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HEARING BEFORE THE

HOUSE COMMITTEE ON FINANCIAL SERVICES

SUBCOMMITTEE ON HOUSING, COMMUNITY

DEVELOPMENT, AND INSURANCE

ENTITLED

“A REVIEW OF THE STATE OF AND BARRIERS TO

MINORITY HOMEOWNERSHIP”

TESTIMONY OF

JOANNE POOLE

ON BEHALF OF

THE NATIONAL ASSOCIATION OF REALTORS®

MAY 8, 2019

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Introduction

Good morning Chairman Clay, Ranking Member Duffy and members of the Subcommittee; my name is JoAnne Poole. I am a REALTOR® in Baltimore, Maryland, with 33 years of experience servicing the people of Anne Arundel County, Prince George's County, Baltimore City and Baltimore County. I have also been active in the National Association of REALTORS® (NAR) for over twenty years, serving as its Vice President, Chair of the Federal Housing Policy Committee and currently as the 2020 Chair of the REALTORS® Multicultural Real Estate Leadership Advisory Group. In 2005, I served as President of the Maryland REALTORS®, and in 2018 I was awarded NAR's Distinguished Service Award.

On behalf of NAR's 1.3 million members, I want to thank you for the opportunity to testify today to present NAR's concerns surrounding the state of and barriers to minority homeownership. NAR is America's largest trade association, and its members – America's REALTORS® – are involved in all aspects of the residential and commercial real estate industries.

In addition to my work with NAR, I am also a Realtist, which means I am a member of the National Association of Real Estate Brokers (NAREB). I am proud to sit here today alongside NAREB President, Jeffrey Hicks, in recognition of the historic and leading role NAREB plays in highlighting the critical issues the committee has convened today to discuss.

Value of Homeownership

To many people in this country, homeownership is synonymous with the American Dream.

Homeownership provides for stable communities, increases civic participation and builds self-worth, self-esteem and student test scores. According to their 1999 article in *The Journal of Housing Economics*, Boehm and Schlottmann state that children of homeowners have even been shown to earn more as adults.

However, housing affordability problems across the nation threaten this dream for countless families and potential home buyers, while the lack of housing supply is only adding to the problem. NAR data shows that in the last 6 years, home prices have increased 44%, while housing inventory has decreased by 13%.

Although these are national problems, many proposed or potential solutions must be locally based and consider the input of local community experts.

NAR strongly supports the production of affordable housing units for both rental and purchase purposes, along with efforts to increase the supply of entry-level homes. We also urge states and municipalities to adopt zoning laws, building codes and other policies that encourage free market production of affordable housing units.

Unacceptably Low Rate for Minorities

The homeownership rate for African Americans, Hispanics and Asian Americans remains at an unacceptably lower rate than that of white non-Hispanic Americans. The U.S. Census Bureau reports the following homeownership rates for the first quarter of 2019:

United States	White not Hispanic	Black	Asian, Pacific Islander	Hispanic of any race
64.2%	73.2%	41.1%	56.9%	47.4%

Percentage homeowners

Amongst all of this data, one figure stands out as the most troubling; African American homeownership rates have reverted back to pre-Fair Housing Act numbers. Fifty years of programs designed to expand homeownership and open doors that were previously closed by discrimination have often been ineffective. Even more disturbingly, the programs that were successful have largely seen their gains reversed or eliminated entirely.

All communities suffered in the financial crisis of 2007 and 2008, but none was hit harder than the African American community. These homeownership rate disparities are all unacceptable, but the persistent low rate for African Americans merits a priority in our efforts to increase minority homeownership.

Last year, the National Association of REALTORS®, in commemorating the 50th Anniversary of the Fair Housing Act, published “Fair Housing at 50,” a report designed to examine the successes and failures of the Fair Housing Act from 1968 to 2018. That report is attached to this testimony, and we request that it be entered into the record of this hearing.

Our neighborhoods and communities have a direct impact on our quality of life, including our health, education and access to economic opportunities. When housing and neighborhood options are limited for or denied to minority populations, access to jobs, transportation and high performing schools are all limited as well.

A deeper look into inequality in America shows that our wealth gap is primarily a housing wealth gap. Lower homeownership rates leave an impact on minority communities that can last generations, and also leave fewer opportunities for a family to accumulate wealth. In fact, African Americans lost nearly \$200 billion in wealth between 2009 and 2012, largely due to homeownership losses.

There are various reasons why we see low homeownership rates persist among minority communities, many of which have been documented both in academic studies and in newspaper reports. It is our belief, however, that these enduring low figures are rooted in historical actions by our government and the real estate community. In particular, we bring attention to zoning, restrictive covenants and Federal Housing Administration (FHA) underwriting guidelines that have created the housing patterns we continue to face today. Zoning was first used to segregate neighborhoods, but when the U.S. Supreme Court outlawed racial zoning in 1917 many communities replaced these practices with zoning policies that separated single family housing from multifamily housing units.

In the 1930’s, the FHA incorporated the Home Owners’ Loan Corporation racial classification of neighborhood risk into its underwriting criteria. FHA then encouraged or required the use of restrictive covenants to maintain racial segregation.

While it is clear that the real estate industry was once – but is no longer – a part of this practice, the federal government has yet to undo the effects of its policies from more than 50 years ago. If we

overlay metropolitan housing demographic patterns today with the lines drawn by the Home Owners Loan Corporation and FHA, we see that those divisions clearly still exist.

We commend efforts by the U.S. Department of Housing and Urban Development (HUD), under both the previous and current administrations, to encourage local governments to analyze and examine past decisions that have fostered residential segregation while working to find local solutions to those divisions. Secretary Ben Carson recently signaled that HUD is looking to encourage cities to remove zoning and other barriers to affordable housing, as many studies have shown that regulatory burdens significantly add to the cost of new housing in many cities.

There is No Single Solution

It is tempting to look toward a few easily identifiable – and correctable – reasons that explain why we continue to face the situation we do today. One or two policy changes or new federal programs, however, will never be sufficient enough to address this ingrained, nationwide problem. Addressing such a complex challenge will take a comprehensive national effort that simultaneously addresses various factors and societal realities before we can collectively determine which additional actions should follow.

The National Association of REALTORS® recently joined with National Association of Real Estate Brokers and the Urban Institute, convening a planning roundtable to identify research and data designed to improve African American homeownership rates. From this meeting, a five-point framework emerged and continues to be developed. Within each priority are a number of specific activities, policy needs and programs. Periodically checking in with each other, we can better understand what activities are underway nationally and locally, how well they are working, and what adjustments may be needed.

