80% to 120% of the area median family income) the disparity ratios are 1.46 for racially diverse areas and 2.57 for predominantly minority areas.

Map #13 shows the percentage of all conventional loans that are estimated to be subprime for the census tracts in the Richmond Area. Subprime levels are portrayed in shaded ranges defined by the level of conventional subprime loans in each census tract compared to the percentage of conventional subprime loans in the Richmond Area overall. This indicates how both the racially diverse and predominantly minority areas tend to have extremely high levels of subprime lending. For example, just over 18% (13 out of 71) of the white census tracts have levels of subprime lending above that of the Richmond Area overall. Only 2 of the white census tracts have a level of conventional subprime lending greater than 150% of the Richmond Area overall. On the other hand, all 62 of the predominantly minority areas have levels of conventional subprime lending greater than the overall Richmond Area level. Moreover, 97% (all but 2) of the 62 predominantly minority tracts have levels of conventional subprime lending that are greater than 150% of the overall Richmond Area level.

Table #24 shows the percentage of conventional home purchase loans that are subprime by individual racial and ethnic group and by borrower income range within each group.

The table also shows the racial disparity in subprime lending when minority groups are compared to whites. There are generally not enough Asian or Hispanic subprime loans to review patterns within individual income ranges. For Asians, the disparity ratio overall is 0.73, meaning that Asians have lower rates of subprime home purchase loans than do whites. For Hispanics, the disparity ratio is 2.38. Even at the aggregate level, however, there are so few subprime loans to either Asians or Hispanics that one can read little into these disparity ratios.

For African-Americans, there are 749 subprime loans that can be compared to the 881 white subprime loans. For African-Americans, the disparity ratios are greater than 4.6 in every income range. This means that, even in the best case, African-Americans are at least 4.6 times as likely to have a subprime home purchase loan as are whites with comparable incomes. The disparity ratios range from 4.64 to 6.25. The overall disparity ratio is 5.70, meaning that African-Americans are over 5 and one-half times as likely to have a subprime home purchase loan as are whites.

Chart #8 displays the percentage of conventional home purchase loans that are subprime from the data in Table #24. The chart also shows the number of loans for each income range and racial/ethnic group. For both whites and African-Americans, the percentage of conventional loans that are estimated to be subprime decreases as the income range increases. For whites, however, the percentage of conventional home purchase loans that are subprime is less than 5% in all but the very lowest income range. For African-Americans, 28% of the conventional home purchase loans are estimated to be subprime in the lowest income range. In the highest income range, the percentage of loans that are subprime for African-Americans is still above 10%.

The Combined Levels of Subprime and FHA Lending. In as much as fair access to prime conventional lending has been the major policy objective of fair lending and community reinvestment initiatives over the past several decades, this section of the analysis focuses on possible disparities in the combined level of subprime and FHA lending. In any given market, the higher the combined levels of subprime and FHA lending, the lower the rate of prime conventional lending.

Table #25 shows the percentage of all loans that are either subprime or FHA for each individual year and for the three years as a whole. These data are presented by the racial groupings of census tracts and income ranges. Here the disparities for FHA and subprime lending are combined. For the three years as a whole, the combined percentage of subprime and FHA loans is considerably higher in both racially diverse and minority areas compared to white areas. FHA and subprime loans are 1.93 times as likely in racially diverse areas and 2.71 times as likely in predominantly minority areas as in white areas. These disparities are not simply the result of the concentration of white tracts in the higher income ranges. For the Moderate and Middle income range alone, FHA and subprime loans are 1.26 times as likely in racially diverse areas and 1.87 times as likely in predominantly minority areas as in white areas in this same income range.

Map #14 displays the percentage of all home purchase loans in each census tract that are either FHA or subprime. The format is the same as it is for Map #13. Subprime and FHA levels are portrayed in shaded ranges defined by the combined levels of FHA and subprime loans in each census tract compared to the percentage of FHA and subprime loans in the Richmond Area as a whole. About 21% (15 out of 71) of the white census tracts have levels of combined FHA and subprime lending above that of the Richmond Area overall. Only 7 of the white census tracts have a level of FHA and subprime lending greater than 150% of the Richmond Area overall. On the other hand, 61 of the 62 predominantly minority areas (98%) have levels of combined FHA and subprime lending greater than the overall Richmond Area level. Moreover, 97% (all but 2) of the 62 predominantly minority tracts have levels of conventional subprime lending that are greater than 150% of the overall Richmond Area level.

