

A Real Estate Sales Practices Audit

Fair Housing Law Compliance In Vermont

A US Department of HUD Funded Study, Y2002

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Summary Of Findings & Methodology

Completed by

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Background

About the CVOEO Fair Housing Project

The Fair Housing Project (FHP) is a program of the Statewide Housing Services division of the Champlain Valley Office of Economic Opportunity (CVOEO), a non-profit community action agency. The FHP works to eradicate housing discrimination in Vermont through education, outreach, and enforcement of fair housing laws. The FHP assists victims of discrimination, investigates complaints, and works with attorneys to pursue litigation when necessary.

The FHP, with grant funding from the U.S. Dept. of Housing and Urban Development, has conducted a study on discrimination in the Vermont real estate sales market. The findings are consistent with a survey of the rental market FHP conducted previously which discovered an alarming trend of housing discrimination.

About Housing Discrimination

Under federal law, prospective tenants and homebuyers cannot be treated differently in their search for housing or be denied housing on the basis of race, color, sex, the presence of minor children (familial status), disability, national origin, or religion.

Under Vermont law, prospective tenants and homebuyers are also protected for their marital status, sexual orientation, age, and receipt of public assistance (which includes any assistance provided by federal, state or local government including medical and housing assistance).

Federal and state law also require housing providers to make reasonable accommodations and allow reasonable modifications based on the needs of people with disabilities.

Methodology Used

The most effective way to study the extent of housing discrimination is to use a method called *testing*. Testing for housing discrimination involves individuals (testers) posing as housing seekers (prospective homebuyers) replicating a housing search.

In our study, **testers were paired**. One tester was a member of a “protected category” under the Fair Housing Act, such as race or disability, and the other tester acted as a control. For example, in a race test one tester would be a person of color and the other tester would be white. In a disability test, one person would have a recognizable disability and the other person would not have a disability.

Testers were matched for age and gender and assigned **similar characteristics**, such as household size, income, and savings. The **income** was carefully calculated, taking into consideration current mortgage interest rates and all costs associated with home buying, such as inspections, mortgage insurance, and closing costs. Financial characteristics assigned to testers ensured that they would qualify for the price range of homes they were looking for.

Testers received a classroom-style training and also completed a “practice” test, which was carefully reviewed. *Testers were instructed to be objective, to dress appropriately, and to be polite and courteous to the housing provider.* Most of the tests conducted in this study were walk-in tests. In a walk-in test, both testers walked in to the same real estate company on the same day, saying they were interested in getting information on houses available in the area in a certain price range. These tests usually involved meeting with an agent and searching in a database, and testers would often leave the office with available listings.

Testers were instructed to never submit an offer, never meet with a mortgage officer, and never sign anything legally binding. The objective for all testers was to record their experiences in the beginning of the home buying process. The study investigated experiences in order to analyze equal treatment. After a tester completed a test, they were instructed to report their experiences in writing, which was then reviewed by FHP staff.

What Was Tested

The housing discrimination study focused on **race** and **disability**.

The study looked at real estate agencies' responsibilities to provide equal treatment to their customers under Title VIII of the Federal Fair Housing Act and similar Vermont state statutes, and examined consistency among realtors within the same agency. There was an effort made for the testers to see the same agent, but many times this was not possible. The study examined testers' experiences walking into real estate offices. While some testers met with different agents, the tests provided valuable information regarding different people's experiences being served by the same company in the same location, and in most cases, on the same day. The style of individual agents varied, but the tests in this study examined whether one tester received more favorable treatment overall.

Real estate offices are places of public accommodation and therefore are required to be accessible by law. The testers in the disability tests observed whether the office was accessible and noted whether there was parking designated for people with disabilities.

Forty-five tests were successfully completed in nine of Vermont's largest cities including: Bennington (2), Brattleboro (5), Middlebury (3), Montpelier/Barre (4), Springfield (4), St Albans (2), St. Johnsbury (1), Rutland (6), and the greater Burlington area (18). The real estate agencies tested were selected at random using the yellow pages and real estate guides, but an effort was made to test the biggest or most advertised agencies in an area.