These priorities are:

- Advancing local policy solutions
- Tackling housing supply constraints and affordability
- Promoting an equitable and accessible housing finance system
- Engaging with mortgage-ready millennials and renters
- Focusing on sustainable homeownership and preservation

Local Solutions Needed

Just as at the national level, it is essential that local communities address the low rate of minority homeownership. Community, government and housing industry leaders should assess why the disparities in homeownership exist and work together to apply the principles outlined above. For example, local and state governments can make significant changes in fees, renovation requirements and regulations to encourage more affordable housing options.

Impact fees and permitting requirements often create additional hurdles to homebuilding. Reforming land use and zoning regulations to allow for mixed uses and higher densities, including smaller lots for single-family homes, and more allowance for attached homes and multifamily development can help increase supply. Amendments to rehabilitation codes can be designed to help keep people in their homes. These solutions will work best when they are developed with the participation of local community experts

Real Estate Market of Tomorrow

If America is to remain a nation of homeowners going forward, we must address the persistent barriers that minorities face. Our nation is much more diverse than it was even 30 years ago, and that diversity will continue to increase in the years and decades ahead. About two-thirds of people forming households today include someone who is African American, Hispanic or Asian American. Our future homebuyer represents this diversity. It is imperative that we take action now to end the disparities in homeownership rates and work to make sure our next generation will be a generation of homeowners.

Again, thank you for the opportunity to address you today. We will continue to work with this subcommittee and the Administration on a series of policy initiatives that can be part of a national effort to increase minority homeownership. We appreciate the progress that has been made on these issues, but the low rates we see are the result of decades of policies and practices. Outcomes will not be changed without a focused, long-term, national effort where local, state and federal government entities, along with the housing industry and consumers, come together to support our shared goals to reduce and eliminate these dangerous and enduring racial disparities.

Appendix

FAIR HOUSING AT 50



May 2018

Expanding Access to Opportunity



Lisa Sturtevant
& Associates, LLC



NATIONAL
ASSOCIATION *of*
REALTORS®

fair housing at 50

EXPANDING ACCESS TO OPPORTUNITY

EXECUTIVE SUMMARY

Fair housing benefits everyone. On the 50th anniversary of the Fair Housing Act, the National Association of REALTORS® is reflecting on the progress made—and the work that still needs to be done—to end discrimination in housing markets and to promote housing opportunity for all. This framing paper and recommendations for action include a synthesis of recent research on housing and neighborhood opportunity, as well as analysis of results from REALTOR® focus groups on the topic of fair housing and housing discrimination. It is clear that the National Association of REALTORS®, local REALTOR® associations and REALTOR® members across the country have the opportunity and responsibility to increase efforts to support diversity and inclusivity in the real estate market.

Background

The Fair Housing Act prohibits discrimination in the sale, rental and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status and disability.ⁱ Since the Act's passage, there has been significant progress in reducing discrimination based on these factors when it comes to renting, buying and financing a home. However, our nation's long history of both explicit and implicit racial bias has led to persistent inequalities in access to housing in high-quality neighborhoods with good access to employment options, transportation and high-performing schools. The majority of communities around the country remain highly racially segregated and African American, Hispanic and other minority residents are less likely to be homeowners and more likely to live in neighborhoods with higher poverty rates, lower property values and fewer amenities and services.

Why We Care

Where people live has a direct impact on the quality of their health, education and access to economic opportunities. Even as explicit discrimination has become less common in housing market transactions, persistent racial and economic segregation resulting from implicit discrimination and from supposedly “race-neutral” policies remain a challenge throughout the country. When minority households have their housing and neighborhood options limited, they have less access to homeownership, high-performing schools, high-quality services and amenities, jobs and transportation.

But the benefits associated with expanding housing opportunities extend beyond individual families. There is a substantial body of research that has documented the benefits of access to homeownership and to high-opportunity neighborhoods to the broader community and economy.ⁱⁱ Residential segregation not only negatively impacts residents today, it also impacts future generations in those communities. Furthermore, the REALTOR® community has a business advantage when more people have access to homeownership and when there is more investment in neighborhoods that have been historically and serially disadvantaged by public policy and private activities.

Opportunities for Action

The National Association of REALTORS® should continue its commitment to increasing the inclusiveness of NAR membership and leadership. In addition, NAR should remain dedicated to education and advocacy to help ensure that homeownership and housing and neighborhood options are not limited to someone because of race, ethnicity or any other factor prohibited by the NAR Code of Ethics and the Fair Housing Act.

The recommendations for action for NAR, local REALTOR® associations and individual REALTOR® members focus on increasing access to housing opportunity beyond the individual homebuying or renting transaction and emphasize the importance of working within the REALTOR® community, as well as at the local, state and national levels.

Recommendations for Promoting Fair Housing and Expanding Access to Housing Opportunity

1. Increase Diversity in Leadership and Representation at NAR and Within Local Associations
2. Promote Awareness About Fair Housing Issues
3. Support State and Local Efforts to Expand Housing Options
4. Advocate for National Strategies Aimed at Promoting Housing Opportunities Introduction

INTRODUCTION

The Fair Housing Act was enacted into law in 1968 and prohibited discrimination in the housing market based on race, color, religion and national origin. In 1974, sex was added as a protected class and in 1988, the Act was further amended to prohibit discrimination based on disability and family status. Understanding of fair housing rights has evolved over the years and NAR now advocates to expand protections based on sexual orientation and gender identity.

Since the passage of the Fair Housing Act, there has been significant progress in reducing discrimination in real estate transactions. However, on the 50th anniversary of the adoption of the Fair Housing Act, the nation's long history of explicit and implicit racial discrimination has sustained and exacerbated wealth and income gaps based on race and ethnicity. Differential opportunities to homeownership and to high-opportunity neighborhoods is a fundamental reason for persistent economic inequalities in the nation.

Promoting and advocating fair housing is critical to NAR's ability to serve its customers, clients and the community. Fair housing is integral to the ethical commitment of NAR members, as outlined in the NAR Code of Ethics. On the 50th anniversary of the Fair Housing Act, NAR is committed to going even further to advocate for inclusive communities free from discrimination. Part of this advocacy is internal, by continuing to encourage diversity and inclusivity among NAR membership and leadership. Supporting education and dialogue within the REALTOR® community will also be an important component of NAR's efforts. But there are additional ways in which not only NAR, but also the local associations and individual REALTORS® can encourage and support activities that connect families to homeownership and bring investment to neighborhoods.

Fair housing benefits all of us. Individuals, families and children all have better outcomes when they have access to stable, affordable housing in high-opportunity neighborhoods. Local economies are stronger when there is a diversity of housing options affordable to all residents. REALTORS® themselves benefit from expanded business opportunities and larger market opportunities.

WHAT IS THE FAIR HOUSING ACT?

