Analysis of Impediments to Fair Housing Choice

Charlotte, North Carolina

2006

Prepared by the City of Charlotte's Department of

Neighborhood Development staff with assistance from

Training & Development Associates
Laurinburg, North Carolina
www.tdainc.org

Table of Contents

Section I: Introduction

Whether we're hearing news reports on the high prices of homes, watching a press conference announcing the American Dream Downpayment Initiative, or discussing the thousands of people rendered homeless by hurricanes, lately housing is a common topic of conversation. The talk in Charlotte, North Carolina could be about the price of homes – they are increasing in every major city, but it's more likely the conversation will be about the efforts the City is making to improve housing, make it more affordable, and make it more fair.

Charlotte's housing programs have made it a leader in the nation's efforts to make homes more affordable to more citizens. The City's "HouseCharlotte" program and intensive homebuyer and homeowner counseling programs have put Charlotte at the front of the affordable housing movement. A particular interest of Charlotte's Neighborhood Development Department is fair housing.

What is Fair Housing?

Fair housing is the right of individuals to obtain housing of their choice, free from discrimination based on race, color, religion, sex, disability,[1] familial status,[2] or national origin. The Fair Housing Act (Title VIII of the Civil Rights Act of 1968) assures that safe, decent, and affordable housing should be available to all residents of the United States without regard to their membership in one or more protected classes. This law and other legislation which makes it unlawful to discriminate in the sale, rental, financing, and insuring of housing.[3]

The focus of the Act, as amended in 1988, is to make access to housing a right, with mandatory enforcement by HUD. In spite of the Act (as amended), there are still large numbers of individuals in rural and urban areas across the country unable to access units due to limited housing choice. HUD requires that all governing authorities that prepare a consolidated plan in order to receive HUD funds certify that they will "affirmatively further fair housing" within their jurisdictions.

What is an Analysis of Impediments to Fair Housing?

It is not enough for a community to support the idea of fair housing for all people; the community must take special measures to afford all citizens the opportunity to live in housing of their choosing. An analysis of impediments to fair housing is a review of a community's policies, procedures, laws, and allowances – both public and private – that might impact a person's ability to live in housing of his or her choice without regard to race, religion, color, sex, disability, or familial status. Affirmatively furthering fair housing may be grouped into three categories:

- Intent: The obligation to avoid policies, customs, practices, or processes whose intent or purpose is to impede, infringe, or deny the exercise of fair housing rights by persons protected under the Act.
- Effect: The obligation to avoid policies, customs, practices, or processes whose effect or impact impedes, infringes upon, or denies the exercise of fair housing rights by persons protected under the Act.

1 Under the Fair Housing Act, a person with a disability has a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having such an impairment. This does not include current, illegal use of, or addiction to, a controlled substance.

2 The protected class of "familial status" protects households with children under age 18. These protections also apply to any person who is or plans to become pregnant. Note, familial status is defined in terms of the presence or expected presence of children, and does not include marital status or sexual orientation.

3 This requirement is codified for local jurisdictions in the consolidated plan requirements under 24 CFR 91.225.

- Affirmative Duties: The Act imposes a fiduciary responsibility upon public agencies to anticipate policies, customs, practices, or processes that previously, currently, or may potentially impede, infringe, or deny the exercise of fair housing rights by persons protected under the Act.

The first two obligations pertain to public agency operations and administration, including those of employees and agents, while the third obligation extends to private as well as public sector activity.

Under the Fair Housing Act an aggrieved person may file (though not later than one year after an alleged discriminatory housing practice has occurred) a complaint directly with the U.S. Department of Housing and Urban Development (HUD) or with a state or local agency enforcing laws that are "substantially equivalent" to the Fair Housing Act. Upon the filing of such a complaint, HUD has the responsibility to serve notice of the complaint and conduct an investigation into the alleged discriminatory housing practice. The Fair Housing Act also enables aggrieved parties to pursue redress through the courts, without limit on the recovery of damages and attorney's fees.

Participants in this Analysis of Impediments to Fair Housing Choice

Training & Development Associates, Inc. (TDA) conducted this analysis in early 2006 to help officials at the city of Charlotte, North Carolina to evaluate the state of fair housing in their city and to update the previous analysis of impediments ("AI"). TDA interviewed and worked with Charlotte's Neighborhood Development Department and the Community Relations Commission to gather information and data specific to Charlotte.

Methodology

The Charlotte fair housing analysis of impediments discusses the results of recent analyses of impediments and the steps the city intends to take to implement policies that will prevent and eliminate housing discrimination in the Charlotte-Mecklenburg County community. The analysis of impediments (AI) on behalf of the city of Charlotte ("the City") conducted by TDA, Inc. involved a variety of data collection and analysis techniques, including:

- An analyses of demographic data available through the U.S. Census Bureau, as well as descriptive data pertaining to the Charlotte housing market and trends in real estate over the past 10 years
- An examination of mortgage lending trends through the analysis of data available through the Home Mortgage Disclosure Act (HMDA), enacted by Congress in 1975 and implemented by the Federal Reserve Board's Regulation C, HMDA requires lending institutions to report public loan data. Using the loan data submitted by these financial institutions, the Federal Financial Institutions Examination Council (FFIEC) creates aggregate and disclosure reports for each metropolitan area (MA) that are available to the public at central data depositories located in each MA
- A review of source documents, including the most recent AI, conducted in 2002
- An examination of Fair Housing policies and strategies from other urban communities to provide a basis of comparison between what Charlotte's Fair Housing Plan proposes to do and further steps it can and should take to affirmatively further Fair Housing

Conclusions

The following impediments were evident from review and analysis of conditions and reports on the provision and availability of housing in Charlotte.

Impediment #1: Lack of Access to Homeownership

Homeownership is an important consideration in building stable communities and building personal wealth; however, the cost of housing in the Charlotte metro area excludes many middle-income and lower-income households from owning their home. In addition to the cost of homeownership, it appears that another reason some Charlotte residents do not own their home is because they either do not apply for loans at the same rate other citizens do or, if they do apply, they are not approved as borrowers.

In Charlotte, African American residents comprise 32.6 percent of the population, but only 19.5 percent of all home-related loan applications come from this segment; this disparity indicates that African American applicants, for whatever reason, are not accessing the money necessary to purchase a home.[4] Consistently high denial rates on home improvement loans may reflect policies in the lending industry, but this is an area that warrants some attention in Charlotte. The disinvestment associated with an inability to raise funds to maintain one's home can have an undesirable effect on the community when it occurs in great numbers.

Suggested Steps to Remove this Impediment:

1. The cost of housing is largely a matter of economics in the private sector. However, it is possible for a public entity, such as the city of Charlotte, to promote homeownership education and opportunities for prospective homeowners at the lowest income levels. Through diligent marketing efforts to all socio-economic segments, the city of Charlotte can provide information on available down-payment assistance and other homeownership programs as well as information on access to loans.

2. TDA recommends that municipal programs targeted at minorities (particularly African American residents) should include educating the population on the importance of homeownership and how to access local lending resources.

Impediment #2: Gate-Keeping of Protected Classes

"Gate-keeping" describes the sly prequalification that some rental agents require before showing a property. Based on the results of the prequalification, the rental agent shows only certain properties or adjusts the prices of properties in order to control where people live. Gate-keeping is slightly different from outright discrimination, and it is more insidious. This kind of underhanded discrimination is unfair to both cities and citizens because, by channeling certain races or ethnicities into specific rental units, these agents are creating entire neighborhoods of a single race or ethnicity. Ideally, Charlotte neighborhoods should be as diverse as the city as a whole.

The greatest impediment to fair housing choice for African Americans and people of Latino descent was residential segregation and the economic disparities that foster it. The North Carolina Fair Housing Center conducted audits to determine the level and type of discrimination faced by both African Americans and people of Latino descent in the Charlotte/Mecklenburg 1999 rental market. The audit found a significant level of "gate-keeping" of both of these classes.

Possibly a result of this gate-keeping, housing values in neighborhoods with different racial and ethnic compositions differ significantly and certain races seem to collect in certain neighborhoods. For example, mostly white neighborhoods (over 90% white) that had high housing values were located on the south side of Charlotte, in first tier suburbs to the south, and outer suburban areas to the northwest and southwest. Middle value homes are spread out throughout the region, while moderate and low value homes tend more to be located in Gaston, Lincoln, and Rowan

[4] Based on HMDA data

counties. Similarly, most white neighborhoods were comprised of middle to upper valued homes. Conversely, African American neighborhoods are comprised of mostly moderate or low valued homes in the city of Charlotte.

Discrimination can be found in the Latino community, too. Charlotte has experienced tremendous growth in its Latino population since the last census; this sub-group now comprises 7.4 percent of the population. In this short period of time, a segregated housing pattern is emerging, creating unique challenges to fair housing choice. There are currently five census tracts where Latinos make up more than 20 percent of the population and one census tract that is more than 4O percent Latino. This type of isolation can not be explained away by self-segregation. Other barriers specific to Latinos include language and culture differences, unfair terms and conditions of occupancy, unfair rental rate structures, and unfair treatment by landlords.

Suggested Steps to Remove this Impediment:

1. Continue to implement strategies that concentrate on increasing local activities to identify and reduce barriers to fair and affordable housing choices in all areas of Charlotte.

2. Develop print and media campaign to provide education and outreach to a variety of groups on the fair housing law. This campaign should be carried out in a variety of languages.

3. Survey (through bi-lingual outreach and education) the Latino community to determine what is driving current housing patterns.

4. Conduct lending and sales baseline audits to determine what role unlawful discrimination plays in the lower homeownership rates experienced by African Americans.

5. Conduct a study of the appraisal industry in the Charlotte-Mecklenburg communities to determine what role unlawful discrimination plays in the lower housing values of African Americans.

6. Continue to support financial literacy, first time homebuyer programs and anti-predatory lending campaigns in the community.

7. Since the events of September 11, 2001 many persons in the Muslim and Middle Eastern communities may fear seeking assistance from governmental agencies. It is important to continue education and outreach activities to inform them of their fair housing rights under the law.

Section II: Demographic and Economic Overview

This section profiles Charlotte's demographic and housing trends by examining and mapping Census 2000 and other relevant data. After analyzing demographic characteristics and trends, the section provides an analysis of the area's housing market and a household's ability to purchase a home. The section concludes with a synopsis of housing problems experienced by residents, such as cost burden, physical defects, and overcrowding.

