

Testimony of Frances Espinoza, Executive Director

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**Committee on Financial Services, Oversight and Investigations Subcommittee Hearing
How Invidious Discrimination Works and Hurts: An Examination of Lending Discrimination
and Its Long-term Economic Impacts on Borrowers of Color**

Introduction

The North Texas Fair Housing Center is a nonprofit organization that provides fair housing services to residents of North Texas. Our services consist of fair housing counseling, intake and investigation of housing discrimination complaints, and fair housing education.

It has been 50 years since the federal Fair Housing Act banned racial discrimination in lending, yet African American and Latino applicants continue to be routinely denied conventional mortgage loans at rates fair higher than their white counterparts. In 2011, the North Texas Fair Housing Center did an analysis of Home Mortgage Disclosure Act data and found that African American and Latino mortgage applicants were denied conventional mortgages at much higher rates than Whites in the Dallas-Fort Worth market. For example, African American mortgage applicants to Wells Fargo Bank were 57% less likely to get a home purchase loan when compared to White applicants. Latino mortgage applicants to Chase Bank were 64% less likely to get a loan than were White applicants. Home Mortgage Disclosure Act Data from 2015 and 2016 confirmed this same pattern.

Investigating Lending Discrimination Through Testing

One of the most valuable tools we use to investigate housing discrimination is testing. Testing allows us to compare how applicants of color are treated as compared to their White counterparts. As part of our enforcement program, we use the results of testing as evidence in housing discrimination complaints. We file both administrative complaints with the U.S. Department of Housing and Urban Development and lawsuits in Federal court.

The most common form of testing we do is rental testing. In 2011 we conducted rental testing that showed African Americans who were otherwise qualified, encountered discrimination in 37% of their housing searches. This means that African Americans face discrimination in two out of every five housing searches. The tests also showed that Latinos experienced discrimination in 33% of their housing searches, or at least once in every three housing searches.

In our most recent enforcement initiative in 2019 we conducted tests to measure how veterans with housing choice vouchers were treated in the housing market in Dallas, Texas. We

conducted a total of 35 tests; the results of 32 of the tests showed evidence of discrimination. We filed housing discrimination administrative complaints for all 32 tests.

The next most common form of testing we do is sales testing. These tests measure how real estate agents treat buyers of color as compared to their White counterparts. In 2018, we conducted sales tests that showed that African American testers are still being steered, based on their race, to neighborhoods that are predominately African American and steered away from neighborhoods that are majority White.

More Resources Needed for Mortgage Testing

Unlike rental and sales testing, mortgage lending testing is very resource intensive. One of the challenges is the significant amount of time testers must devote to each test. Unlike rental tests, which can be completed rather quickly, lending interviews involve several complex financial components, even at the preapplication stage. Testers must also be knowledgeable about the entire lending process.

Rental, sales, and lending testing can all be used to uncover practices that lead to segregation of neighborhoods. However, there is a particular need to devote resources to lending testing because it is so resource intensive. There is also a need for enforcement of complaints based on lending testing evidence. Because lending testing cases are more complex, they sometimes languish in the administrative process. There is a need for a strong governmental entity with an expertise in lending discrimination that can take the testing evidence generated by local fair housing organizations and move forward with enforcement to thwart illegal practices.