Overview

The Fair Housing Act (or Title VIII of the Civil Rights Act of 1968) as amended in 1974 and 1988, prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status and disability.ⁱⁱⁱ The passage of the Fair Housing Act built on and expanded the provisions of earlier civil rights legislation, and expressly banned many of the public and private actions that had evolved over decades primarily to deny African Americans access to housing.^{iv}

In addition to outlawing explicit discriminatory practices, the Fair Housing Act specifies that “[a]ll executive departments and agencies shall administer their programs and activities relating to housing and urban development...in a manner affirmatively to further” fair housing opportunities.^v As such, the Fair Housing Act was written not only to right the wrongs of decades of explicit discrimination, but also to actively promote ways to open up housing options and neighborhoods to those who had been denied access in the past.

In the 1960s, many across the country—including NAR—did not support passage of the Fair Housing Act. However, NAR’s commitment to fair housing for all has evolved over the decades. In 1975, NAR adopted an agreement with the U.S. Department of Housing and Urban Development (HUD) to promote fair housing, educate members regarding their rights and obligations under the Fair Housing Act, develop and recommend fair housing procedures for members and participate in community-based fair housing activities. In 1985, NAR supported a pilot program of government funding of testing of fair housing complaints. In 1988, NAR backed expanding the Fair Housing Act to prohibit discrimination based on familial status and disability.^{vi} In 2010 and 2014, the NAR Code of Ethics was expanded to bar discrimination based on sexual orientation and gender identity. NAR’s positions have evolved over time in part as a recognition of the growing diversity within the real estate profession and the growing importance NAR members place on inclusivity and diversity.

Current Status of Fair Housing in the U.S.

While overt discrimination in housing market transactions has declined significantly, five decades after the passage of the Fair Housing Act, implicit housing discrimination continues to be a problem.^{vii} According to a review of fair housing studies that were conducted in 1989, 2000 and 2012^{viii}, denial of information about available housing to minority individuals (i.e. “door slamming”) has declined considerably over time. Compared to whites, net rates of “door slamming” among minority homebuyers and renters dropped to essentially zero, meaning that in 2012, African American, Hispanic and Asian homebuyers and renters were told about just as many available units as were whites.

Researchers conclude, however, that “although the most blatant forms of discrimination have decreased, other forms of differential treatment are persistent and some have increased in incidence.” In particular, measures of racial/ethnic steering have increased significantly since 1999 for African American homebuyers and modest increases in steering have been documented for Hispanic homebuyers. What this means is that compared to whites with similar housing needs, minority prospective homebuyers are less likely to be shown homes in neighborhoods with a high proportion of white residents. In addition, the research review indicates that real estate professionals continue to make more positive comments about white neighborhoods and more negative comments about black neighborhoods when working with a white potential homebuyer or renter than they do when talking with an African American potential homebuyer.^{ix}

ASSESSING PROGRESS ON FAIR HOUSING

STEERING

Racial/ethnic steering refers to the practice among real estate professionals to guide prospective home buyers towards or away from certain neighborhoods based on their race or ethnicity.

SEGREGATION

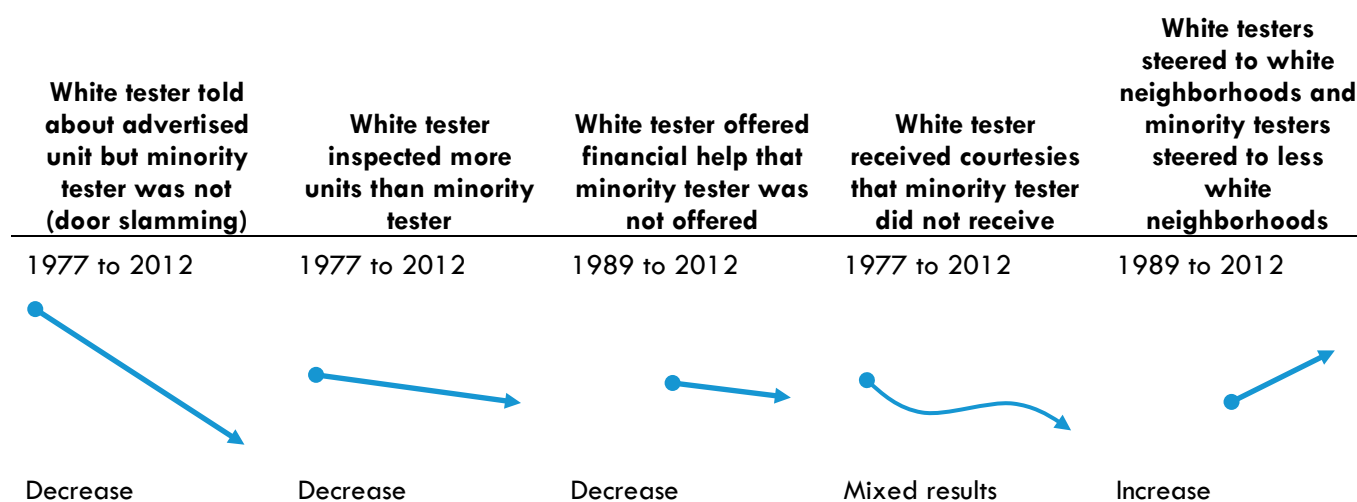
Segregation that exists as a result of specific laws or legally recognized practices is called *de jure* segregation. *De facto* segregation occurs not as a result of specific laws but through other voluntary actions taken by individuals and organizations.

BIAS

Explicit bias involves attitudes and beliefs that people hold about a person or a group on a conscious level. These biases—and the expressions of explicit bias (e.g. discrimination, hate speech)—often arise as the result of a perceived threat. *Implicit* bias, by contrast, refers to attitudes or stereotypes that shape people’s actions and decisions in an unconscious manner.

FIGURE 1

Generalized Summary of Trends in Housing Discrimination



Source: Crawford (2017), p. 8

Estimates of HMPS 1977 are from Wienk et al. (1979, tables 2 and 25); estimates of HDS 1989 and HDS 2000 (except for the Asian minority group) are from Turner et al. (2002, exhibits 3-1, 3-2, 3-11, 3-12, 3-14, 3-17, 3-18, and 3-20); Asian estimates of HDS 2000 and estimates of HDS 2012 are from Turner et al. (2013, exhibit V-1 and V-2).

In focus groups with real estate professionals around the country^x, there was fairly broad consensus that while explicit discrimination in the housing market was uncommon, subtle forms of racially discriminatory practices still exist. In particular, many African American participants in the focus groups felt strongly that discrimination was still a problem and provided detailed examples of practices that resulted in discrimination in real estate transactions. Most Hispanic, Asian and white participants in the focus groups generally felt that intentional racially discriminatory practices were mostly a thing of the past but many also described more subtle forms of steering.