Table #26 shows the total number of subprime and FHA loans for each income range of borrowers within each individual racial or ethnic group. The lower income ranges for both Asians and Hispanics generally have too few loans to make reasonable comparisons. The overall Asian disparity ratio is 0.62, indicating that Asians have substantially lower levels of FHA and subprime loans when compared to whites.

The disparity ratios for Hispanics in the lowest two income ranges where there are the most loans are both greater than 1.7. The overall Hispanic disparity ratio is 2.38.

For African-Americans, there are disparities in every income range. Moreover, the disparity ratios increase with increased income. Therefore, the highest disparity ratio is for the highest income African-Americans, where the disparity ratio is 4.0. The overall disparity ratio for African-Americans is 2.69.

The data on the percentage of loans that are either FHA or subprime from Table #26 are shown in Chart #9. One can see the significant disparities between both Hispanics and African-Americans compared to whites, with more extreme disparities for African-Americans in the higher income ranges.

The Dominance of Large Lenders in the Market. Finally, Table #27 shows the concentration of subprime loans in a few lenders in the subprime home purchase market in the Richmond Area. In the subprime home purchase market, there were never more than 50 active lenders in any year, with an average of 47 lenders in any given year. Over all, a very small number of lenders control the patterns for subprime home purchase lending in the Richmond Area in the years under review. In order to adjust to such a concentrated market, Table #27 shows the market concentrations based on a threshold of the 5 largest lenders and the 10 largest lenders in the market.

The 5 largest lenders account for almost 44% of all subprime home purchase loans. Compared to their share of all the white subprime loans, the 5 largest lenders control a comparable share of Asians loans, but lower shares of both Hispanic and African-American loans. Compared to their share of the loans in white areas, the 5 largest subprime lenders have lower shares of both the racially diverse and the predominantly minority areas.

When the analysis is expanded to the 10 largest lenders, these lenders control about 65% of the subprime home purchase loans. For the 10 largest lenders, their market share of the white loans is more than ten percentage points higher than their shares of the Hispanic, African-American, or Asian markets. The market share of the loans in white areas is about 8 percentage points higher than the market share of loans in predominantly minority areas. Therefore, the largest subprime lenders for home purchase loans disproportionately serve white borrowers and white areas. Put another way, the smaller subprime lenders disproportionately contribute to the high levels of subprime lending among Hispanics and African-Americans and in predominantly minority areas.

<u>Subprime Lending in the Refinance Market</u>

The analysis of subprime lending in the refinance markets is even more limited by the lack of race data than is the analysis of the home purchase market. In the home purchase market, about 76% of the subprime loans had race data. In the refinance markets, where solicitation and application by telephone and mail is more commonplace than in the home purchase markets, fewer loans have race data. For the three years in this analysis, only 43% of the subprime refinance loans have race data.

The Levels of Subprime Lending. Table #28 shows the number of subprime loans for each of the census tract racial and income ranges used in this analysis as well as the percentage of all loans that are estimated to be subprime loans. The table also shows the percentage of all conventional refinance loans that are subprime, as in the format for Table #23 (the comparable home purchase table). The overall percentage of conventional refinance loans that are estimated to be subprime in the Richmond Area is 14%. This overall level is considerably higher than the comparable level of subprime lending in the home purchase market, which was 6.6%.

There are clear racial and ethnic disparities in the level of subprime lending in the conventional refinance markets. For white census tracts, 8.27% of the conventional refinance loans are estimated to be subprime. For racially diverse areas, the percentage is 17.58%. For predominantly minority areas, the level of subprime lending is more than 4 times as great as in the white areas (at a level of 35.5%).

For the Moderate and Middle income range for which comparisons can be made across racial and ethnic areas, conventional subprime lending levels are 43% higher in racially diverse areas than in white areas (with a disparity ratio of 1.43). In this same income range, conventional subprime lending levels are 2.3 times as high in predominantly minority areas as in white areas.

Map #15 shows the percentage of all conventional refinance loans that are estimated to be subprime for the census tracts in the Richmond Area. Fourteen of the 71 white tracts (about 20%) have subprime refinance levels above the overall Richmond Area level. Only one of the 71 white tracts has a percentage of subprime conventional loans more than 150% of the overall Richmond Area level. On the other hand, all of the 62 predominantly minority tracts have subprime levels above the overall Richmond Area level. Moreover, all 62 of these tracts have subprime loan percentages that are more than 150% of the overall Richmond Area level.