The following chart provides an overview of Charlotte's demographic and housing profile in both 1990 and 2000. The population within the city of Charlotte grew 36.9 percent between 1990 and 2000 to reach 542,131. Since the last decennial census, the population of Charlotte continued to grow, as did Mecklenburg County's population outside the city's boundaries. Growth throughout Mecklenburg County was a bit slower (at 36 percent), reaching 696,454 in 2000. According to recent estimates, the population of Mecklenburg County is expected to grow to approximately 866,000 by 2010.[5] The population in Charlotte grew at a faster pace than did the number of households (35.8 percent), supporting the slight increase in household size (from 2.32 to 2.35). During the same time, the percent of persons 65 and older in Charlotte fell by 10.9 percent (from 9.8 percent of the population in 1990 to 8.7 percent in 2000), while the overall median age of the population rose slightly from 32.3 to 32.8 years.

Overall Profile: 1990 and 2000

	1990		2000	
	City of Charlotte	Mecklenburg County	City of Charlotte	Mecklenburg County
Population	396,003	511,433	542,131	695,454
Percent 65 or Older	9.76%	9.30%	8.69%	8.54%
Households	158,946	200,125	215,803	273,561
Housing Units	230,519	280,875	230,556	292,780
Percent of Vacant Units	6.71%	7.48%	6.42%	6.61%
Homeownership Rate	54.67%	61.10%	57.69%	63.49%
Source: Census 1990 and 2000, calculated from data extracted from Summary File 3, Tables H6 and H7				

Demographic Profile

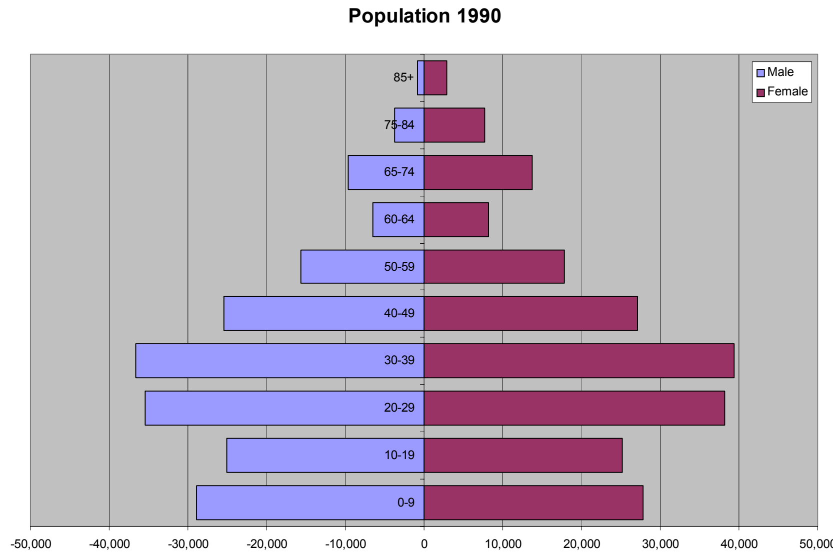
Population Growth

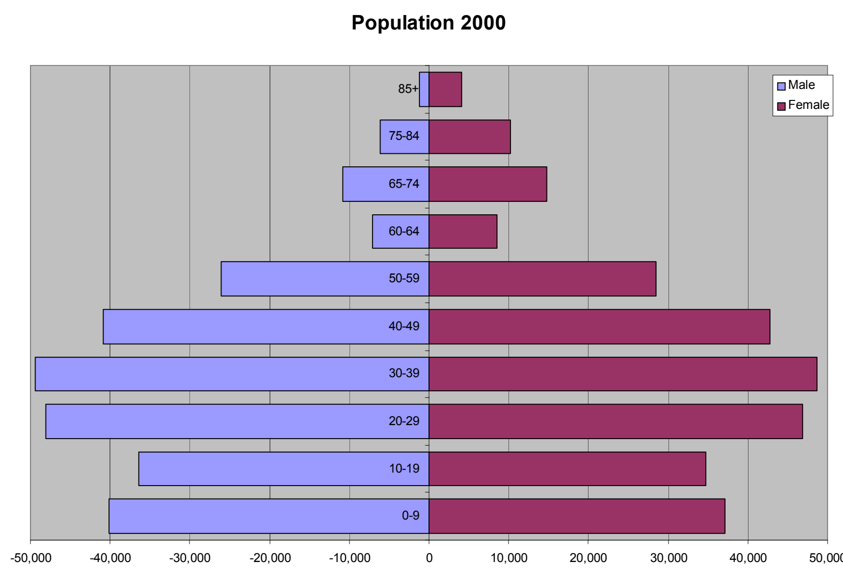
According to the city of Charlotte consolidated plan, Mecklenburg County's estimated population in 2004 was 764,418 residents within 300,751 households. While the growth rate remains strong (average annual rate of 2.9 percent between 1990 and 2004), that rate is forecasted to slow to approximately 2.1 percent over the next five years. Despite the slowing estimated growth, Mecklenburg County will gain approximately 6,700 new households annually through 2009. The population of Charlotte increased by 36.9 percent between 1990 and 2000.

[5] City of Charlotte and Charlotte-Mecklenburg Regional Housing Consortium Five-Year Consolidated Plan and FY 2006 Annual Action Plan, June 2005.

Population by Age

The following population pyramids display the change in the city's age distribution during this time period.





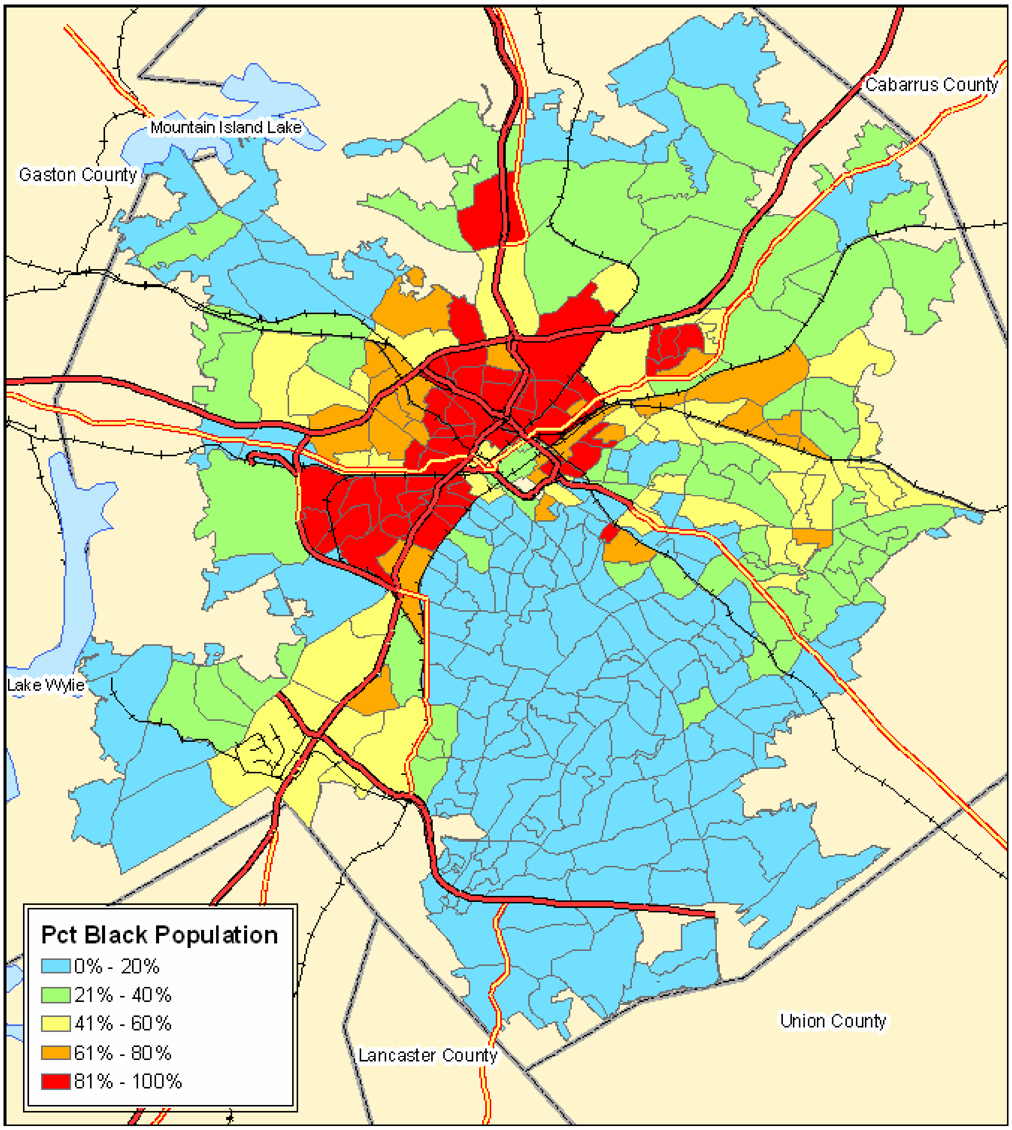
As illustrated by the first pyramid, the most populated cohort in 1990 was those aged 30-39 (19.2 percent), followed closely by those aged 20-29 (18.6 percent), when together these two groups comprised 37.8 percent of the population. These two groups were followed closely by the cohorts aged under 9 (14.3 percent), those aged 40 to 49 (13.3 percent), and youth aged 10 to 19 (12.7 percent).

The second pyramid shows a slight shift in age distribution. While the 30-39 cohort was still the largest, in 2000 it represented just 18.1 percent of the overall population—an overall loss of slightly more than one point. Combined with a nearly equal loss in the 20-29 aged cohort (17.5 percent in 2000), these groups together comprised 35.6 percent of the population in 2000. At this same time, an increase of more than 2 percent occurred in the cohort aged 40-49 (15.4 percent), and an increase of more than 1.5 percentage points among those aged 50 to 59 (10.1 percent). The percentage of people aged 65 to 74 dropped by more than one point to 4.7 percent of the population in 2000. All other groups incurred changes of less than one point. Despite some losses in terms of proportion in the population, all age groups increased in number from 1990 to 2000.