Therefore, while institutional segregation (“*de jure*” segregation) largely may be a thing of the past, implicit forms of discrimination (“*de facto*” segregation) continue to create barriers to accessing housing opportunity. Differential treatment based on economic status can also have a discriminatory impact when differences in educational attainment, labor force participation, incomes and credit have been reinforced over decades through sanctioned private and public discriminatory behavior. Some of the focus group participants—particularly white, Asian and Hispanic participants—felt that current racial segregation and access to different neighborhoods was a result of different economic situations of homebuyers, rather than the race of homebuyers. However, the long legacy of *de jure* segregation has helped to create and sustain the large disparities in the economic situations of whites and African Americans (and, to a lesser extent, Hispanics and Asians) in the U.S.^{xi}

“ I went to show a property to one of my clients. And one of the questions that the agent asked is, “Are you sure you can afford this neighborhood?” And I looked at her and was like, “Did she really just say that?”

- Focus Group Participant

”

FOCUS GROUPS

In the second half of 2017, the National Association of REALTORS® conducted focus groups with members of five real estate groups to better understand real estate professionals' knowledge and attitudes about the Fair Housing Act and to get input on how NAR can best continue to promote inclusion and diversity and to advocate for housing opportunity.

Most of these focus groups were conducted at annual conference meetings, which means that the groups consisted of real estate professionals who are highly engaged with the hosting organization and the real estate profession. In addition, most of the participants in these focus groups work in the most active and most expensive urban real estate markets in the country. For the most part, these focus groups were conducted during a positive active real estate market and that upbeat mood influenced the discussion somewhat.

The focus groups with 10 to 15 real estate professionals each were facilitated by Joe Goode, President of American Strategies, a national research organization that conducts focus groups, online and telephone surveys and data analysis. Focus groups are designed to afford the moderator the opportunity to explore issues and questions with in-depth conversations among participants but are not designed to be representative of the broad real estate community.

WHAT ARE THE TRENDS IN ACCESS TO OPPORTUNITY?

As we talk about the Fair Housing Act in 2018, the dialogue has shifted from explicit discriminatory practices to the disparate outcomes in terms of access to homeownership and neighborhoods of opportunity. Racial disparities in the U.S. are both caused by and contribute to on-going residential segregation, and to differences in the ability to buy a home and to live in healthy communities that have access to good schools and employment options and convenient services and amenities. The cyclical relationship between where one lives and his or her economic situation has been self-reinforcing over the decades.

There are several measures that vividly depict the persistent impacts of racial disparities in the U.S. which are tied to the ability to access homeownership and high-quality neighborhoods:

Homeownership Rates Remain Lower for African American and Hispanic Households Compared to Whites

In 2017, the homeownership rate for white, non-Hispanic households was 72.3 percent. By comparison, the homeownership rates for African American and Hispanic households were 41.6 and 46.2 percent, respectively. The homeownership rate among Asian and Native Hawaiian/Pacific Islander households was 57.2 percent in 2017.

Homeownership among African American households has continued to decline since the recession (although holding steady between 2016 and 2017). In fact, African American homeownership rates remain at near 50-year lows.^{xii}

The homeownership rate among Hispanic households has increased somewhat since 2014. Incomes and educational attainment levels among Hispanics have increased. In addition, Hispanics are forming households at a faster pace than any other racial/ethnic group. It is estimated that since 2010, Hispanic households have accounted for 60 percent of the growth in the number of homeowners in the U.S.^{xiii}

Homeownership rates among households who are Asian, Native Hawaiian or Other Pacific Islander also remain substantially below the rates for white households. These lower homeownership rates persist even as Asian households, on average, have relatively high credit scores, high incomes and high levels of educational attainment.^{xiv}

A key factor related to differential homeownership rates relates to varying credit scores among households of different races. African American and Hispanic households tend to have lower credit scores than do white households. Since credit scores are used by lenders to determine whether a household can borrow money and what interest rate it will pay, these lower credit scores put African Americans and Hispanics at a disadvantage when it comes to buying a home.

Credit history was reported as the reason for 28 percent of denied mortgage applications among African Americans, compared with 22 percent among whites. Even higher-income African American households are disproportionately denied a mortgage as a result of credit history.^{xv} The credit challenge is acute for Hispanic households, as well. More than a quarter of Hispanic households are “credit invisible” or have an unscored credit record, preventing access to mortgage credit financing.^{xvi}

Credit scores are calculated by applying a mathematical formula to household data compiled by the three major credit bureaus. This data includes information about any prior mortgage, car loans and credit cards, and some other payment information. Usually missing from credit score calculations is information on utility, telecom and rent payments. When these data are included in credit scoring models, they typically reflect negative activity, since this information is usually not reported unless an individual misses or falls behind on a payment. There is seldom a record of consistent on-time utility, telecom and rent payments to serve as an input to credit score calculations.^{xvii}

Recent research from the Urban Institute demonstrates how the current method of calculating credit scores is a factor in perpetuating racial disparities in wealth and economic security.^{xviii} The National Association of Real Estate Brokers and the National Association of Hispanic Real Estate Professionals, among others, have suggested that the use of alternative credit scoring models could expand mortgage lending significantly to both African American and Hispanic households.^{xix} Alternative credit scoring models incorporate additional data and payment history, including data that would help support the credit scoring for households with “thin” credit files. By one estimate, the use of alternative, predictive credit scoring models could bring more than 115,000 African Americans into the mortgage market in one year alone.^{xx} NAR is actively seeking the acceptance of alternative credit scoring models by HUD and the Federal Housing Finance Agency.

Homeownership and the resulting equity a homeowner builds up is the primary way in which most Americans accumulate wealth. Largely as a result of lower homeownership rates, minority households in the U.S. have significantly lower levels of wealth than do white households. In fact, the median wealth of white, non-Hispanic households is *more than 14 times greater* than the median wealth of African American households in the U.S. Wealth among white households is *about 11 times greater* than that for Hispanic households. (The median wealth level for Asian households is similar to white households.)

FIGURE 2

Select Socioeconomic Characteristics by Race/Ethnicity (U.S.)