Table #29 shows the percentage of conventional refinance loans that are subprime by individual racial and ethnic group and by borrower income range within each group. The table also shows the racial disparity in subprime lending when minority groups are compared to whites. For Hispanics and Asians, there are not enough loans within individual income ranges to make comparisons. The table indicates that, overall, Hispanics are about twice as likely to have a subprime conventional refinance loan as are whites while Asians are about half as likely to have such subprime loans as are whites. With only 30 Hispanic loans and 22 Asian loans, however, these comparisons also have little meaning.

For African-Americans, the overall disparity ratio for subprime refinance loans is about the same as it was for home purchase loans (5.6 compared to 5.7, respectively). The disparity ratios increase with increased income. They range from 3.33, in the lowest income range, to 6.27, in the highest income range. This means that the highest income African-Americans are more than 6 times as likely to have a subprime conventional refinance loan when compared to the highest income whites.

Chart #10 displays the percentages of conventional subprime refinance loans from Table #29. The chart illustrates how extreme the levels of subprime lending for African-Americans are compared to whites. Even though the trend is for the level of subprime loans to decline as incomes increase for both whites and African-Americans, extreme racial disparities exist in all income ranges. For the highest income whites, 2.5% of their conventional refinance loans are subprime while the figure is over 15.6% for African-Americans. For the lowest income African-Americans, 41% of their conventional refinance loans are subprime compared to 12% for whites. Indeed, the percentage of conventional refinance loans that are subprime is greater for the highest income African-Americans than for the lowest income whites (15.6% compared to 12.3%, respectively).

The Combined Levels of Subprime and FHA Lending. The patterns for combined subprime and FHA lending do not differ greatly from the patterns for subprime lending alone. This is partly due to the fact that FHA lending does not represent a large share of the refinance markets, even for minorities.

Table #30 shows the percentages of all refinance loans that are either subprime or FHA by racial tract groupings and income ranges. This is a companion table to Table #25 for subprime and FHA home purchase loans. For the three years as a whole in the Moderate and Middle income range, the combined percentage of subprime and FHA loans is 1.4 times as high in racially diverse areas as in white areas. FHA and subprime loans are nearly twice as likely in predominantly minority areas as in white areas (with a disparity ratio of 1.96). In predominantly minority areas, 44% of all the refinance loans are FHA or subprime.

Map #16 displays the percentage of all refinance loans in each census tract that are either FHA or subprime. The patterns are similar to the patterns for subprime lending alone in Map #15. Twelve of the 71 white tracts (about 17%) have subprime refinance levels above the overall Richmond Area level. Only 3 white tracts (about 4%) have a percentage of subprime conventional loans more than 150% of the overall Richmond Area level of 21.3%. On the other hand, all of the 62 predominantly minority tracts have subprime levels above the overall Richmond Area level, and 60 of these 62 tracts (97%) have subprime loan percentages that are more than 150% of the overall Richmond Area level.

Table #31 shows the total number of subprime and FHA loans for each income range of borrowers within each individual racial or ethnic group. Because of the low number of loans in the individual income ranges for Hispanics and Asians, no comparisons can be made by income level. Overall, Hispanics have a disparity ratio of 2.35, meaning they are well over twice as likely to have an FHA or subprime refinance loan compared to whites. Asians are a little more than half as likely to have an FHA or subprime refinance loan when compared to whites.

For African-Americans, the disparity ratios are the most extreme. There are disparities in every income range. All of the disparities are greater than 2.6, ranging from a low of 2.64 to a high of 6.37. As with the pattern for subprime loans alone, the disparities increase with increased income. Overall, African-Americans are close to 4 times as likely to have an FHA or subprime refinance loan as are whites (with an overall disparity ratio of 3.79). For African-Americans, 45% of all the refinance loans are FHA or subprime. Moreover, the percentage of FHA and subprime refinance loans is greater for the highest income African-Americans than for the lowest income whites (18.60% compared to 17.53%, respectively).

The Dominance of Large Lenders in the Market. Finally, Table #32 shows the concentration of subprime loans in a few lenders in the subprime refinance market in the Richmond Area. In the subprime refinance market, there were never more than 70 active lenders in any year, with an average of 68 lenders in any given year. The section on subprime lending in the home purchase market reviewed the 5 largest and 10 largest lenders. The same range is used here.