Population by Race/Ethnicity

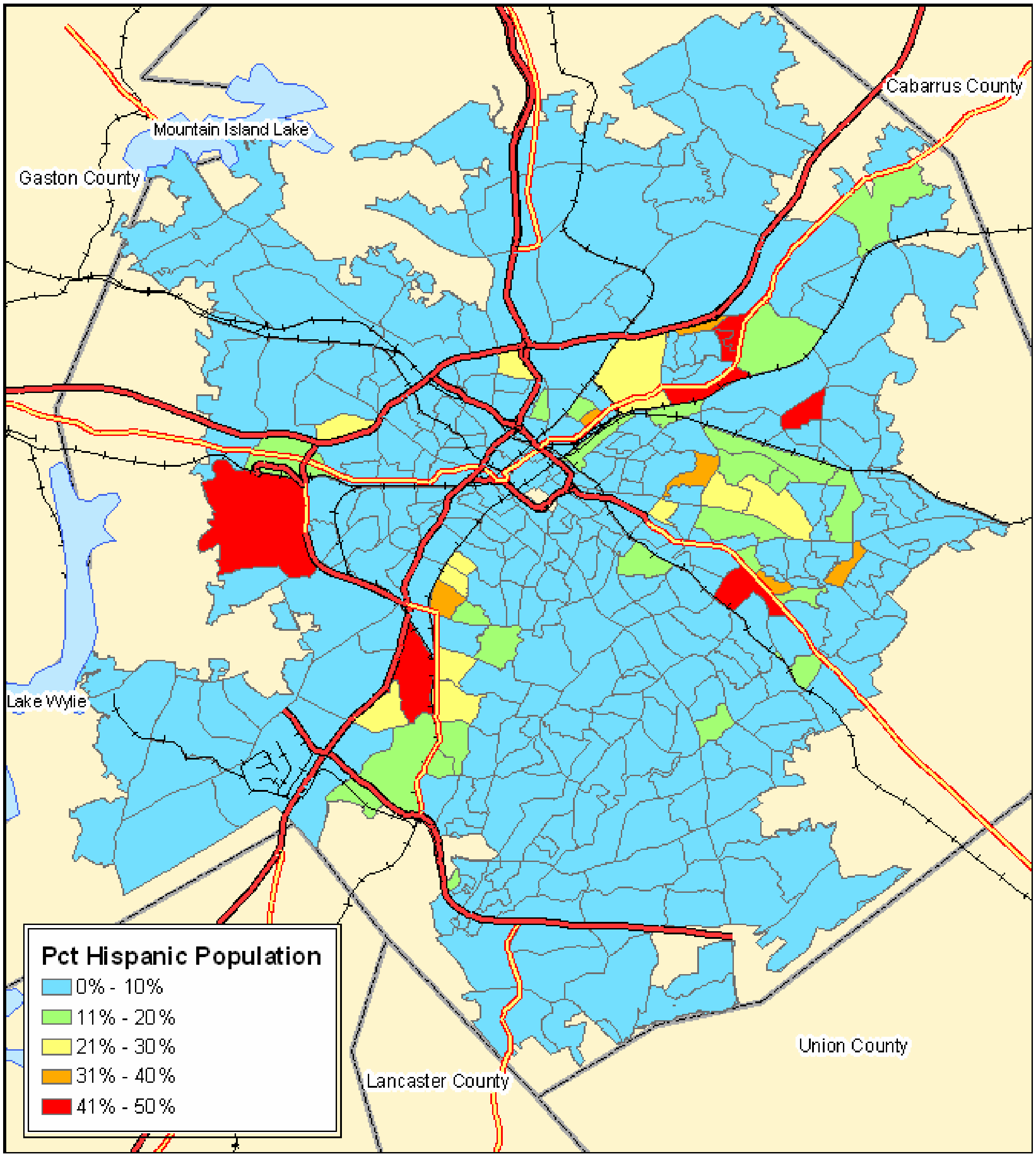
In 2000 Charlotte's population was 58.3 percent White, 32.6 percent African American, 0.4 percent American Indian/Alaska Native, 3.2 percent Asian, 0.1 percent Pacific Islander, 3.5 percent some other race, and 1.9 percent two or more races. The Latino population comprised 7.4 percent of the city's total population, representing a 660.5 percent increase over that in 1990.[6]

The map below illustrates the distribution of the African American population in Charlotte. Comprising nearly one-third of the city's population, African Americans are highly concentrated in the area surrounding the intersections of major highways, as well as north along Interstate 77, where they make up from 81 to 100 percent of the population. There are proportionately very few African American households in the area south of the arc formed by the CSXT Railroad and in outlying areas around the city.

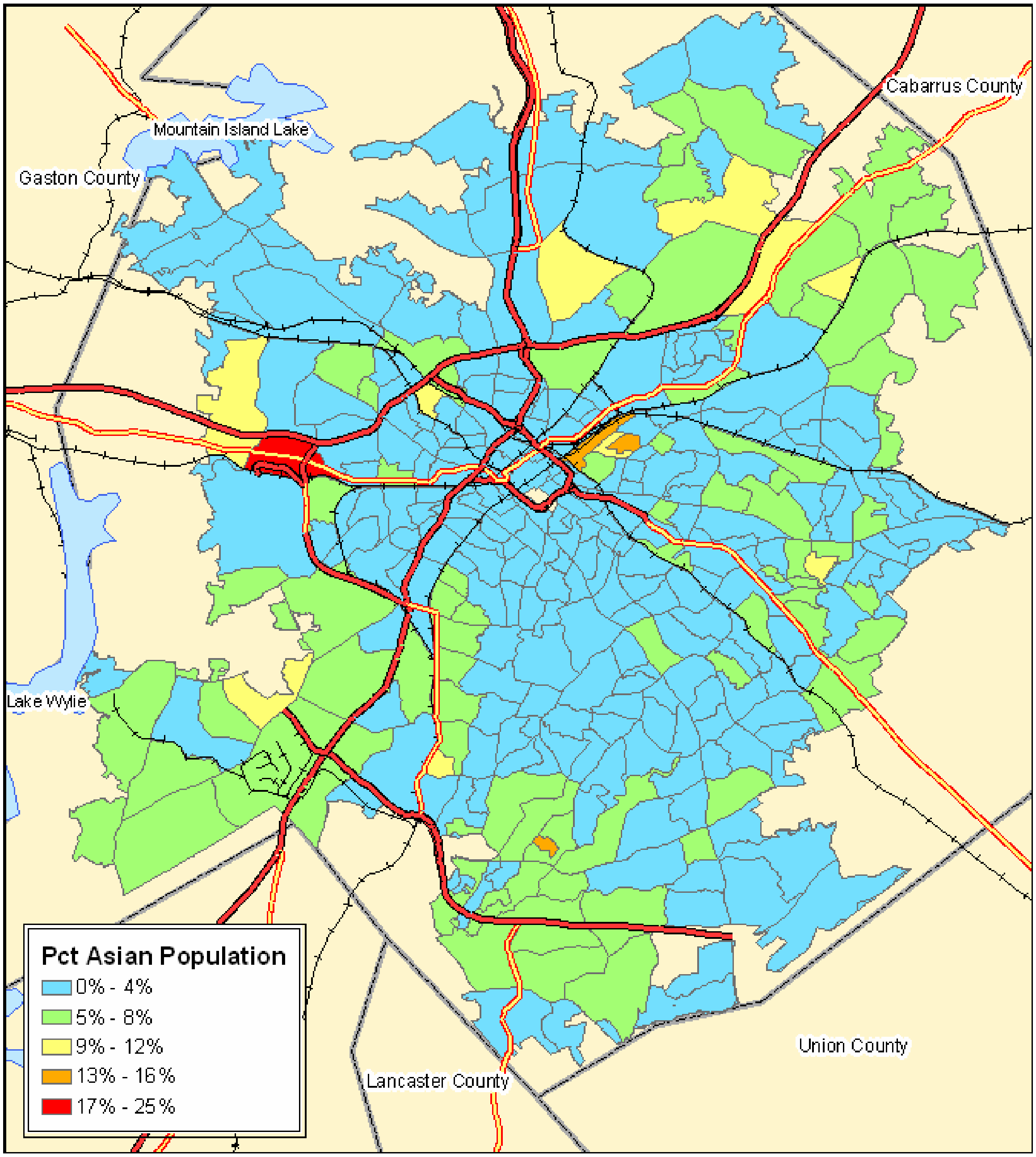


[6] Analysis of Impediments to Fair Housing Choice, 2002. Charlotte, North Carolina.

The blue and green areas in the following map indicate that the Latino population of Charlotte is distributed over a large area. Despite the wide distribution, there are areas where Latino households are rather highly concentrated. While Latinos make up just 7.4 percent of the total population, only the blue areas indicate Latino population of less than 10 percent. All other areas in the map below indicate much higher concentrations than might be expected, with Latino populations of 41 to 50 percent in areas shaded red.



The Asian population in Charlotte is distributed around the perimeter of the city. Two notable exceptions are block groups 0700.1 and 0900.1, located just south of US Highway 29 beneath the arc of the CSXT railroad, where Asians comprise from 13 to 15 percent of the population within each block group. The highest concentration of Asian households is found to the west in block group 4000.5, located between Interstate 85 and the CNW railroad, where the Asian population approached 25 percent in 2000, as compared to a 3.2 percent Asian population in the city of Charlotte overall.



Population by Household Characteristics

Families are the most prevalent type of household and comprise 62.1 percent of all households. Of these, 73.4 percent are small family (2 to 4 persons) households. The table below shows the total number of households by type in Charlotte. Households with persons 65 years or older account for 15.2 percent of all households.