Race/Ethnicity	Educational Attainment (age 25+) (2016) ¹		Unemployment Rate (4 th quarter 2017) ²	Median Household Income (2016) ¹	Homeownership Rate (2017) ³
	Pct. with H.S. diploma	Pct. with BA/BS			
White	92.5%	35.0%	3.4%	\$63,155	72.3%
African American	85.2%	20.9%	7.0%	\$38,555	41.6%
Hispanic	67.1%	15.3%	4.7%	\$46,882	46.2%
Asian	86.6%	53.2%	2.8%	\$80,720	57.2%

Sources: ¹U.S. Census Bureau 2016 American Community Survey; ²U.S. Bureau of Labor Statistics, E-16 Unemployment Rates by Age, Sex, Race and Hispanic or Latino Ethnicity; ³U.S. Census Bureau Current Population Survey/Housing Vacancy Survey

The wealth gap in the U.S. primarily is a housing wealth gap. Non-white households are significantly less likely to have positive home equity. Among those who do have equity in a home, median housing wealth for African American and Hispanic homeowners is about half the level of white homeowners.^{xxi}

Lower homeownership rates have impacts for racial minorities that can last generations. Lower homeownership rates mean less opportunity for a family to accumulate wealth. Lower family wealth means fewer resources to help subsequent generations pay for college, start a business—or to become homeowners themselves. Then the cycle continues.

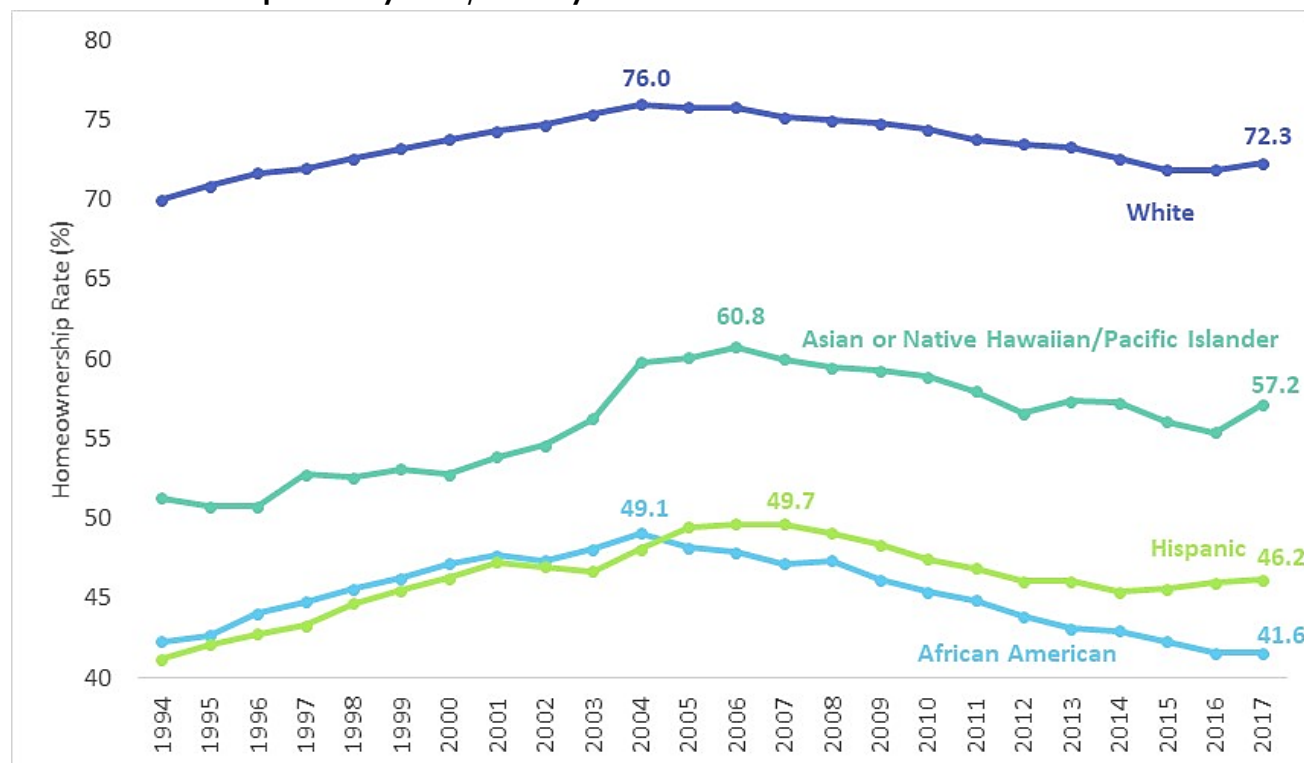
“ I have a big issue with that term “if you qualify.” What does that mean?...If you qualify is saying a whole lot. It’s saying, well, [did] your past generation, do your parents, do your grandparents understand insurance policies and estate planning and carrying on generational wealth? Probably not, so that’s a big if. That’s where the problem is.

”

