

Report Brings An Ugly Practice To Light

The Washington Post
By Kenneth R. Harney
Saturday, April 15, 2006

Do real estate agents treat minority home buyers differently than whites?

Ask that question of most agents, and you will almost certainly get indignant denials.

But a recent two-year study funded in part by the federal government suggests that at least for some agents, discriminatory practices are routine. The study was conducted from 2003 to mid-2005 in 12 metropolitan areas using teams of "paired testers" -- individuals or couples posing as home seekers -- to compare how randomly selected agents treat African Americans, Latinos and whites.

The 73 real estate firms tested were in the metropolitan areas of Washington; New York; Chicago; Philadelphia; San Antonio; Detroit; Atlanta; Austin; Birmingham; Dayton, Ohio; Mobile, Ala; and Pittsburgh. The nonprofit National Fair Housing Alliance conducted the tests with financial support from the Housing and Urban Development Department.

The methodology involved sending testers of different racial backgrounds to the same firms, looking to buy a home in the area. Each firm was visited by white testers and by either African American or Latino testers. The study did not identify most offices or firms involved, but the fair housing alliance has filed suits in federal courts against a handful of them in recent months.

The African American and Latino testers were assigned financial qualifications that were slightly superior to those of the white testers. They had higher incomes, could make larger down payments, had longer employment tenures and could afford costlier houses.

The results of the tests were sobering: White shoppers routinely were steered away from houses in predominantly minority or racially mixed neighborhoods, even when they expressed interest in seeing houses in those areas. African Americans and Latinos routinely were steered to minority neighborhoods and away from more affluent, white neighborhoods, even when they wanted to see houses there.

The rate of steering, according to the study, was 87 percent. "The tests found steering," both blatant and subtle, "to be the norm" in many offices. The study also said:

There were serious differences in service levels afforded to white testers compared with minority testers. Nearly 20 percent of the time, according to the report, African American and Latino testers "were refused appointments or offered very limited services." White shoppers were shown 1,144 houses -- an average of nearly eight properties per test -- while minority shoppers were shown 732 homes, or about five properties per test.

In Marietta, Ga., near Atlanta, a white tester asked to see a home in Stone Mountain, a predominantly black community. "The tester was told by the agent that she would not want to live in Stone Mountain,"

according to the report. The tester was shown "eight homes in predominantly White communities" instead. By contrast, an African American tester who visited the same realty office was urged to consider Stone Mountain, and the agent "drove the tester around the area pointing out 'for sale' signs."

Minority shoppers more frequently than whites were required to provide a lender's preapproval letter or other financial data before agents would show them houses. They were also more frequently told to do further shopping on their own, using local newspapers or the Internet.

Agents more frequently offered white testers financial incentives, such as reduced closing costs and lower mortgage rates through affiliated lending and settlement services companies.

Agents frequently used school district quality as a proxy for the racial or ethnic composition of neighborhoods. "Instead of making blatant comments about the racial composition," the study said, "many real estate agents told Whites to avoid certain areas because of the schools." Agents asked white shoppers whether they had children, and if they did, emphasized school quality in the selection of houses they showed.

"The demographics of the schools . . . were always overwhelmingly white. No schools recommended for the White testers were . . . predominantly African-American or Latino." Some agents admitted to white testers that they knew they were not supposed to recommend houses based on the racial composition of schools but did so anyway.

What's the significance of the new study? Shanna L. Smith, president of the National Fair Housing Alliance, said the research was "enforcement-based" rather than scientific.

"We are not looking to extrapolate [the results] to the entire real estate industry," but instead to study specific companies and document any problems. Smith's group has filed suits against offices of Coldwell Banker, Century 21 and Re/Max, among others, based on evidence developed in the study.

Steve Cook, a spokesman for the National Association of Realtors, said, "We agree there is still work to be done in fair housing." He noted that the association actively offers training programs to agents and member companies across the country.

Kim Kendrick, assistant secretary for fair housing and equal opportunity at HUD, said in response to the study: "Unfortunately, racial steering is alive and well in America. We are working hard to put an end to steering through education and enforcement. I am encouraged by the many Realtors who have expressed a desire to work with HUD to uphold fair housing laws. Not only is steering against the law, it tarnishes the reputation of all law-abiding Realtors."