Households by Type

Household Type	Number	% of Total
Total Households	215,803	100.0%
Family Households	133,957	62.1%
Non-Family Households	81,846	37.9%
Large Families (5 or More)	18,755	14.0%
Small Families (2 to 4)	98,334	73.4%
65 and older (families & non-families)	32,713	15.2%

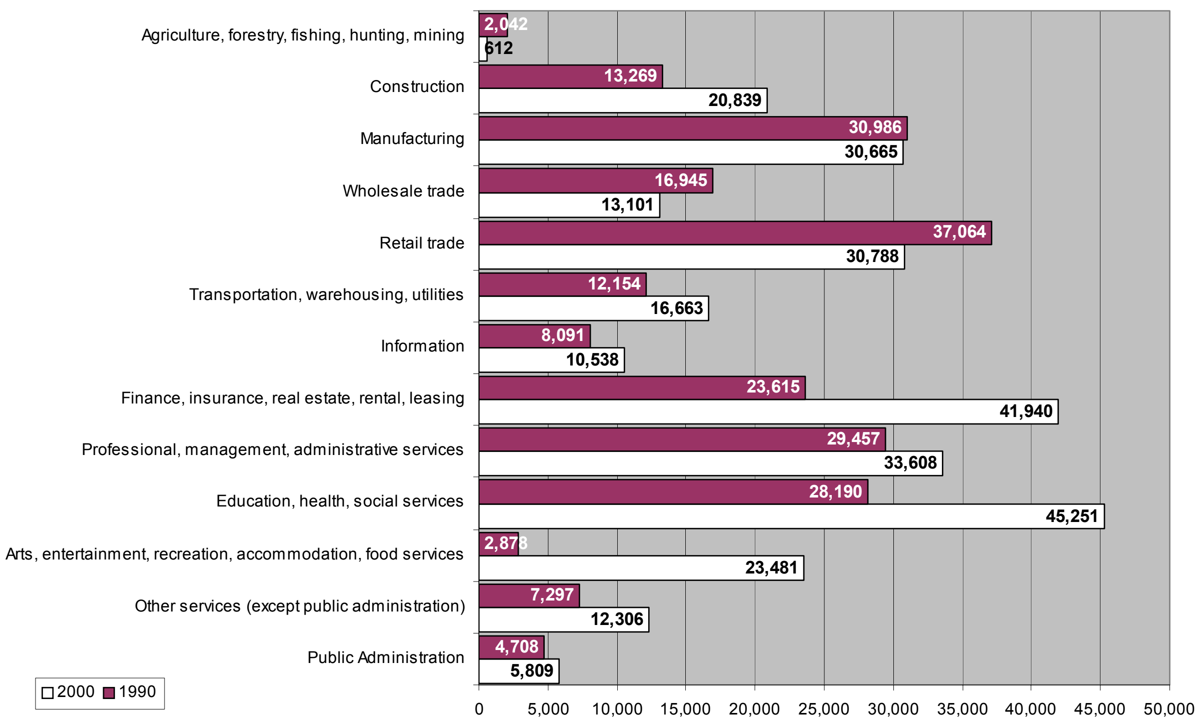
U.S. Census Bureau, 2000, calculated from data extracted from Summary File 3 and CHAS data.

Economic Profile

Employment Data

The 2000 census reported a civilian labor force of 302,292 persons in Charlotte with a 3.4 percent unemployment rate. More recent data show the 2005 unemployment rate for the Charlotte-Gastonia-Concord, NC-SC Metropolitan Statistical Area (MSA) to be 5.2 percent.[7] The 2000 census showed that the largest numbers of residents were employed in the educational, health, and social services industry, followed closely by finance, insurance, real estate, rental, and leasing. The graph below shows the distribution of Charlotte employed residents by industry. This represents a significant change from 1990, when retail trade employed nearly one-fifth of Charlotte residents, followed nearly equally by the manufacturing; professional; management and administrative service; and education, health, and social services industries. As of January 2005, the unemployment rate was 5 percent, with a total of 21,080 residents unemployed in the county's labor force of 425,268.

Employed Residents by Industry, 1990-2000



7 Bureau of Labor Statistics, Unemployment Rates for Metropolitan Areas, accessed 5/2/06.

Income Data

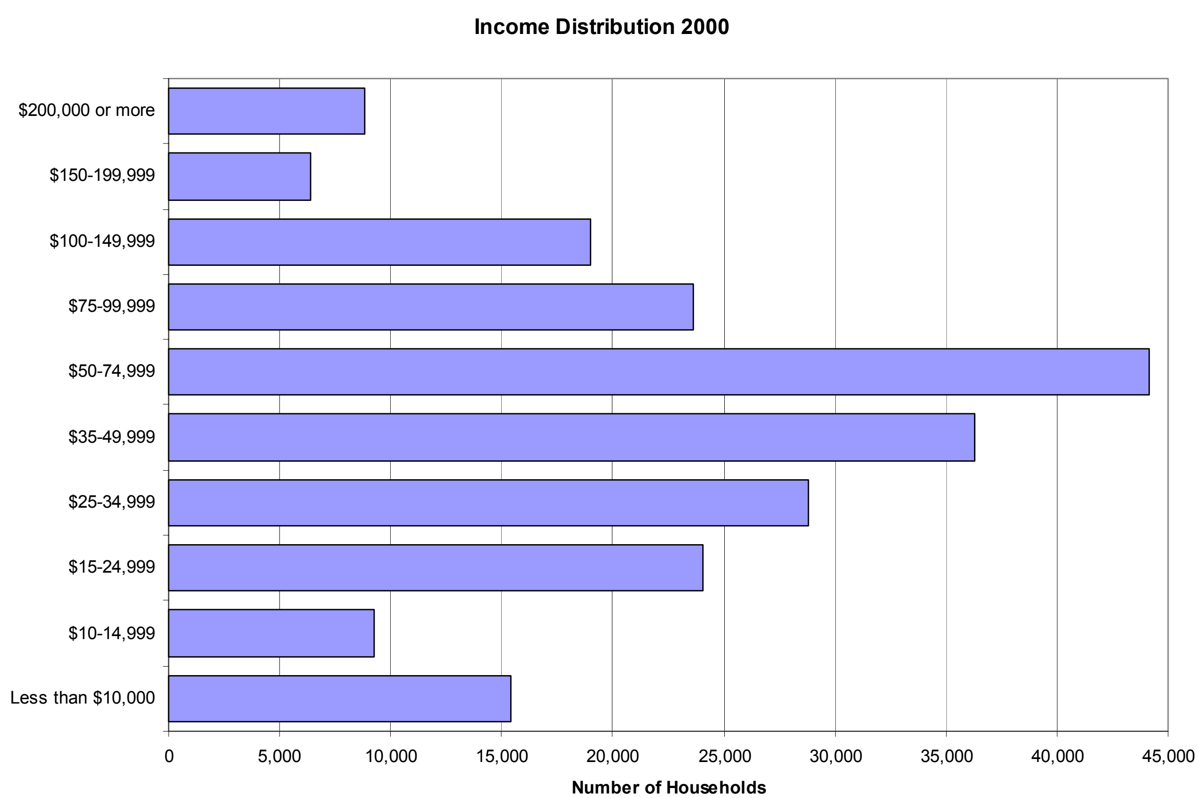
According to HUD, the current median income for a family of four in Charlotte is $64,440. The table below provides current (2006) income limits by family size.

Income Limits 2006

Family Size	**1**	**2**	**3**	**4**	**5**	**6**
Income	$36,050	$ 41,200	$ 46,350	$ 51,500	$ 55,600	$ 59,750

Charlotte's median income in 2000 was $46,975, which is 7.1 percent lower than the county-wide median income of $50,579. The income bracket with the highest number of households in Charlotte was $50,000 to $74,999. The graph below shows the income distribution of households in Charlotte in 2000. Twenty-nine percent (29%) of Mecklenburg County households have incomes of less than $35,000. Thirty-five percent (35%) of the County's households have annual incomes between $35,000 and $75,000; 26 percent have incomes between $75,000 and $150,000 and 9 percent have incomes over $150,000.

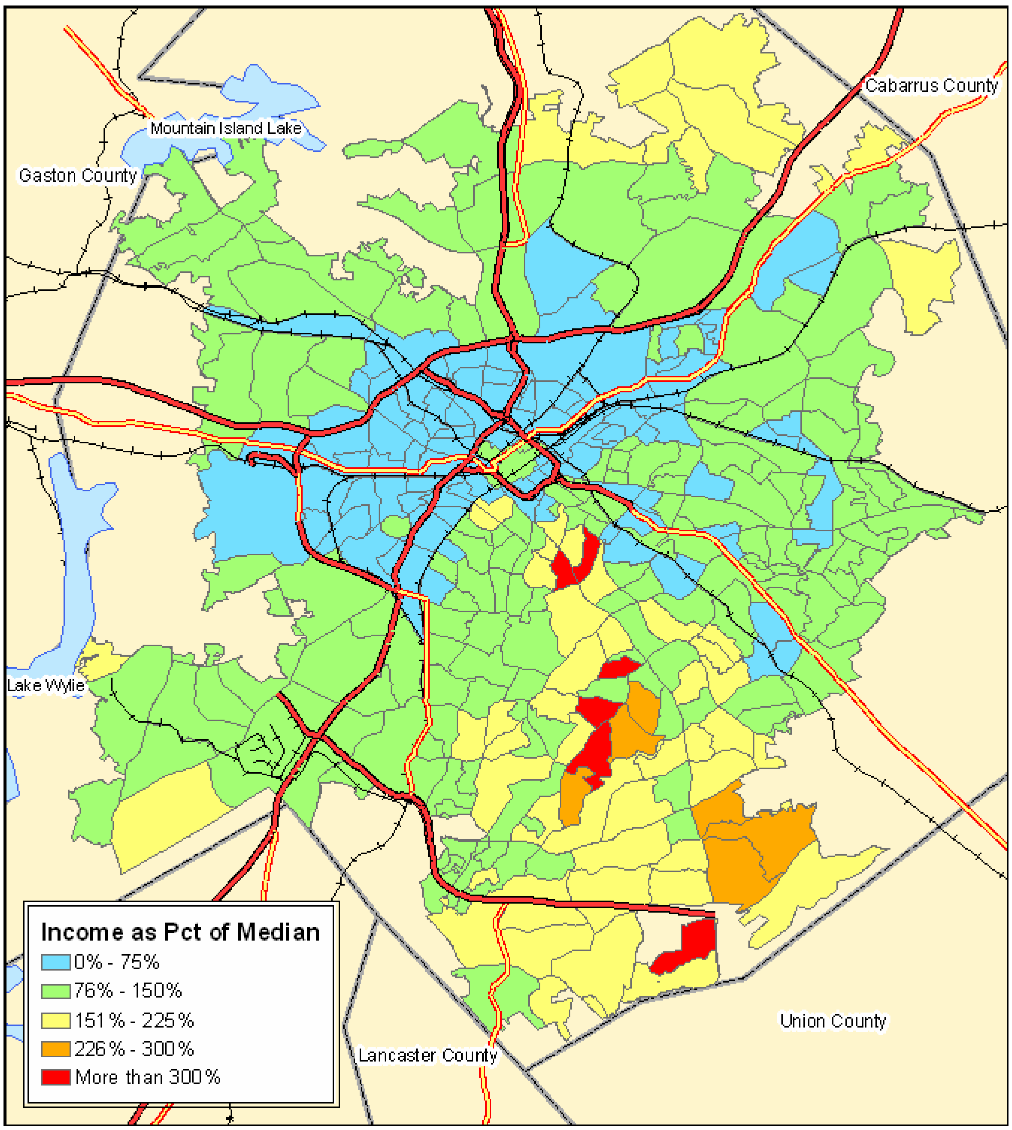
In 1999, 62,652 people, or 9.2 percent of Mecklenburg County's total population, were living at or below the poverty level. The poverty threshold for a two-parent family of four in Mecklenburg County is $18,660. For a two-person household with at least one member 65 or over, the poverty level is $11,122.