- Focus Group Participant

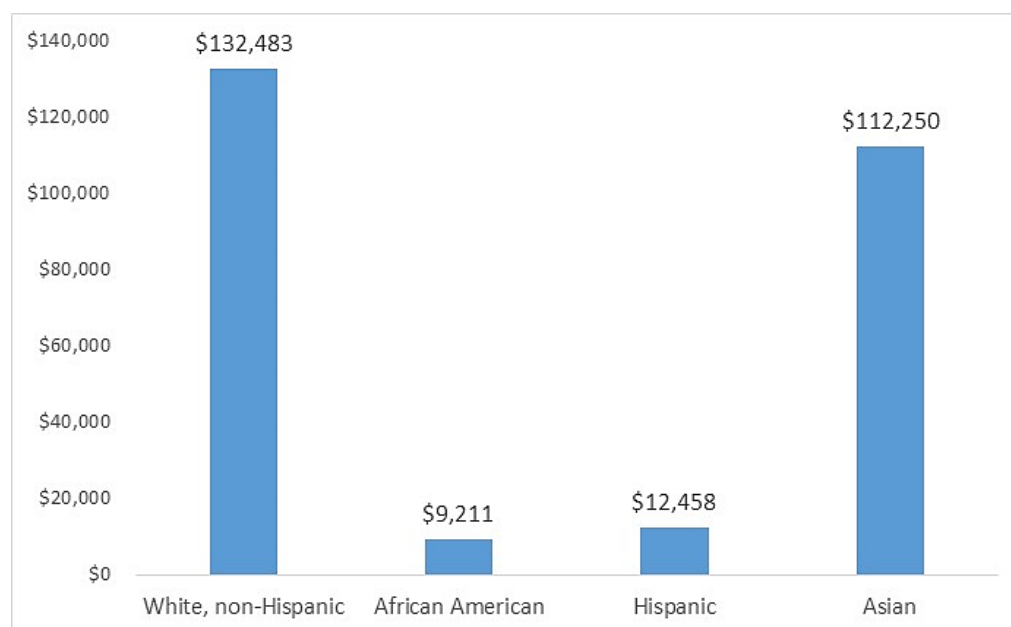
FIGURE 3

U.S. Homeownership Rates by Race/Ethnicity



Source: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey

FIGURE 4

Median Net Wealth by Race/Ethnicity, 2013

Source: U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel, Wave 1

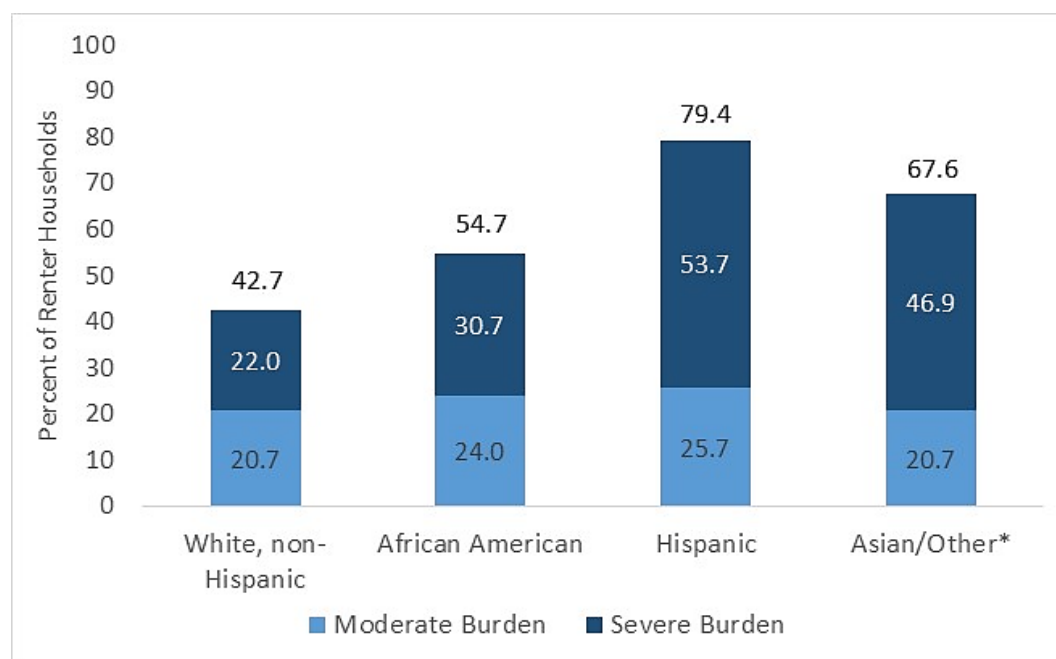
African American and Hispanic Renters are More Likely Than White Renters to be Cost Burdened

Compared to whites, African American, Hispanic and Asian households are much more likely to rent than to own their homes. In addition, African American and Hispanic renters spend a higher share of their incomes on housing costs than do white renters. In 2016, 42.7 percent of white renters were cost burdened, spending 30 percent or more of their income on housing costs. By comparison, the rates of cost burden were 54.7 percent and 53.7 percent for African American and Hispanic renters, respectively. About 47 percent of Asian or Pacific Islander renters were cost burdened.^{xxii}

Rates of cost burden for renters vary across the country. In some of the nation's highest cost areas, African American and Hispanic renters face tremendous challenges finding housing they can afford. A shortage of new residential construction is a primary cause of this rental affordability challenge.^{xxiii} Therefore, an increase in the supply of new rental housing is critically important for addressing renter cost burden, generally, and the cost burden faced by minority renters, in particular.

There are significant implications of spending a disproportionately high share of household income on rent. Severely cost burdened renters have less money for food and health care compared to other households who find affordable housing. Less spending on these necessities can have devastating impacts on health and well-being, particularly among those living on very low incomes.^{xxiv}

FIGURE 5

Renter Cost Burden by Race/Ethnicity, 2016

Source: Joint Center for Housing Studies tabulations of 2016 American Community Survey 1-year data. Online http://www.jchs.harvard.edu/ARH_2017_cost_burdens_by_race *Asian/Other includes Native Hawaiian and Other Pacific Islander, Native American, and multiracial renters.

In addition, renters—particularly those who are cost burdened—have a difficult time building up a credit history and bolstering their credit score. More than half of renters have a credit score that is too low to qualify for most mortgages.^{xxv} Finally, cost burdened renter households have a hard time saving for a down payment and therefore face additional obstacles to homeownership.^{xxvi}

Displacement of Minority Households

Residential displacement is part of the history and legacy of housing discrimination in the U.S. Historically, federally-sanctioned efforts were instrumental in displacing minority residents from urban neighborhoods. For example, under the federal urban renewal program that was instituted as part of the federal Housing Act of 1949, the government cleared large areas of land in urban neighborhoods for redevelopment for “higher” uses, which resulted in the displacement of an estimated one million people, mostly people of color.^{xxvii} The development of the federal highway system in the 1950s also had the impact of destroying many African American communities and forcing significant displacement among African American residents.^{xxviii}



It's bigger than just 'you can't live somewhere.' ...This also incorporates how people might want to live where you live, right? And the means to sustain the housing there, to bring resources that could be used to bring that porch up to code so that that family stays there. So if there were public resources or a way for folks to get that money--and make those things happen instead of having somebody swoop in and steal it.



- Focus Group Participant

More recently, “market-based” displacement associated with new investment and population growth has resulted in similar pressures in some urban, predominantly minority neighborhoods. Investments in historically underinvested neighborhoods often comes along with the movement of higher-income, often white residents into urban, often predominantly minority neighborhoods. The term “gentrification” is typically thought of in negative terms; however, investment and population growth in underserved communities, is not, by itself, a negative. But gentrification can cause displacement if new higher-income residents are able to bid up homes prices and rents in a neighborhood and when new investment in residential construction targets the newly arrived demographic. Public investment that supports gentrification can mean that public resources are used to attract new residents, sometimes at the

expense of existing, long-term minority residents. These residents are not able to accrue the benefits of the improvements and additional amenities and services in their neighborhoods. Even if residents own their home, they may see property taxes increase to an amount not sustainable for long term residence.