Testing for Race Discrimination

It is illegal for real estate agencies to discriminate against prospective homebuyers because of their race. The Fair Housing Project conducted a survey of racial discrimination among real estate agencies. A total of 29 race tests were successfully completed. A successfully completed test required that two matched testers contacted a representative of the real estate agency. The tester of color was matched with a white tester of the same gender and of a similar age. The two testers were assigned characteristics that were very similar, such as income, savings, and rental history.

In 48% of the tests there was evidence of racial discrimination.

The discrimination took many different forms. For the purposes of this study, three categories of treatment were used to compare the white testers experiences with those of the testers of color. The categories are **financial qualifications, personal questions asked,** and **available housing offered.**

I. Financial Qualifications

A significant difference in the treatment of testers was identified in many of the race tests involving questions of finances. In many tests, the tester of color's financial qualifications were called into question while the white tester was not asked any questions about money. The real estate market was very tight in Vermont during the summer and fall of 2002, the time these tests were conducted. For example, many houses would be put on the market in the morning and within hours there would be an offer. In such an environment, it is reasonable for real estate agents to tell their customers it is in their best interest to be pre-approved for a mortgage while they are looking--if prospective homebuyers are pre-approved, any offer they make will be taken seriously because the seller knows what they can afford. However, in 31% of the tests **only** the person of color was asked about pre-approval, compared with 7% of the tests where only the white person was asked.

Examples of differences in treatment around financial qualifications:

- *The black tester was told to contact the agent after she got pre-approved for a mortgage, while the white tester was not asked about pre-approval and was told to contact the agent to schedule a showing after she looked over listing sheets she was given.*
- *An agent searched the database with a higher price range for the white tester, even though both testers stated approximately the same price range.*

II. Personal Questions Asked

Another significant difference in many of the race tests was in the number of personal questions the testers were asked, such as employment, current housing, address, telephone number, income, savings, etc. In 24% of the tests, the tester of color was asked significantly more personal questions, compared to 10% of the tests where the white person was asked more questions.

Example:

- *The black tester was asked to fill out a personal information sheet that asked for name, address and telephone number, and the agent also asked about her occupation, employer and down payment savings amount. The agent asked her where she was moving from, assuming that she was new to the area although she has lived in Vermont for more than a decade. The white tester was asked no personal questions. The agent she met with only asked her price range and her desired area.*

III. Available Housing Offered

A third significant difference that occurred in the race tests was the number of houses that the agent presented to the testers as possibilities. This included photocopies of listings from an agency book or printouts from a database search, or houses that were recommended specifically to the testers. In 34% of the tests, the white tester was given more listings. This occurred in tests where the testers requested information on houses with the same number of bedrooms in the same price range and in the same area.

Examples:

- *The black tester was not given any listings at all, even though she requested them several times. She was only given an outdated general agency catalog. The white tester was given 9 listings sheets of houses currently on the market.*
- *The black tester was told there were no houses available in a certain town, but the white tester was told of 2 houses in that same town and was told they were located “where the doctors live... and next door to a famous author.”*

Testing for Disability Discrimination

It is illegal for real estate agencies to discriminate against prospective homebuyers because they have a disability. The Fair Housing Project conducted a survey of disability discrimination among real estate agencies. A total of 16 disability tests were successfully completed. A successfully completed test required that two matched testers contacted a representative of the real estate agency and that the disability status of each tester was known to the representative. A tester with a recognizable disability was matched with a tester without a disability of the same gender and of a similar age. The two testers were assigned characteristics that were very similar, such as income, savings, and rental history.

In 25% of the tests there was evidence of disability discrimination.

The discrimination took many forms. For the purposes of this study two categories of treatment were used to compare the experiences of the tester with a disability with those of the tester without a disability. The two categories were **financial qualifications** and **personal questions asked**. An additional category, **response to accessibility request**, was used to evaluate the experience of the tester with a disability.