Subprime refinance lending is not as highly concentrated in a few lenders as is the home purchase subprime market. In the home purchase subprime market, for example, the 5 largest lenders accounted for about 44% of the loans while the 5 largest subprime lenders in the refinance market account for less than 31% of the loans.

With so few Hispanic or Asian subprime refinance loans, no reasonable analysis can be made of the lending patterns for the largest lenders. The lending patterns for whites and African-Americans, however, are clearly different for refinance loans than for home purchase loans. In the subprime refinance market, the largest 5 lenders account for a larger share of the African-American loans than the white loans. These lenders also have a larger market share of the loans from predominantly minority areas than they do from white areas.

Expanding the number of the largest lenders to the 10 largest reveals an increase in overall market shares, but with essentially the same racial patterns. The 10 largest lenders account for almost 49% of the subprime refinance market. These lenders account for more than 45% of the loans from African-Americans but only 39% of the loans from whites. These lenders account for almost 53% of the loans from predominantly minority areas, but less than 46% of the loans from white areas.

Therefore, in the subprime refinance markets, the largest lenders have a higher share of the loans to African-Americans and in predominantly minority areas than they have of loans to whites or in white areas.

CITY OF RICHMOND COMPARISON DATA

This section provides a summary of the Richmond Area lending patterns compared to a set of summary data calculations for the City of Richmond. The data focus on the patterns of actual loans. Summary data are provided for the percentage of all loans that are FHA loans, the percentage of all conventional loans that are subprime loans, and the combined percentage of all loans that are either FHA or subprime.

These data are presented for the racial and income census tract groupings used in the full Richmond Area report and analysis. Within these census tract groupings, the data are presented for white borrowers, African-American borrowers and Hispanic borrowers. Because Asian borrowers typically have few FHA or subprime loans, they are not included in this analysis. While data are presented for Hispanic borrowers, there are so few Hispanic loans in the City of Richmond that it is not reasonable to draw conclusions from the data. Therefore, the analysis focuses on the patterns of lending for white and African-American borrowers. Data are presented separately for home purchase and refinance loans. This analysis provides a perspective on lending to borrowers of different racial and ethnic status within the different racial/ethnic groupings of census tracts.

Comparative Lending in the Home Purchase Market

Table #33 presents these data for all of the Richmond Area for home purchase loans. Table #34 presents these data for the 69 census tracts that are within the City of Richmond for home purchase loans. For the Richmond Area as a whole, 73% of the loans to whites are in white areas. Within the City of Richmond, only 55% of the loans to whites are in white areas. For the Richmond Area as a whole, 50% of the loans to African-Americans are in predominantly minority areas. Within the City of Richmond, 91% of the loans to African-Americans are in predominantly minority areas. Thus, within the City of Richmond, lending to African-Americans is more geographically concentrated in minority areas than in the entire Richmond Area. On the other hand, loans to whites are less geographically concentrated within the City of Richmond than in the entire Richmond Area. This reflects the fact that 44 of the 62 predominantly minority census tracts in the Richmond Area are within the City of Richmond itself.

Comparisons across the same income ranges for whites and African-Americans are hard to make in the City of Richmond because of the extreme concentration of African-American loans in the predominantly minority census tracts. Moreover, 16 of the 18 white census tracts are in the two higher income ranges (accounting for 96% of the white loans in these areas). Meanwhile, within the predominantly minority areas, 40 of the 44 census tracts are in the lower two income ranges (accounting for 97% of the African-American loans in these areas). Nonetheless, some comparisons can be made.

In the City of Richmond, white borrowers collectively have lower levels of FHA loans and lower levels of conventional subprime loans than in the Richmond Area as a whole. African-American borrowers in the City of Richmond collectively have slightly higher levels of FHA lending and significantly higher levels of conventional subprime lending than do African-Americans in the Richmond area as a whole. Thus, for the general use of conventional prime lending, whites do better in the City of Richmond than they do in the overall Richmond Area while African-Americans fare worse. Indeed, more than half of all home purchase loans to African-Americans in the City of Richmond are FHA loans and 65% of all home purchase loans to African-Americans in the City of Richmond are either FHA or subprime.