Investing in neighborhoods can improve amenities, public safety and property values. However, It has been difficult for many to find a balance that provides that lower-income, often minority residents, are not priced out and are able to benefit from improved neighborhoods.^{xxix}

Racial and Economic Segregation in the U.S. Remains Very Common

Racial and economic segregation remains a pervasive challenge across the country. Neighborhoods throughout the U.S. have long been separated along racial lines, with divisions that date back to the legacy of slavery and Jim Crow laws. Despite the adoption of the Fair Housing Act in 1968, racial and economic segregation still defines most urban areas. Whites tend to live in neighborhoods with low shares of minority residents, while African American and Hispanic residents tend to live in neighborhoods with high shares of minorities.^{xxx}

Attitudes about segregation and integration have improved since the 1960s, but there is still a substantial share of people who believe individuals should be able to take actions to ensure that they do not live in a neighborhood with someone of a different race. Whites express increasing “tolerance” of African American neighbors; however, there remains a strong preference among white prospective homebuyers—particularly those with children—to live in majority white neighborhoods. Remarkably, according to recent research, a significant share of whites (28 percent) still believe that homeowners should be allowed to refuse to sell a home to an African American.^{xxxi}

MEASURING RACIAL SEGREGATION

The *index of dissimilarity* is a measure researchers use to evaluate levels of segregation. This index compares the distribution of African American residents across neighborhoods in a metropolitan area with the distribution of white residents. The index measures the percent of African American residents that would need to change neighborhoods to be distributed in the same way white residents are distributed throughout the metropolitan area. Higher levels of the index of dissimilarity mean more segregation.

By some objective measures, there have been modest declines in levels of racial segregation. In 45 of the 52 largest metropolitan areas in the U.S., racial segregation as measured by the *index of dissimilarity* declined between 2000 and 2010-2014.^{xxxii} Researchers have suggested that these small declines in segregation have resulted from population shifts of both African American and white residents, as well as the growth and dispersion of the Hispanic and Asian populations.^{xxxiii} Despite improvements, there remain substantial racial inequalities and segregation in most places across the country.

Over time, legally-sanctioned discrimination in housing markets has been replaced by so-called “race-neutral” policies that have had the effect of excluding racial minorities from housing and neighborhood options. Redlining and racially restrictive covenants limited housing options of African Americans in earlier decades, but today local land use decisions and zoning regulations often play a role in dictating where racial minorities—and particularly African Americans and Hispanics—can live.^{xxxiv}

Zoning is the regulatory tool local communities use to dictate the type, amount and locations of development activity. Exclusionary zoning policies, including requirements for large lot sizes and large housing unit sizes, make it difficult for lower-income households, including minority households, to live in certain communities.^{xxxv}

At the same time, some federal and local housing programs are designed in such a way that they promote the construction of new

lower-cost housing not in areas of opportunity but rather in distressed neighborhoods where there is already a concentration of lower-income and minority residents. These patterns are being increasingly challenged in court and in the public arena as there is better understanding of the role neighborhood plays in supporting individual and family well-being.^{xxxvi}

Persistent racial and economic segregation resulting from implicit discrimination and/or from supposedly “race-neutral” policies, such as exclusionary zoning, indicates that there is still work to be done to achieve the goals of the Fair Housing Act and to promote access to high-opportunity neighborhoods.

“ We still have people who randomly still ask me to this day, and I'm shocked, “I don't want to live in an X neighborhood.” I don't want to live in a neighborhood with black people or too many Hispanics. I'm shocked by this. Half the time, I don't think they don't realize that I'm a minority. And they say it, like blatantly say it.

- Focus Group Participant

”

WHY IS FAIR HOUSING AND ACCESS TO HOUSING OPPORTUNITY IMPORTANT?

NAR has affirmed that “where people live has a direct impact on the quality of their health, education, and access to economic opportunities.”^{xxxvii} A considerable body of research has documented the ways in which homeownership, housing affordability and neighborhood quality impact individuals, families and communities. When minority households have their housing and neighborhood options limited, they have less access to high-performing schools, high-quality services and amenities, jobs and transportation. These impacts extend beyond the individuals and families themselves to the larger community.

Benefits to Individuals and Families

Research consistently demonstrates that access to stable, decent and affordable housing promotes positive outcomes for families, including better educational outcomes for children and better physical and mental health outcomes for people of all ages.^{xxxviii} In addition, the prospects for upward economic mobility and self-sufficiency are strongly correlated with the availability of affordable housing that is connected to jobs, transit and other amenities and services.^{xxxix}

Homeownership, in particular, is an important factor in promoting housing stability and supporting family well-being. There is research that demonstrates a relationship between saving for a down payment and school performance. Specifically, children in families who purchased a home with a down payment are significantly less likely to drop out of school than are other children.^{xl} Recent studies also have documented that the wealth building effect of homeownership is associated with a greater sense of control among homeowners in a stable housing market, which leads to positive mental and physical health outcomes.^{xli}

Benefits to Communities

A wide range of housing types at all price and rent levels helps build thriving, diverse and engaged communities. When all residents—regardless of race, cultural background, income, age or disability status—are able to access a community’s opportunities and services, everyone benefits. Stable neighborhoods have less crime.^{xlii} Homeowners are more actively engaged in the community and are more likely to participate in civic and neighborhood groups.^{xliii} In addition, there is some evidence that homeownership programs may result in increased property values near subsidized housing and can, under the right circumstances, draw other non-housing investment to a community.^{xliv}

While having access to affordable housing in high-quality neighborhoods is important for the well-being of individuals and families, the benefits extend beyond the families themselves. For example, children who live in stable, affordable housing in good neighborhoods do better in school. But it turns out that schools and students overall do better when lower-income and minority students have access to housing opportunities. Research has demonstrated that white students who attend schools that are racially and ethnically diverse exhibit better learning outcomes, have better social and psychological outcomes and experience long-term benefits from school diversity compared to white students in predominantly white schools.^{xlv}

In addition, it has been documented that a sufficient supply of housing with homes that are affordable to households all along the income spectrum is critical to supporting sustainable, long-term local economic growth. Increasing housing options that allow people to live near where they work reduces commute times and traffic congestion and can serve as a catalyst for successful transit options. Successful transit requires a concentration

of people to operate efficiently and having more housing concentrated near transit creates a ready pool of potential transit users. Having a sufficient supply of housing affordable for all workers is increasingly important to the ability of businesses to attract and retain workers. Quality of life issues—including housing costs and availability—are critical drivers of business decisions about where to locate or expand.^{xlvi}

Expanding access to homeownership and promoting racial and economic integration is increasingly being seen as an important local and regional economic development strategy. Research conducted in 2015 demonstrated that U.S. regions that were most economically integrated—that is, had neighborhoods where higher-income and lower-income households were able to live side by side—were more economically resilient and bounced back from the economic recession better than regions that had more segregated neighborhoods.^{xlvi}