Poverty in Mecklenburg County is generally concentrated in the urban core, and particularly in census tracts on the city's west side and northeast of the city's center. In 2000, three census tracts had between 40 and 50 percent of their families living below the poverty line; these are all census tracts with a large number of public housing units. Ten census tracts had between 30 and 40 percent of their households living below the poverty line.

African Americans and Latinos/Latinos comprise the largest percentage of population in the high poverty census tracts. In the 10 census tracts with between 30 and 50 percent of their population living below the poverty line, 75 percent of the residents are African American and 16 percent are Latino/Latino. African Americans also comprise the largest percentage (92 percent) of families living in public housing.

The map below geographically displays economic stratification in Charlotte, comparing each block group's median income to that of the entire city. Block groups with median incomes below the city median are located along the major thoroughfares that pass near the city center. The block groups shown in blue are those whose median incomes are less than 50 percent of the city's median. The six block groups with the highest median incomes are all located south of the city center, as are the six block groups with median incomes of up to three times that of the city.

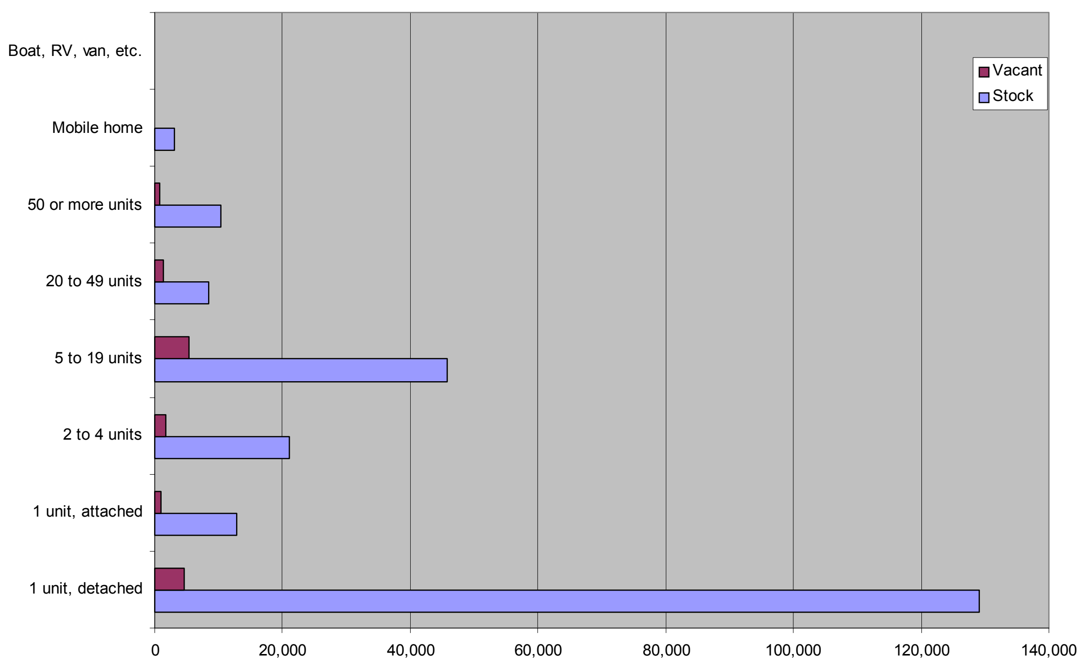


Housing Profile

Overview of Housing Supply

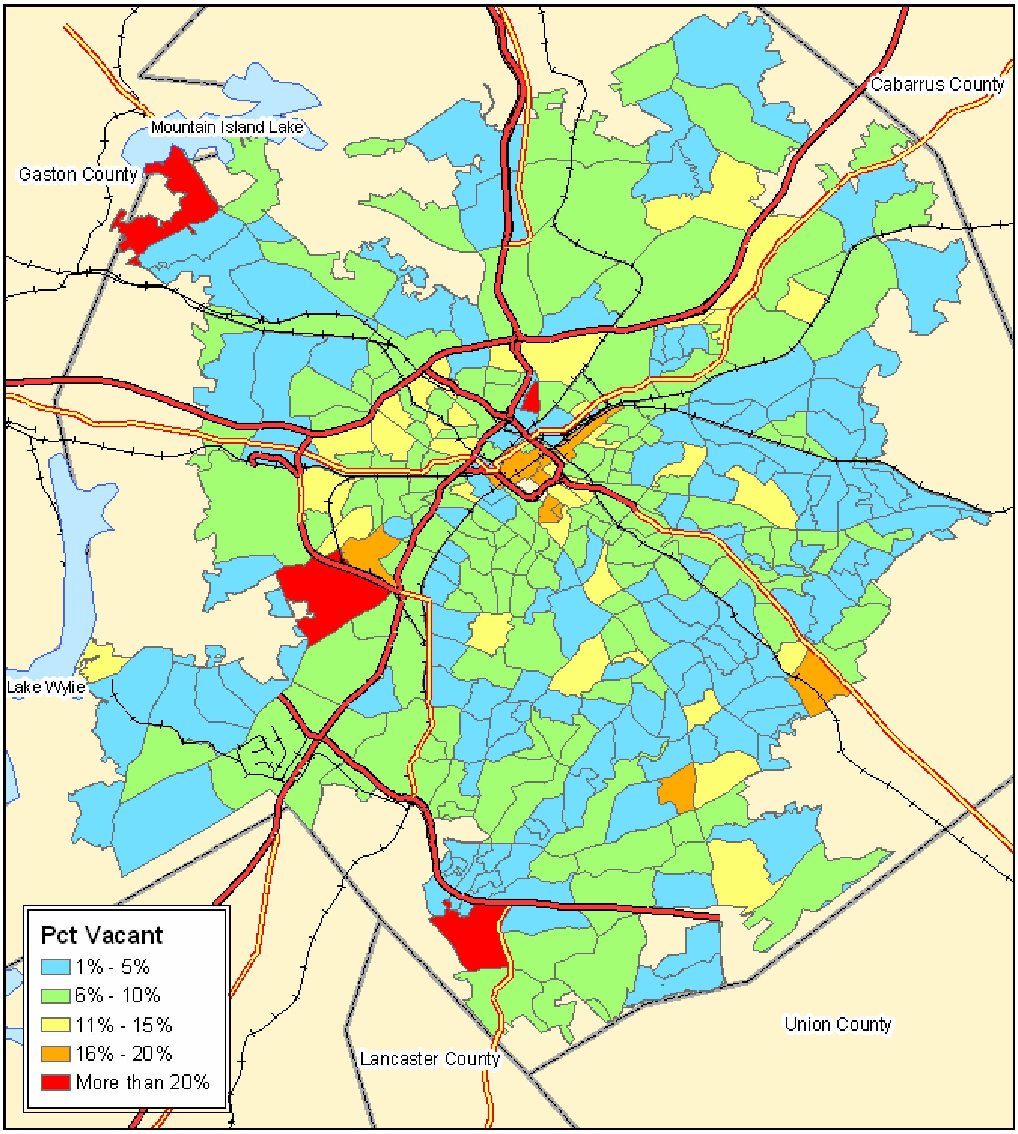
Charlotte's housing stock was comprised of 230,556 housing units in 2000. The City's 176,804 single-family detached housing units comprised 76.7 percent of the entire inventory of housing units. The following graph shows the inventory of all housing units. Of all types of units, those in structures of five to nine units have the highest rates of vacancy (15 percent), where in 2000 nearly 1,266 were vacant from a stock of over 8,466. The housing type with the second highest vacancy rate was that in structures of five to 19 units, with a rate of 11.8 percent (5,380 vacant out of 45,718 available). While boats, RVs, and vans have the lowest rate of vacancy (0 percent), there were so few of these units (75 units in 2000), their impact on housing rates is negligible.