The racial composition of the area makes a difference in terms of lending patterns for both whites and African-Americans. For both white and African-American borrowers, the overall levels of FHA and conventional subprime loans are higher in diverse areas than in white areas and highest in predominantly minority areas. For whites, the percentage of FHA loans is 2.6 times as high in predominantly minority areas as in white areas. For African-Americans, the percentage of FHA loans is 2.7 times as high in predominantly minority areas as in white areas. For whites, the percentage of conventional loans that are estimated to be subprime is 4.4 times as high in predominantly minority areas as in white areas. For African-Americans, the percentage of conventional loans that are estimated to be subprime is 4.7 times as high in predominantly minority areas as in white areas.

There are enough white and African-American loans in the Lower income range (50% to 80% of the area median family income) in the predominantly minority tracts to compare outcomes for both whites and African-Americans. In these areas in this income range, African-Americans have a level of FHA lending that is 2.4 times as high as it is for whites. In these same areas and income range, African-Americans have a level of conventional subprime home purchase loans that is 2.6 times as high as it is for whites.

Comparative Lending in the Refinance Market

Table #35 presents these data for all of the Richmond Area for refinance loans. Table #36 presents these data for the 69 census tracts that are within the City of Richmond for refinance loans. The overall distribution of refinance loans by race is similar to that of home purchase loans. For the Richmond Area as a whole, 76% of the loans to whites are in white areas. Within the City of Richmond, only 60% of the loans to whites are in white areas. For the Richmond Area as a whole, 51% of the loans to African-Americans are in predominantly minority areas. Within the City of Richmond, 87% of the loans to

African-Americans are in predominantly minority areas. As with home purchase loans, lending to African-Americans within the City of Richmond is more geographically concentrated in minority areas than in the entire Richmond Area. On the other hand, loans to whites are less geographically concentrated within the City of Richmond than in the entire Richmond Area.

As is the case with home purchase loans, comparisons across the same income ranges for whites and African-Americans are hard to make because of the extreme concentration of African-American loans in the predominantly minority census tracts. Refinance loans to whites in the two higher income ranges of the white tracts account for 97% of the white loans in these areas. Meanwhile, in the predominantly minority areas, loans to African-Americans in the lower two income ranges account for 96% of all the African-American loans in these areas. Nonetheless, some comparisons can be made.

In the City of Richmond, white borrowers collectively have much lower levels of FHA loans as well as lower levels of conventional subprime loans than in the Richmond Area as a whole. African-American borrowers in the City of Richmond collectively have much lower levels of FHA lending but much higher levels of conventional subprime lending than do African-Americans in the Richmond Area as a whole. More than 35% of all conventional refinance loans to African-Americans in the City of Richmond are estimated to be subprime loans. Thus, in terms of the general use of conventional lending, whites do better in the City of Richmond than they do in the overall Richmond Area while African-Americans fare worse with regard to subprime lending.

The racial composition of the area makes some differences in terms of lending patterns for both whites and African-Americans. For white borrowers, the overall levels of FHA and the levels of subprime loans are higher in diverse areas than in white areas and highest in predominantly minority areas. For African-American borrowers, the overall levels of FHA and the levels of subprime loans are roughly the same in both white and diverse areas, but higher in predominantly minority areas. For whites, the percentage of FHA loans is 2.6 times as high in predominantly minority areas as in white areas. For African-Americans, the percentage of FHA loans is 1.4 times as high in predominantly minority areas as in white areas. For whites, the percentage of conventional loans that are estimated to be subprime is 4.5 times as high in predominantly minority areas as in white areas. For African-Americans, the percentage of conventional loans that are estimated to be subprime is only 1.5 times as high in predominantly minority areas as in white areas. This is due to the fact that the percentage of conventional refinance loans that are subprime for African-Americans is so much higher than the level for whites at all income ranges.

Over all areas, the percentage of conventional refinance loans that are subprime for African-Americans is 35.55%. This is 7.4 times as high for African-Americans as for whites. In the white areas, the percentage of conventional loans that are subprime for African-Americans is 25.26%, which is 9.6 times the level for whites. Moreover, these loans are essentially from the two highest income ranges for both whites and African-Americans.[60]

Controlling for income reduces these disparities, but clearly it does not eliminate them. As with the home purchase loans, there are enough white and African-American loans in the Lower income range (50% to 80% of the area median family income) in the predominantly minority tracts to compare outcomes for both whites and African-Americans. In these areas in this income range, African-Americans have a level of FHA lending that is 2.5 times as high as it is for whites. In these same areas and income range, African-Americans have a level of conventional subprime refinance loans that is 2.7 times as high as it is for whites.