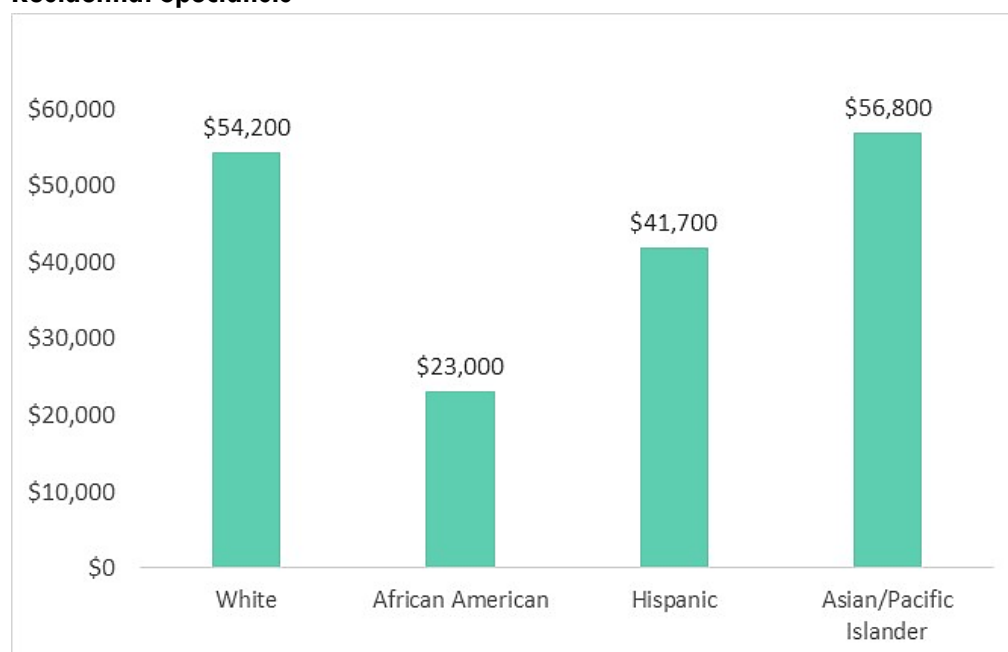
Benefits to REALTORS®

In addition to being good for communities and local economies, expanding housing opportunities through neighborhood investment and connecting households to neighborhoods of opportunity is also good for the business of REALTORS® themselves.

By many measures, African American and Hispanic REALTORS® do not fare as well as white REALTORS®. Non-white REALTORS®—and African Americans, in particular—earn significantly lower compensation than white REALTORS® even after accounting for differences in age and experience. According to a 2017 report from NAR’s Research Group, among residential specialists, the median gross income of African American REALTORS® is less than half that of white and Asian/Pacific Islander REALTORS®.^{xlvi}

FIGURE 6

Median Gross Income by Race/Ethnicity, 2017 Residential Specialists



Source: Choosing a Career in Real Estate: A Perspective on Gender, Race, and Ethnicity. Washington DC: National Association of Realtors® Research Group.

Overall, the typical residential REALTOR® had a median sales volume of \$1.87 million in 2016; for African Americans, the median was just \$500,000. The primary driver in differences in sales volume is the median home value of properties sold. In 2016, the average value of a home sold by an African American REALTOR® was \$188,600, compared to \$286,800 for whites, \$432,400 for Asians and \$257,400 for Hispanics.^{xlix}

Investments in neighborhoods that increase homeownership opportunities for African Americans and other minority households will be a benefit to all REALTORS®. About 85 percent of all residential and dual real estate specialists operate in an area where there is a presence of two or more races; 73 percent work in communities that are either “somewhat” or “highly” mixed between several races and ethnicities.^l As a result, almost all REALTORS® stand to benefit from expanding homeownership to historically underserved groups, making investments to improve neighborhoods and helping to connect all prospective homebuyers with housing options in areas that are well-connected to high-quality amenities and services.



If more minorities are applying for FHA loans to buy a condo and a homeowner wants to keep minorities out of the complex, then he or she can just say, "My complex is not FHA approved." And therefore, they eliminated the likelihood of the complex becoming more racially diverse.

- Focus Group Participant



OPPORTUNITIES FOR ACTION

The National Association of REALTORS® is committed to education and advocacy to ensure that housing and neighborhood options are not limited to someone because of his or her race or ethnicity. In addition, NAR remains dedicated to promoting inclusion and diversity throughout the real estate community.

With extensive input from REALTOR® focus group participants, the following are four recommendations for how NAR, local associations and individual REALTORS® can continue to work to advocate for fair housing and support housing opportunity:

1. Increase Diversity in Leadership and Representation at NAR and Within Local Associations

By facilitating and supporting joint collaborations between local chapters of multicultural real estate organizations and local REALTOR® associations, NAR can promote increased diversity and inclusion in the leadership of local real estate organizations. Associations can recruit into leadership training programs members from groups that have traditionally been underrepresented in their leadership. In addition, local REALTOR® associations can include an emphasis on diversity their grassroots political activities.

2. Promote Awareness About Fair Housing Issues

As an important action to build momentum, NAR should continue to state publicly that challenges of housing discrimination and access to housing choices remain even 50 years after the passage of the Fair Housing Act. Among its membership, NAR can include greater education and information about the current state of residential segregation and economic disparities and the lasting impacts of racial discrimination. Externally, NAR members can be active partners with other organizations committed to educating the general public about fair housing and access to opportunity.

3. Support State and Local Efforts to Expand Housing Options

Local REALTOR® associations can collaborate with other organizations to support specific referenda, policy recommendations and residential projects that support the mission of NAR and promote fair housing and housing opportunity. NAR can work with multicultural real estate organizations, including at the state and local level, to examine the relationships between fair housing and school quality, healthy communities and economic opportunities, and determine how REALTORS® can inclusively serve all communities.

4. Advocate for National Strategies Aimed at Promoting Housing Opportunities

NAR has long been an important voice on national housing policy issues. On this 50th anniversary of the Fair Housing Act, NAR should continue its leadership role in advocating for policies that expand housing opportunities, reduce disparities in access to homeownership and address persistent economic inequalities. Fair housing and housing opportunity are at the heart of many of the federal issues that NAR works on. For example, supporting an Alternative Credit Score policy is one important way to help open up homeownership to those who remain unfairly on the sidelines.

In addition, NAR can continue to be a strong proponent for expanding fair housing protections, as it was in 1988 when it supported the addition of familial status and disability as protected classes under the Fair Housing Act. NAR continues to champion equal housing opportunity by seeking and supporting legislation to expand the Fair Housing Act to prohibit discrimination based on sexual orientation and gender identity.

CONCLUSION

Fifty years after the passage of the Fair Housing Act, there have been dramatic declines in levels of explicit housing market discrimination. However, implicit forms of discrimination and persistent inequalities in access to homeownership and housing opportunity still exist. It is important for all members of the REALTOR® community to understand the legacy of discrimination and the implications of racial and economic segregation. The National Association of REALTORS®, local associations and individual REALTORS® have an important responsibility for being at the forefront of expanding education and awareness of fair housing issues both within the REALTOR® community as well as more broadly. Only with this commitment will it be possible to continue to address current and past discrimination and help promote housing opportunity for all.

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