Housing by Type



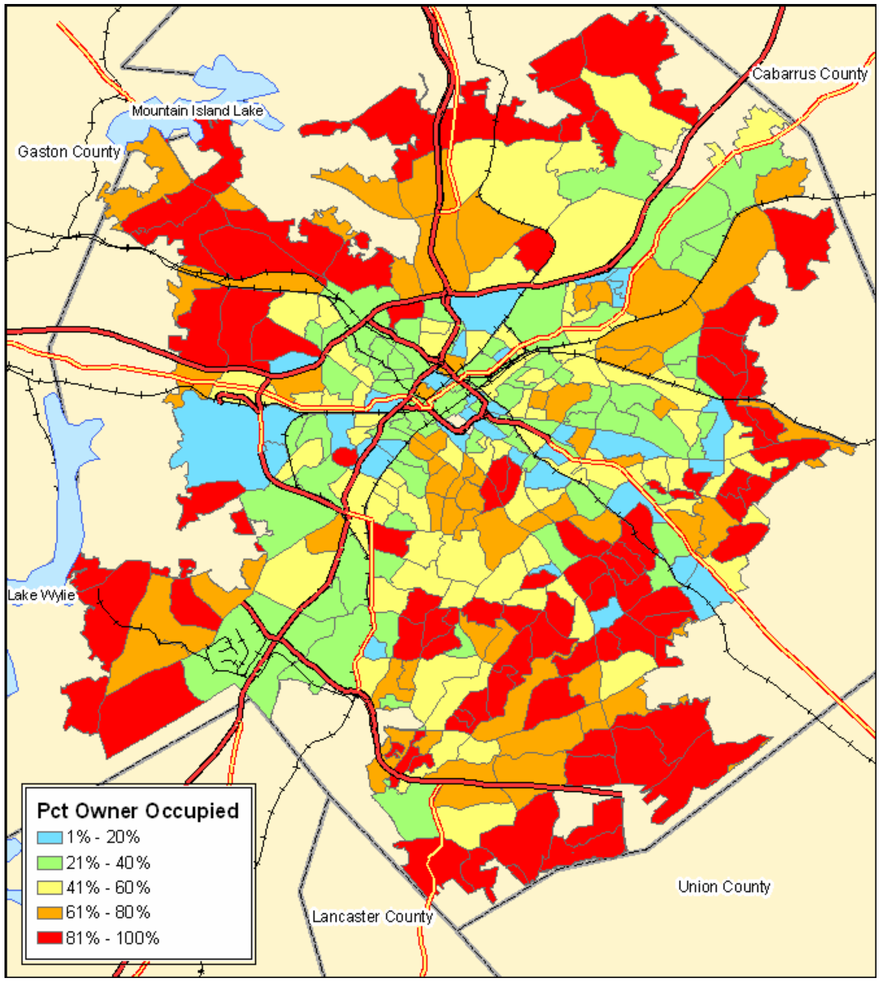
Vacant Units

The map below shows the distribution of vacant properties throughout Charlotte. The highest vacancy rates occur in block groups 5000.1 (centrally located), 3803.3 (west of the city center), 5818.1 (south of the city), and 6003.2 (adjacent to Mountain Island Lake). Block group 5000.1 is characterized by incomes below 75 percent of the area's median, and a population that is more than 80 percent African American and between 11 and 20 percent Latino. Block group 3803.3 (west of the city) is characterized by incomes from 76 to 150 percent of the area's median and an Asian population of from 5 to 8 percent (nearly double the city's median). From 40 to 60 percent of the households in this block group rent reside in rental units. Asian residents also comprise 5 to 8 percent of block group 5818.1, where incomes range from 151 to 225 percent of the area's median. Nonetheless, both homeownership and rental rates in this block group are between 21 and 40 percent. The population of block group 6003.2 (adjacent to Mountain Island Lake) earns from 76 to 150 percent of the area's median and is predominantly white, however the homeownership rate is well above the city's median (between 61 and 80 percent).



Tenure

The 2000 homeownership rate for Charlotte was 57.5 percent, which was lower than both the county rate of 62.3 percent and the nationwide rate of 66.2 percent. Still, this represents an increase over the 1990 rate, when just 55 percent of the city's residents and 59.7 percent countywide owned their own homes.

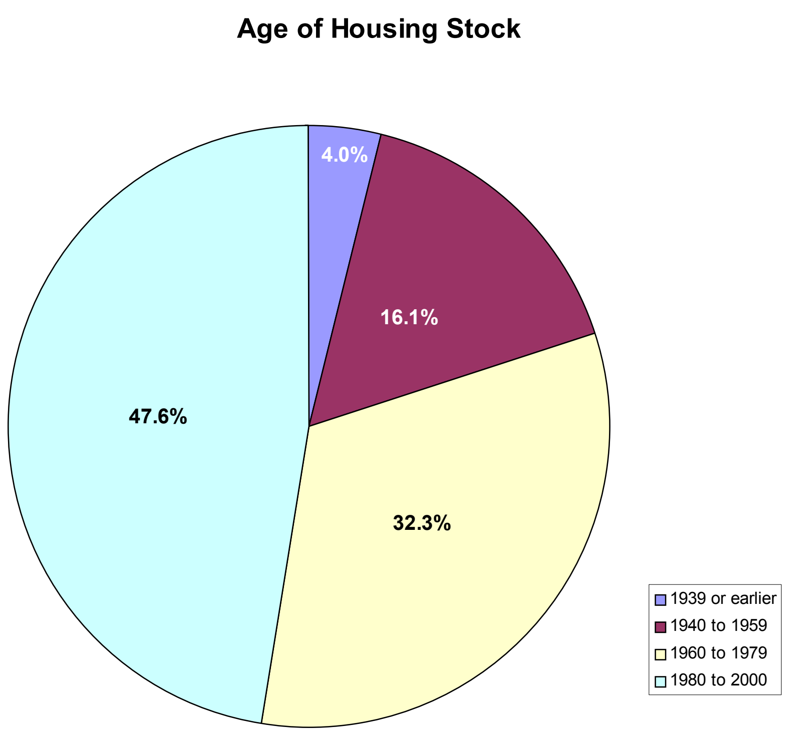


The map below shows the distribution of the 124,057 homeowners throughout Charlotte. While it is not surprising that the block groups with the highest incomes also appear as those with the highest homeownership rates, a few block groups with incomes below 75 percent of the area's median also have homeownership rates that exceed the city's median rate.

Located near the intersection of Interstates 77 and 277, between 61 and 80 percent of the residents of block group 4900.1 own their homes, while block group 4600.1 (shown in red in the map below, located just south of Interstate 85) has a homeownership rate of from 81 to 100 percent. Both of these block groups have median incomes of less than 75 percent of the area's median and both have African American populations of more than 80 percent. Also noteworthy is block group 3802.1, located just west of Interstate 77, with a homeownership rate of over 80 percent.

Age and Condition

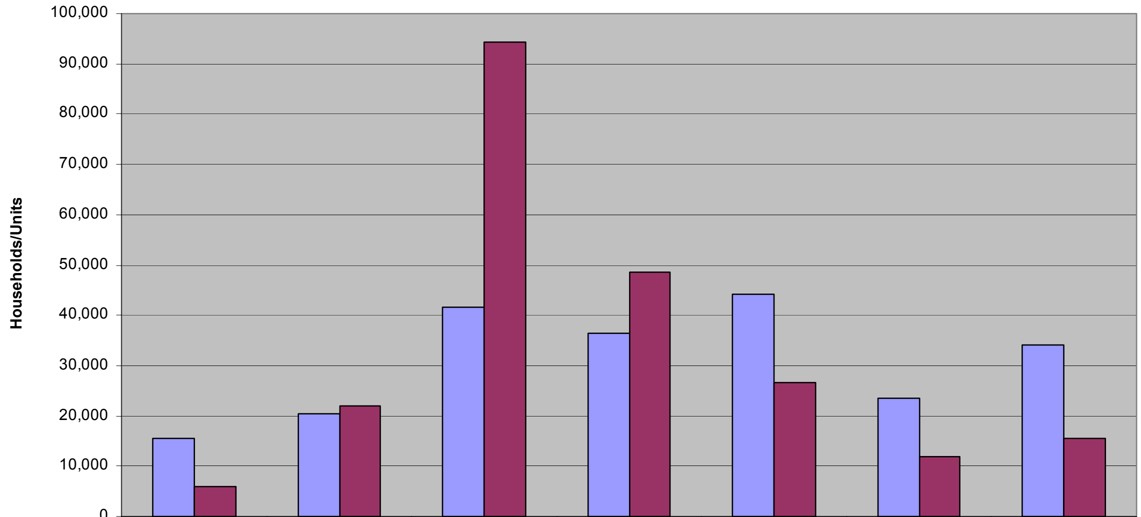
Based on the 2000 census, 4 percent of the total housing stock in Charlotte was built in 1949 or earlier and is, therefore, more than 50 years old. More than half of the stock (52.4 percent) was built in 1979 or earlier, making lead-based paint a potential hazard. While lower than the national average of 56 percent, these statistics have implications for the future housing supply since most older units need substantial financial investments in major structural systems to remain sound and livable. For low-income owners, these repairs are frequently unaffordable, and deferred maintenance hastens the deterioration of their units. Often low-income rental housing does not generate enough revenue to make improvements without raising the rent.



Housing Demand versus Supply

The following two graphs compare the housing demand versus the housing supply in Charlotte. The first displays the total number of households distributed among their affordable home ranges (both rental and owned units). For example, in 2000 there were 15,422 households that earned less than $10,000. Assuming that an affordable home value is roughly three times a household's annual income, this income group can afford a home valued at no more than $29,999. In 2000 in Charlotte, there were only 5,875 homes valued in this range.

Households by Purchasing Power Range versus
All* Units by Income Range



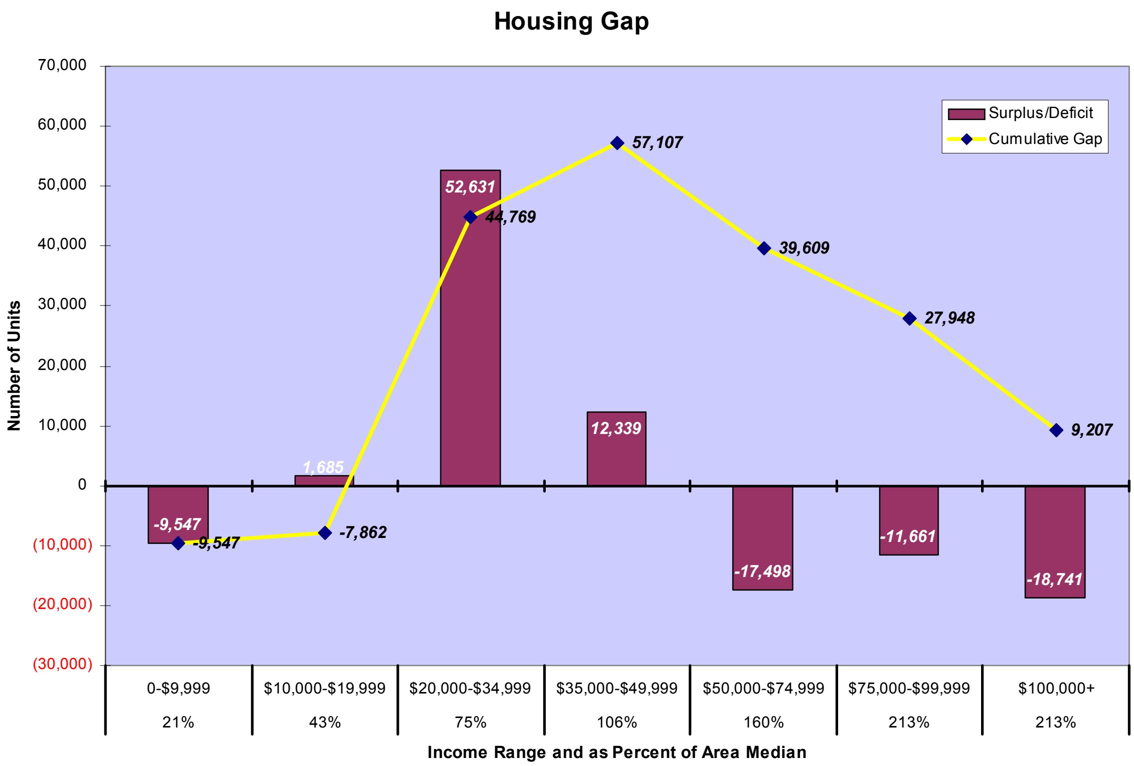
	0-$9,999	$10,000-$19,999	$20,000-$34,999	$35,000-$49,999	$50,000-$74,999	$75,000-$99,999	$100,000+
Demand	15,422	20,395	41,680	36,318	44,158	23,612	34,218
Supply	5,875	22,080	94,311	48,657	26,660	11,951	15,477

Purchasing Power by Income Range

* for all households

The very high demand for units affordable to those at the lowest income is not surprising. The similarly lower supply than demand at the highest income levels does not necessarily indicate that these households are seeking higher-cost housing; it merely illustrates that their incomes allow them to afford higher-priced housing. At high-income levels, households often enjoy financial comfort by purchasing homes below their affordability levels. The unfortunate result of this economizing, however, is that higher-income households occupy units that are affordable for lower- and middle-income households, thereby creating a shortage for those at lower income levels.