[60] All of the loans to African-Americans are in the highest two income ranges and all but 82 of the 2,813 white loans (97%) are in the two highest income ranges.

Appendix E: Mortgage Loan Analysis Technical Notes

<u>Measures and Limitations</u>

In developing measures of lending there is no perfect measure that can account for all the factors that affect actual markets in every different census tract. For example, there are many factors that influence the number of home sales in an area such as:

- the age and family life cycle of residents, and these vary from one tract to another and change over time;
- the availability of land for new development and the rate of new development;
- the moving patterns of the household types living in an area - which are, in turn, influenced by local, regional, and national changes in the economy, employment and transportation patterns; and/or,
- the shifts between owner-occupied and investor-owned single-family properties, which are, in turn, influenced by many of the other factors listed above.

Similarly, there are different factors that affect home refinancing. These include many of the types of factors listed above and such other financial factors as:

- The levels of equity people have in their homes;
- The interest rates, types of products, and terms of the present loan products available in the market; and/or,
- The need for additional funds for debts or other uses.

As a result, no single measure of lending will completely account for the differences in lending between one given census tract and another. Some areas have populations that are either much more mobile or much more stable than other areas. There may be demographic, economic and consumer studies in the Richmond Area that may provide indications of some of the areas where there may be unusually high or low levels of sales due to factors not related to access to the mortgage markets. Nonetheless, one should not expect these patterns to be defined strongly by the racial or ethnic differences in an area. Even when various racial or ethnic groups tend to live in a single area, they may be expected to move within that area in ways determined by the larger life cycle and economic factors that tend to affect mobility in general.

What is most important for the lending analysis is that the rate of new development, the rate of home sales in the existing market, and the level of refinancing are all profoundly affected by the interest rates and other terms of home loans.

In the past, lenders have explained the low levels of lending in lower-income areas as a result of the inability of the residents to afford to purchase homes. Yet, the lending patterns for lower-income white areas as compared to lower-income minority areas have typically revealed that the comparable white areas have much higher lending rates, by almost any measure. Lack of mobility and lack of market demand due to income should not be expected to vary significantly from one racial group to another unless there are some racial or ethnic aspects in access to the housing markets. Moreover, within the past several years, as lenders have developed more of an emphasis on serving minority lending needs, levels of lending to minorities have increased in the nation as a whole. This suggests that the levels of lending are not simply a reflection of demand, but that the demand is a product of marketing and the desire of lenders to reach particular markets.

Homebuilding patterns are also often cited as a reason for high lending levels in some areas. New homes clearly mean new loans. This explains some of the higher levels of lending in developing areas. However, this does not explain the different distribution of FHA and conventional loans in high loan penetration white and minority tract groups. Also, it does not adequately explain the racial and ethnic concentrations of home purchasers.

Caution should be used, however, in taking the mapping results and focusing on the patterns within only a small number of individual census tracts. Moreover, many census tracts contain very large areas, but only small populations. Therefore, the areas on a map are not necessarily translated directly into comparable units for all types of comparison. The areas on the maps represent levels of race, income or lending - but they do not reflect comparable population or housing market sizes.

Caution should also be taken in the interpretation of loan penetration rates for the racial and ethnic groupings by income where the total number of single-family eligible housing units is small. The tables may include all measures, regardless of the size of the base numbers used in the measure. One should be cautious, however, in using any figures based on small numbers, such as in the cases where income and racial groups have only one or two tracts.

Definition of Measures

Market Penetration Background. Single-family loans may be made to the purchaser or owner of any residential structure that has from one to four housing units in it. In addition, single-family loans can be made to townhouses and to condominiums. Finally, mobile homes also qualify as eligible for single-family loans.

Home purchase loans can be made for any such housing units regardless of who presently resides in them or who owns them. A single-family home that is presently being rented can be purchased by someone who will become an owner-occupant. Therefore, eligibility for home purchase loans is not defined by the tenure of the present occupants, but simply by whether or not the structure can be defined as a single-family housing unit.

Refinance loans are made to the existing owners of a property. Of course, absentee landlords who rent out properties that are defined as single-family homes can refinance their loans just as owner occupants can. The HMDA data include these loans to absentee landlords. Therefore, virtually the same market that is eligible for home purchase loans is also eligible for refinance loans.

