

**The National Commission on Fair Housing and Equal Opportunity Hearing--
Still Separate and Unequal: The State of Fair Housing in America**

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Written Testimony of South Suburban Housing Center

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South Suburban Housing Center (SSHC) thanks the Commission for allowing it to submit this written testimony that addresses, from our experience, the continuing practices and affects of housing discrimination and segregation, as these factors play out in our service area.

SSHC is the private, non-profit, regional fair housing agency serving over 100 communities in the southern Chicago metropolitan region since 1975. SSHC's current Fair Housing Enforcement and Housing Counseling programs assist individuals in all protected classes and ensure that housing providers recognize and comply with the fair housing laws. The suburbs that comprise SSHC's service area are the most racially diverse, outside the city limits of Chicago, in the entire metropolitan area. However, when you look at the housing patterns of this region, you find a wide spectrum of diverse inclusiveness, economic disparities, high mortgage default and foreclosure rates, as well as segregated neighborhoods and communities. SSHC's challenge is to operate programs that effectively combat the forces that cause racial and economic segregation and that promote inclusive housing markets throughout the region.

Pronounced Patterns of White Flight Endangers the Region's Diversity

The racial, ethnic, and other demographic characteristics for the south and southwest suburban communities that make up SSHC's primary service area display two distinct living patterns. Thirty suburban communities directly south of Chicago from the Indiana border on the east, to approximately Interstate 57 on the west, and Will County on the south are generally known as Chicago's "**South Suburbs**". These communities have a collective **majority minority population of 261,925 or 62.3%** of the overall population of 420,789 (U.S. Census data from 2000, more recent estimated figures for the entire sub-region are not available). The percentages of minority group residents in the South Suburbs break down as follows: African-Americans 52.7%; Hispanics (any race) 9.4%; and all other races 0.2 %. **During the decade of the 1990s the white population of this area shrank dramatically from a majority of 62.6% in 1990 to 37.6% in 2000.**

A 2002 report published jointly by Roosevelt University (Chicago) and Northern Illinois University,¹ concluded that Chicago's suburban communities continue to experience a high degree of racial separation. Over the last two full decades the report observes that the South Suburban sub-region had undergone the most thoroughgoing racial change in the metropolitan area. **In the 1990s the south suburban region lost 96,336 white residents while increasing its African-American population by 86,347.** The Roosevelt/NIU study documents the decline of white populations in Chicago and suburban Cook County, which coincides with the rise of black, Latino, and Asian populations. The rise in the white populations of the further out collar counties, over this

¹ Lewis, James and Michael Maly, Paul Keppner and Ruth Ann Tobias (2002) *Race and Residence in the Chicago Metropolitan Area 1980-2000*, Chicago: Institute for Metropolitan Affairs, Roosevelt University, <http://www.roosevelt.edu/ima/pdfs/race-residency-complete.pdf>.

same time is also noted by the report. A relatively low constant percentage of black and other minority group populations for the collar counties is documented for the last two decades while the white populations of the collar counties is growing at a rate of 20%.

The 23 communities directly west of the South Suburbs is an area of suburban Cook County generally known as the “**Southwest Suburbs**”. These communities have been traditionally **perceived to be "closed" to African-Americans, who comprised at the last census, only 3.4% of the population or 14,062 of 419,611 total municipal inhabitants**. This is also the area where a substantial number of whites who lived in the South Suburbs fled. The Latino and other minority race population of 44,852 (10.6% of total) is three times the black population of this area. During the 1990s the minority African-American, Hispanic (any race), and all other race numbers combined, grew at the same rate as the previous decade. Continuing growth and development in this sub-region since 2000 will probably show these minority populations leveling off or decreasing in percentage by the time of the 2010 census.

Two studies by the Woodstock Institute, *Unfinished Business: Increases in African-American Home Buying and Continuing Residential Segregation in the Chicago Region*², and *Who's Buying Where? The Second of Two Reports on Homebuying and Neighborhood Change in the Chicago Area in the 1990s*³ shows that **African-American, Latino and other minority group homebuying in the Chicago suburbs is rising overall. However, a disturbing trend identified by this research shows that, more African-Americans in the Chicago area are buying homes in segregated black neighborhoods than had done so in the early 1990s**. This factor is causing communities that had exhibited diverse homebuying patterns to experience more segregated patterns by the late 1990s. The reports recommend more resources and the rigorous enforcement of the fair housing laws, along with other proactive efforts to improve racial diversity, to counteract the fears of homebuyers that diversity leads to neighborhood instability and decline.