The graph below shows the gap between the supply and demand of housing units at each income level. For example, a demand of 15,422 units and supply of 5,875 creates a gap of –9,547 units (see table below and previous graph). In other words, there were 9,547 fewer units available to households earning up to $9,999 annually than there were households in this income category.



At the next level, the demand of 20,395 units and supply of 22,080 creates a gap of +1,685 units; however, this surplus is offset by the 9,547 units sought from the previous income level, still creating a net deficit of 7,862 for the lowest-income earners. An overabundance of housing units at the $20,000-$34,999 income level provides relief at a rather low income level with a cumulative surplus of 44,769 housing units.

A review of the cumulative housing supply and demand (yellow line) shows that there is ample housing for those who earn more than 75 percent of the area median income and an ultimate surplus of 9,207 units. This ultimate surplus indicates that there are sufficient units for those households whose earnings fall at 75 percent of the median or above who wish to live in housing below their affordability levels. In sum, housing options in Charlotte exist for all but the least able to afford it.

Housing Affordability

Housing affordability is calculated as 30 percent of income for rent, and 28 percent of income for homeownership. The difference is to allow for additional costs, such as utilities, that are customarily included in a tenant household's rent, but are borne by the household's income as homeowners.

In Charlotte, the median price of a home is $160,600[8]. Presuming a down payment of 20 percent ($32,120) and an interest rate of 6.5 percent, an estimated monthly payment (PITI) of $813 makes the home affordable to a household earning $34,855 (or 74.2 percent of the area's median income).

---

[8] Median value of homes currently on the market in Charlotte, NC; accessed 8/23/06.

According to the National Low-Income Housing Coalition's "Out of Reach" database, in 2005, Charlotte's median gross rent for a two-bedroom unit was $680. As 30 percent of annual income, this rent would be affordable to a household earning $27,200—57.9 percent of the area's median income. Three-bedroom rental housing was reported to cost $857. While affording this rent requires an annual income of $34,280, it is affordable to households earning 73.0 percent or more of the area's median income. In general, rental housing in Charlotte is reasonably affordable for those who earn an income above half the median.

The first table on the following page illustrates the income needed to afford a home of the 2006 median home value in Charlotte, based on interest rates of 6 and 6.5 percent with a 5-percent down payment. The second table illustrates the price of a home that households paying the 2005 Fair Market Rent (FMR) for two- and three-bedroom units can afford, if they were to own rather than to rent. This chart assumes an affordable rental housing cost to be 30 percent of a household's monthly income and an affordable ownership cost to be 28 percent.

Assuming a 28 percent affordability index, the results of the analysis show that the median value of a home in 2006 is affordable to a household earning between $39,232 and $41,390 (or from 83.5 to 88.1 percent of the AMI). This assumes that the household can provide a down payment of 5 percent.

This analysis further examines the affordability of rental housing in Charlotte in comparison to the cost of homeownership. A household paying the 2005 fair market rent (FMR) for a 2-bedroom rental unit with no funds available for a down payment can afford a home between 62 and 66 percent of the 2006 median home value in Charlotte; that is, a home priced between $100,263 and $105,778. A household paying the 2005 fair market rent (FMR) for a 3-bedroom rental unit with no funds available for a down payment can afford a home between 79 and 83 percent of the 2005 median home value in Charlotte; that is, a home priced between $126,361 and $133,311.

Homeowner and Rental Housing Affordability

Area Median Income (Charlotte)	**$46,975.00**
Affordable Monthly Housing Cost	**28% monthly income**

Homeowner Housing

Annual Wage (and % AMI) and Down Payment Needed to Buy Various Priced Homes (at 6% interest rate)

	Sales Price	Down Payment	Mortgage Amount	Monthly Mortgage at 6% interest	Total Monthly Cost**	Required Annual Income	Percent of AMI
Median Value of Owner-Occupied Unit, 2006*	$160,600	$8,030	$152,570	$915	$952	$39,232	83.5%

Annual Wage (and % AMI) and Down Payment Needed to Buy Various Priced Homes (at 6.5% interest rate)

	Sales Price	Down Payment	Mortgage Amount	Monthly Mortgage at 6.5% interest	Total Monthly Cost**	Required Annual Income	Percent of AMI
Median Value of Owner-Occupied Unit, 2006*	$160,600	$8,030	$152,570	$966	$1,004	$41,390	88.1%

* Median Home Value source: calculated from data retrieved from www.carolinahome.com on 5/8/06

** Includes property taxes, homeowner & mortgage insurance (if required)

Rental Housing

Comparable Monthly Rent and Mortgage/Tax/Insurance Payments

	Monthly Housing Expense	Comparable Monthly Mortgage	Affordable Purchase Price 6% interest rate	Affordable Purchase Price 6.5% interest rate	Required Annual Income	Percent of AMI
2005 FMR (2-bedroom)	$680	$635	$105,778	$100,263	$27,200	57.9%
2005 FMR (3-bedroom)	$857	$800	$133,311	$126,361	$34,280	73.0%

Housing Problems

By the Department of Housing and Urban Development (HUD) standards, there are three criteria by which a household is determined to have a housing problem:

- If a household pays more than 30 percent of its gross monthly income for housing, it is considered *cost burdened*. HUD considers households that pay more than 50 percent of their income on housing costs to be *severely cost burdened*.
- If a household occupies a unit that lacks a complete kitchen or bathroom, the unit has a *physical defect*.
- If a household contains more members than the unit has rooms, the unit is *overcrowded*.

Based on HUD's definition, 33.2 percent of Charlotte renters (30,414) were cost burdened in 2000, and 14.9 percent (13,649) were severely cost burdened. Slightly fewer homeowners with a mortgage experience this housing problem: 21.6 percent (36,803) were cost burdened and 7.5 percent (9,307) were severely cost burdened.

According to the 2000 Census, 1,063 households, or 0.5 percent of all households, lack adequate plumbing facilities. Similarly, 0.5 percent of all households—totaling 1,195 households—lack complete kitchen facilities.

In 2000, 11,336 (5.3 percent) of Charlotte households were overcrowded. These were comprised of 2,410 owner-occupied households, or 1.9 percent of all owner-occupied households. Considerably more in terms of both number and percentage of tenant-occupied households were overcrowded: 8,926 or 9.7 percent of all renters.

Section III: Fair Housing Status, 2006

Unlawful discrimination is one of the most blatant impediments to fair housing, and it is therefore important to make efforts to measure the extent to which unlawful discrimination occurs in the housing market. Analyzing complaints brought by those who believe they have been illegally discriminated against can shed light on the barriers to housing choice and accessibility. Though the number of complaints cannot provide a complete picture of the level of discrimination, it can provide a snapshot of some of the barriers that may exist. The 2002 analysis of impediments for the Charlotte-Mecklenburg area can also shed some light on the community's perceptions of the fair housing environment.

This section will review both the evidence of unlawful discrimination (in the form of an analysis of discrimination complaints) and the recent fair housing related activities of Charlotte. The purpose of this section is to describe the current fair housing environment. Subsequent sections of this report will analyze this information for the purpose of identifying current impediments and action steps to minimize the effect of those impediments.

Status of Fair Housing at the National Level

One of HUD's annual reports, *The State of Fair Housing,*[9] indicates that "in FY 2005, the Fair Housing Assistance Program (FHAP) agencies, nationally received roughly the same number of complaints as they did in FY 2004, for a combined 9,254 complaints, with FHAP agencies investigating over 70 percent of those." Together HUD and FHAP agencies had witnessed a 13 percent increase in housing discrimination complaints in FY 2004, ending that fiscal year with 9,187 complaints. HUD and FHAP agencies most often received complaints alleging disability discrimination, which for the first time surpassed race discrimination as the most common allegation in complaints. Disability discrimination complaints accounted for about 41 percent of the complaints filed with HUD and FHAP agencies.

While disability was the most common basis for discrimination in complaints filed with HUD and FHAP agencies in FY 2005, a recent HUD study suggests that there were probably far more incidents of disability discrimination that never reached the complaint stage. HUD's housing discrimination study, *Discrimination Against Persons with Disabilities: Barriers At Every Step*[10] examined the Chicago area rental market and found that people with obvious disabilities received unfair treatment in their search for housing. For example, hearing-impaired persons, using a telephone-operator relay to search for rental housing, experienced consistent adverse treatment 49.5 percent of the time. The study also found that mobility-impaired persons using wheelchairs experienced consistent adverse treatment 32.3 percent of the time when they visited rental properties.

HUD's housing discrimination study also looked into other kinds of discrimination. The results of the study suggest that, once again, the number of complaints alleging racial or ethnic discrimination in the housing market account for far less than the actual number of discriminatory acts. In fact, a series of national studies on the experiences of African Americans, Latinos, Asians, and Pacific Islanders in the housing market has found evidence of consistent adverse treatment in roughly one of every five interactions with a sales or rental agent. A study on the experience of Native Americans in the rental market in three states found that, on average, they experience consistent adverse treatment in 28.5 percent of their interactions with a rental agent.

---

[9] This document is available at www.huduser.org.

[10] Issued in July, 2005

In addition to presenting information on racial, ethnic, and disability discrimination, HUD's study explored the subtleties of unfair treatment in housing choice. The understated ways in which housing discrimination reveals itself require special testing techniques used by HUD's new Office of Systemic Investigations (OSI) which investigates housing providers or other entities that it suspects of engaging in unlawful discrimination. The OSI uses a technique called paired testing, a method by which two persons, differing only on a single characteristic that is being tested (e.g., race), independently inquire about an advertised housing unit. This approach requires that each of the testers independently records his or her experience. Interestingly, the difference in treatment is often only apparent when an analyst compares the resulting information. Thus, the disparity between the number of complaints filed with HUD and FHAP agencies and the frequency of discrimination found in OSI's housing discrimination studies indicate that the victims themselves are often unaware that they have been discriminated against, further indication that discrimination is greatly underreported.