With this background, the definitions of the measures used in the lending analysis follow.

Eligible Single-Family Housing Units. Single-family eligible units are taken from the 1990 census of housing for the Richmond Area. The definition is an estimate. The base figure is taken from data that reports the number of units in all housing structures in a census tract. The base figure is the total of:

The number of 1 unit detached housing units
+
The number of 1 unit attached housing units (townhomes, etc.) \
+
The number of units in structures with 2 units divided by 2
+
The number of units in structures with 3 to 4 units divided by 3.5

Added to this base figure are:

The number of mobile homes
+
The number of units that are in structures of 5 or more units but that are owner-occupied (condominium estimate)
+
The number of condominiums listed as vacant
+
The number of condominiums listed as rented

The total of these two series of calculations is the estimate of the number of single-family eligible housing units.

Market Penetration for Loans. Loans include all home purchase or refinance loans from the 2000-2002 Home Mortgage Disclosure Act data for the Richmond Area. The number of loans per 1,000 single family eligible units is calculated by:

(Loans / Single-Family Eligible Units) **X** 1,000

Appendix F: Public Hearing Summary

Richmond Impediment Study – Public Hearing, October 27, 2004

Summary of Comments

A public hearing on housing issues in the City of Richmond was held from 7:00 pm to 8:30 pm on Wednesday, October 27, 2004 at the main branch of the Richmond Public Library. The hearing was advertised in the newspaper and hosted by Housing Opportunities Made Equal. Lisa Friel, Research & Policy Coordinator, and Susan Scovill, Director of Fair Housing, of HOME were present. Jim Hill, Senior Planner in the Department of Community Development for the City of Richmond was also present.

Nineteen people attended the hearing; seven people spoke. Five of the speakers expressed concern about the critical need for more affordable housing in the Richmond area. Concerns were expressed about the absence of housing affordable for people with low paying hourly wage positions, the existing long waiting lists for subsidized housing and Housing Choice vouchers, the reduction in the Housing Choice voucher program when there is a need for more vouchers, the barriers that credit and criminal history create to getting into subsidized housing, the risk to the elderly of being priced out of their own neighborhoods by development, and the increasingly high cost of rental property.

Concerns were expressed regarding the vulnerability of Spanish-speaking newcomers to the area, who may be subject to exploitation by landlords. Language barriers make communication about maintenance and other issues difficult. Immigration and affordability issues may result in families' options being limited to substandard housing and overcrowding. Credit issues or lack of credit may make homeownership difficult and increases the risk of exploitation by unscrupulous lenders.

In addition, speakers mentioned the need for more accessible housing for the disabled and the challenges faced by non-profits who must compete for limited funding.

At the conclusion of the hearing, participants were informed that written comments would also be accepted. Contact information was provided but no comments were received.

Appendix G: Interviews

<u>Richmond Impediment Study - Interview subjects (27):</u>

<u>City/government agencies (9)</u>
Florence Brown, Dept. of Social Services
Claude Cooper, Code Compliance
Tanya Gonzalez, Hispanic Liaison
Jim Hill, Senior Planner, Dept. of Community Development
David Ingroff, , Dept of Community Development
John Logan, Dept. of Community Development
Paul Fisher, Richmond Regional Planning District Commission
Ruth Winston, HUD
Doug Sease, HUD

<u>Richmond Redevelopment & Housing Authority(4)</u>
Steve Benham, RRHA
Denise Dickerson, RRHA
Lee Householder, RRHA
Carolyn Jackson, RRHA

<u>Real Estate Industry(4)</u>
Dottie Figg, Long & Foster, former Real Estate Board member
Patrick McCloud, RAMA/VAMA
Donna Austin, Austin Realty, Board member Richmond Association of Realtors
Earl Ricks, Ricks & Associates Realty

<u>Community Development/Non-profit Housing & Service Organizations (10)</u>
Reggie Gordon, Homeward
T.K. Somanath, Better Housing Coalition
Janet Brown, Virginia Poverty Law Center
Greta Harris, LISC
Regina Chaney, HOME
Alice Tousignant, Virginia Supportive Housing
Bo Middleton, Southside Community Development Corportation
Kathy Garvin, Habitat for Humanity
Sandra Wagner, Resources for Independent Living
Jane Mendenhall, Refugee & Immigration Services

Appendix H: 1996 Study Recommendations