The resegregatory patterns exhibited in the South Suburbs over the last decade or more are reminiscent, but not totally consistent, with the rapid racial change of blue collar white neighborhoods on Chicago's south side during the late 1960s and early 1970s caused by the blatant practices of unscrupulous realtors, which historically became known as racial steering, blockbusting and panic-peddling. More subtle techniques to influence choice and discriminate have been found by SSHC, in recent times, used by housing providers that can only be detected by SSHC's objective fair housing testing investigation program.

² Immergluck, Daniel (1999) *Unfinished Business: Increases in African-American Home Buying and Continuing Residential Segregation in the Chicago Region*, Chicago: The Woodstock Institute.

³ Immergluck, Daniel and Smith, Geoff (2002) *Who's Buying Where? The Second of Two Reports on Home Buying and Neighborhood Change in the Chicago Area in the 1990s*, Chicago: The Woodstock Institute, <http://www.woodstockinst.org/publications/research-reports/5/40/date/DESC/>.

Violations of the Fair Housing Act Are Still Occurring At Alarming Rates

After 33 years of operation, SSHC's ongoing fair housing enforcement programs still detect substantial rates of discrimination in all housing markets. While an analysis of the HUD's Housing Discrimination Study 2000⁴ indicates that the incidence of discrimination had generally declined in the rental and sales since 1989, HUD's 2007 Annual Report on Fair Housing shows a steady increase in fair housing complaints from 1998 through 2006 with only a slight decrease last year. Statistical analysis of SSHC's own intake and matched testing results show: 1) Complaints of discrimination in the primary service area have risen in the last few years, averaging over 250 annually; 2) High rates of race-based differential treatment were found in Sundown Town tests conducted in central Illinois by SSHC; and 3) The number of enforcement actions filed have proportionately increased with this rise in complaints.

During the last year, SSHC subcontracted with the state, under a contract with HUD, to perform a series of systemic, race-based tests in historic Sundown Towns located in central Illinois. The community sites were chosen in consultation with author/sociologist/historian James Loewen from his Sundown Towns book research. While SSHC is not able, because of the contractual arrangements, to disclose information obtained on specific tests, overall, some form of detectable racially differential treatment was found on 70% of the Sundown Towns tests conducted.

SSHC's testing has revealed the highest rates of overt discrimination in rental management practices based on race and familial status. Monitoring of new multi-family developments shows surprisingly high rates of non-compliance with accessibility standards. Some realtors, in changing and white segregated areas, continue to limit prospects' housing options because of their race. Mortgage lending tests expose racial stereotyping of black applicants who are steered to higher cost ARMs and subprime products, linked to causing default/foreclosure problems, even when well qualified for lower cost conventional loans. All of the above problems have been identified or investigated through the comprehensive array of tests performed by SSHC during the last decade. All of these factors contribute to segregated living patterns and form the impediments to "affirmatively furthering fair housing" identified in the Consolidated Plans of these localities. All of these issues have been recognized and documented in contemporary academic research on the Chicago area housing markets.⁵

⁴ Turner, Margery Austin; Ross, Stephen L.; Galster, George; and Yinger, John (2002) *Discrimination in Metropolitan Housing Markets: National Results From Phase I of HDS2000*, Washington: Urban Institute, <http://www.huduser.org/publications/hsgfin/phase1.html>.

⁵ Guy, Stuart (2002) *Integration or Resegregation: Metropolitan Chicago at the Turn of the New Century*, Boston: The Civil Rights Project at Harvard University. Lukehart, John, Tom Luce and Jason Reese, (2005) *The Segregation of Opportunities: The Structure of Advantage and Disadvantage in the Chicago Region*, Chicago: Leadership Council for Metropolitan Open Communities, <http://www.luc.edu/curl/lcmoc/documents/segregation.pdf>. Breymaier, Rob, and Mandie Schmid, (2008) *The State of Fair Housing In the Six-County Region 40 Years After the Fair Housing Act*, Chicago: Chicago Area Fair Housing Alliance, <http://www.chicagoareafairhousing.org/files/StateofFairHousing2008.pdf>.