I. Financial Qualifications

A significant difference in the treatment of testers was identified in many of the disability tests involving questions of finances. In many tests, the financial qualifications of the tester with a disability were called into question while the tester without a disability was not asked any questions about money. In 19% of the tests, **only** the tester with a disability was asked about mortgage pre-approval or other financial qualifications. **There were no tests where only the control tester was asked about pre-approval.**

Examples of differences in treatment around financial qualifications:

- *The agent insisted that the tester with a disability be pre-approved for a mortgage before she took any other steps in the home-buying process, but the same agent did not ask or mention anything about pre-approval to the tester without a disability.*
- *An agent suggested the tester with a disability start by looking through a book of listings of houses that were \$100,000 below her stated price range, while at the same agency the tester without a disability was given a book with listings well above her stated price range.*

II. Personal Questions Asked

Another significant difference in many of the disability tests was in the number of personal questions the testers were asked, such as employment, current housing, address, telephone number, income, savings, etc. In 25% of the tests, the tester with a disability was asked significantly more personal questions. **There were no tests where the tester without a disability was asked more personal questions.**

Example:

- *The agent asked the tester with a disability about her and her husband's occupation and employer, the length of their employment, their address, and telephone number. The same agent did not ask the tester without a disability any personal questions other than how many bedrooms she wanted and whether she was interested in living in New Hampshire.*

III. Response to Accessibility Request

The disability tests conducted in this study differed from the race tests in one important way: the tester with a disability narrowed her search for available housing by asking for information about available houses that were already accessible or could be made accessible. The tester without a disability did not ask for any specific type of property. The tester with a disability was trained to state that she knew most houses were not accessible and therefore that she knew she would have to make some renovations or modifications, but requested that the agent offer her assistance in finding something that would lend itself to her accessibility needs. Because the tester with a disability narrowed the search, the number of listings offered to the testers was not comparable. However, conducting the tests in this way provided useful information about how responsive real estate agencies' representatives were to the needs of people with disabilities.

In 19% of the tests, the agent who met with the tester with a disability did not respond to the accessibility request or provide accessible listings.

Example:

- *After the tester with a disability stated that she had specific accessibility needs, the agent did not engage in any discussion surrounding her request and did not alter the database search.*

However, in 13% of the tests the agent who met with the tester with a disability was very responsive to the accessibility request.

Example:

- *After the tester with a disability stated that she had specific accessibility needs, the agent discussed the accessibility of the interior of the available houses, and suggested new construction as an option which might best suit her needs.*

Accessibility of Real Estate Offices

In addition to analyzing differing treatment, the study looked at the accessibility of the real estate offices tested and the availability of parking designated for people with disabilities.

The Americans with Disabilities Act requires that places of public accommodation, such as schools, stores, restaurants, and government buildings, be accessible to people with disabilities. In addition, the law requires that places of public accommodation have parking designated for people with disabilities. As a part of the disability tests conducted for this study, the testers noted the accessibility of the real estate offices and the availability of designated parking.

- **63% of the offices visited were inaccessible and did not have parking designated for people with disabilities**
- 25% of the offices were accessible and had parking
- 12% of the offices were partially accessible (had a ramp but the threshold appeared to be above ¼ inch, or had parking but the building was not accessible, or vice versa)

Concluding Remarks

In summary, the Fair Housing Project's sales audit study found a 48% incidence of racial discrimination and a 25% incidence of disability discrimination among major real estate agencies in the nine largest cities in Vermont. The discrimination took many forms, but in many of the tests the differences in treatment the testers experienced were related to their financial qualifications, the number of listings they were given, and the number of personal questions they were asked. In addition, the study found that 63% of the real estate agencies tested were inaccessible and did not provide designated parking for people with disabilities.

This study provides evidence that housing discrimination exists within the sales market in Vermont. The rate of discrimination recognizes a significant barrier to people of color settling in Vermont and to those living here becoming homeowners, and presents a barrier to people with disabilities attaining their vision of the American dream.

The results from the audit study suggest that more fair housing training is needed for real estate agents throughout Vermont. Finally, it appears necessary for many real estate offices to renovate their facilities, in order to make them accessible to people with disabilities and to comply with the law.

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