Magnification of the Mortgage Foreclosure Crisis in Areas of Racially Segregated Housing

The current national mortgage foreclosure crisis has had devastating effects on the housing markets in many communities of the South Suburbs. The correlation between the clustering of high cost subprime lending, high rates of default/foreclosures and areas of substantial minority populations in the South Suburbs is extremely dramatic. Several recent academic publications highlight these striking relationships. Data from extensive Home Mortgage Disclosure Act analysis conducted by the Woodstock Institute and published in their 2006 Chicago Area Community Lending Fact Book⁶ shows that **17 of the top 20 mortgage lenders issuing loans in South Suburban Cook were “higher cost share” subprime lenders.** Another analysis by the Woodstock Institute⁷ of mortgage foreclosure data for 2007 shows that **South Suburban Cook had the highest rate of foreclosure at 36 per 1,000 loans in the entire metropolitan area.** The rate in the City of Chicago was next highest at 24 per 1,000 with the average for the entire region at 16 per 1,000. Several studies relate the high rate of new foreclosures (75% in 2007) to be associated with Adjustable Rate Mortgages (ARMs) and mortgage products featuring balloon payments.⁸

Foreclosures further destabilize neighborhoods already vulnerable to disinvestment, blight and economic problems. **The effects of a foreclosed property on the property values on the same block in the Chicago area has been estimated at a \$159,000 decrease per foreclosure.**⁹ While there is a loss of property value and wealth to individual homeowners in the area, the community is also gravely affected by the loss of tax revenues and consequent inability to maintain the level of services.

The use of exotic ARM and balloon mortgage products and predatory lending practices has been directly linked with the current astronomical increase in mortgage foreclosures throughout the Chicago area. Data revealing racially differential mortgage product steering practices by lenders began being released in the late 1990s. A 1999 study linked and analyzed the dramatic rise in predatory lending with the correlation of the race of the homeowners.¹⁰ Key findings of this study show that **58% of refinance loans in the Chicago area’s predominantly African-American neighborhoods were made by subprime lenders, while less than 10% of the loans made in predominantly white**

⁶ Smith, Geoff, (2008), *2006 Chicago Area Community Lending Fact Book*, Chicago: The Woodstock Institute, <http://woodstockinst.org/factbook/>.

⁷ Smith, Geoff, (2008) *Rising Foreclosures Impact Chicago Renters*, Chicago: The Woodstock Institute, <http://woodstockinst.org>, (click on Foreclosure Crisis Impacts Chicago’s Rental Housing in “Recent Work”).

⁸ National Training and Information Center, (2008), *Preying on Neighborhoods: 2007 Foreclosure Update*, Chicago: NTIC, <http://www.ntic-us.org/images/fullyear2007.pdf>.

⁹ Immerglunk, Daniel, and Geoff Smith (2005) *There Goes the Neighborhood: The Effect of Single-Family Mortgage Foreclosures on Property Values*, Chicago: The Woodstock Institute, <http://www.woodstockinst.org/publications/research-reports/5/15/date/DESC/>.

¹⁰ Immergluck, Daniel and Wiles, Marti (1999) *Two Steps Back: The Dual Mortgage Market, Subprime lending, and the Undoing of Community Development*, Chicago: The Woodstock Institute, <http://www.woodstockinst.org/publications/research-reports/5/50/date/DESC/>.

neighborhoods were subprime. The report concludes that failure to adapt federal regulations for subprime lending markets has resulted in the *de facto* deregulation of mortgage lending in African-American communities with white communities being served by more regulated and responsible lenders.

The **rising foreclosure rates have not only affected the single family home and sales markets, but have profoundly impacted the rental markets in the south Chicago area.** The foreclosure crisis has caused two major consequences on the rental market, the first being the supply of **rental units that has been decreased because a high percentage of multi-family 2-6 flat buildings in foreclosure** (up to 35% of filings in Chicago) and the consequent displacement of tenants/households in those buildings.¹¹ The other consequence has been a **tightening and increase in demand throughout the rental market, especially for “affordably priced” units caused by the overall displacement of households from both single and multi-family foreclosed properties.** Where demand for scarce units is heightened, so is the opportunity for discriminatory practices, and the need for monitoring by fair housing testing of those markets.

SSHC respectfully asks that the Commission examine the issues raised in this testimony, but more importantly, recognize and review the authority cited, in making its final recommendations and findings.

¹¹ Smith, Geoff, (2008) *Rising Foreclosures Impact Chicago Renters*, Chicago: The Woodstock Institute, <http://woodstockinst.org>, (click on Foreclosure Crisis Impacts Chicago’s Rental Housing in “Recent Work”).