HUD's study of the housing discrimination of disabled people resulted in the guidebook *Discrimination Against Persons with Disabilities: Testing Guidance for Practitioners*[11] as an aid for fair housing and disability-rights advocates, civil rights enforcement agencies, and others interested in testing for disability-based discrimination. The guidebook describes the advantages and challenges of conducting telephone and in-person testing for discrimination against persons with disabilities. TTY testing was found to be an inexpensive effective testing strategy because it can be completed quickly, it does not require testers to travel, and it can span a wide geographic area. Moreover, relay operators provide customers with a verbatim report on each telephone call, providing an independent narrative of what occurred in the disabled portion of the test. However, because telephone calls are generally brief, these tests do not offer the opportunity to capture as much information about differential treatment as in-person tests.

The report also addresses two particular challenges faced by persons with disabilities when conducting in-person tests—transportation and access to the property and/or unit. Deaf or hard-of-hearing testers were not able to access housing that contained an intercom/buzzer entry system and blind testers sometimes had difficulty finding the front door or gaining access to rental properties or management offices. Therefore, the report concluded that it might make sense to send testers to their assignments with someone who could help them gain entrance, but who would not accompany them during tests. Another significant challenge for disability testing is determining whether the property is accessible enough so that persons with mobility impairments can test it. Before using a property as a test site, *Barriers at Every Step* used a drive-by survey to determine whether it was accessible. The report also suggested that proxy testers be used to test properties that are not accessible.

With proper planning and support, persons with disabilities were able to effectively serve as testers. The most common types of assistance provided for testers with disabilities were transportation to and from the test site, training materials in other formats, such as Braille, and assistance from project staff in completing the test report forms. Cognitively disabled testers sometimes needed companions to accompany them during the test to help them remember and record the test experiences. HUD intends for the study and report to serve as a guide for conducting disability discrimination testing. As such, they should be used in conjunction with other testing approaches that may be appropriate for the discriminatory practice being investigated.

HUD's Fair Housing Enforcement Activity

HUD investigates complaints of housing discrimination based on race, color, religion, national origin, sex, disability, or familial status. At no cost to the complainant, HUD will investigate the complaint and attempt to conciliate the matter with both parties. If conciliation fails, HUD will determine whether "reasonable cause" exists to believe that a

---

[11] This document is available at www.huduser.org.

discriminatory housing practice has occurred. If HUD finds "no reasonable cause," the department dismisses the complaint. If, on the other hand, HUD finds reasonable cause, the department issues a charge of discrimination and schedules a hearing before a HUD administrative law judge (ALJ). Either party may elect to proceed in federal court. In that case, the Department of Justice pursues the case on behalf of the complainant. The decisions of the ALJ and the federal district court are subject to review by the U.S. Court of Appeals. A complete list of cases under investigation or recently settled is available at HUD's web site.

The number of complaints alleging racial or ethnic discrimination in the housing market also account for far less than the actual number of discriminatory acts suggested by recent studies. A series of national studies on the experiences of African Americans, Latinos, and Asians and Pacific Islanders in the housing market has found evidence of consistent adverse treatment in roughly one of every five interactions with a sales or rental agent. A study on the experience of Native Americans in the rental market in three states found that they experience consistent adverse treatment in 28.5 percent of their interactions with a rental agent, on average.

Status of Fair Housing in Charlotte

Charlotte-Mecklenburg Community Relations Committee

The status of fair housing in Charlotte is managed by one very active – and very productive – local agency, the Charlotte-Mecklenburg Community Relations Committee. Established in 1968 as an outgrowth of the Mayor's Friendly Relations Committee, the Charlotte-Mecklenburg Community Relations Committee (C-MCRC or CRC) administers fair housing programs and enforces fair housing laws in the city of Charlotte. The C-MCRC serves as an integral part of the human relations support system for the city of Charlotte and Mecklenburg County and is a statutory agency of the city of Charlotte and Mecklenburg County, authorized by Chapter 12 of the Code of the city of Charlotte and a Memorandum of Understanding between the City and County dated July 7, 1969.

C-MCRC members and its staff of seven work together in four core service areas: 1) inter-group relations, 2) fair housing assistance program, 3) police-community relations, and 4) conflict management. Specific to its mission to provide fair housing assistance, the C-MCRC has taken several initiatives and made several achievements.

Fair Housing Initiatives

- CRC's partnership with the U.S. Department of Housing and Urban Development requires that CRC take steps to affirmatively further fair housing and this is done through outreach and education, including fair housing training.
- The Community Relations Committee administered customer satisfaction surveys to CRC members, staff, volunteers, customers and partners, to gauge the effectiveness of CRC's work and to make recommendations for improvements. The FY05 target satisfaction rating for all surveys was 4.2 out of a possible 5.
- C-MCRC hosted the Quad State Fair Housing and Equal Opportunity Conference March 16-18, 2005 at the Adam's Mark Hotel. This year's conference had a record attendance of 300 participants. Over $35,000 was raised to underwrite the costs associated with the conference from 23 sponsoring organizations and conference attendee registration fees.
- A review of C-MCRC's records from 1995-2000 shows a strong commitment to the elimination of illegal housing discrimination and to the promotion of fair housing choice for all of Charlotte's citizens. Since 1995 the Charlotte-Mecklenburg Community Relations Committee has distributed approximately 15,500 fair housing brochures throughout the city.
- The C-MCRC joined the North Carolina Fair Housing Center and the Apartment Association of North Carolina in translating and distributing the standard lease into Spanish, while not a legal document it has

provided over 25,000 Spanish speakers with an understanding of their rights and responsibilities under their leases.

- The CRC has established an ongoing relationship with industry groups and routinely makes presentations and conducts workshops concerning fair housing for the Charlotte Apartment Association, the Charlotte Association of Realtors and the Charlotte Community Housing Resource Board.
- The CRC has worked to develop the capacity of the local bar and legal services program by sponsoring and participating in Continuing Legal Education (CLE) programs regarding fair housing. Since 1995 the CRC has averaged 10 workshops or presentations per year to local community groups informing them of their fair housing rights under the law. Further, the CRC has run public service announcements and participated in other outreach activities to reach citizens and inform them of their rights.
- The CRC ordered a baseline audit to determine the level of discrimination in the Charlotte/Mecklenburg area in 1999. The CRC has also trained its own auditors for compliance testing. The enforcement statistics of the Charlotte Community Relations Commission are superior to its peer agencies and the Atlanta Regional HUD Enforcement Center.

Fair Housing Achievements

- In 1979, with the support of the Charlotte Board of Realtors, the Charlotte Apartment Association, and other housing industry groups Charlotte became one of the first cities in the South to pass an ordinance prohibiting discrimination in housing on the basis of race, color, religion, sex, and national origin. That ordinance was recognized by HUD as substantially equivalent to the federal Fair Housing Act in 1980. In 1988 the city of Charlotte amended its ordinance to protect families with children under the age of 18 and persons with disabilities.

- The Community Relations Committee obtained $455,600 in federal grant revenue from the U.S. Department of Housing and Urban Development, which includes $280,000 to hire and support two full-time staff positions to conduct an aggressive Fair Housing Testing Program and an intensive education and outreach campaign to the Latino/Latino community in Charlotte-Mecklenburg.

- Additional HUD funds helped the C-MCRC to enhance enforcement of the city and county fair housing ordinances, including the hiring of a full-time staff position and developing contracts with Programs for Accessible Living to test for disability discrimination, with Mecklenburg Ministries to conduct community meetings and dialogue for faith-based organizations and schools, and with UJAMMA and the Latin American Coalition to provide home ownership counseling and affordable housing opportunities, and general support for comprehensive fair housing education and outreach efforts.

- The Community Relations Committee generated $35,372.25 in-kind dollars by utilizing community volunteers to assist with its work and activities. This represents a 46% increase over last year. Approximately 200 volunteers provided 2015.5 hours of work during FY 2005.

In addition to the Charlotte-Mecklenburg Community Relations Committee, fair and equal housing opportunities in the city of Charlotte are supported by the City government itself. Charlotte offers a number of excellent programs and services to the Charlotte Community through the HouseCharlotte program. The City actively promotes and participates in these activities and provides financial support to the community organizations that are responsible for implementing the housing counseling and financial literacy programs. For example, the city of Charlotte provides $2.1 million dollars in down-payment assistance through the HouseCharlotte initiative.

The City also spends approximately $200,000 per year to support homeownership counseling and provides $120,000 per year to support Mortgage Default/Rental Delinquency Counseling in the city of Charlotte.

Finally, the City operates and supports a number of programs to increase family self-sufficiency and to prepare renters for homeownership opportunities through financial literacy, credit counseling and rental assistance. The City also provides and supports a number of initiatives to assist low-moderate homebuyers with down-payment assistance, default delinquency counseling, anti-predatory lending counseling and homeless prevention programs.

Complaints of Unlawful Discrimination

During 2002, the North Carolina Fair Housing Center was commissioned to conduct an analysis of fair housing choice for the city of Charlotte. HUD defines this procedure as a "comprehensive review of policies, practices and procedures that effect the location, availability and accessibility of housing and the current residential patterns and conditions." In order to accomplish this task TDA examined existing studies and literature, conducted an historical analysis, reviewed the public policies from a fair housing perspective, analyzed the effectiveness of existing fair housing activities and examined barriers to fair housing choice for each protected class.

It can be extremely difficult to detect unlawful discrimination, as an individual home-seeker, and the resolution of these complaints, following investigation, is also important to consider. Note, the following definitions:

Administrative Closure—Action taken as a result of a judicial proceeding, lack of jurisdiction due to untimely filing, inability to identify a respondent or locate a complainant, or if a complainant fails to cooperate.

Conciliation—Parties meet to work out a resolution. Meeting is generally initiated by the equivalent agency or HUD. In Charlotte, the equivalent agency is the Charlotte-Mecklenburg Community Relations Committee (C-MCRC).

Withdrawal/Relief—Situation where the complainant wishes to withdraw without relief or there is relief granted following a resolution between the parties.

No Reasonable Cause—Although there may have been an action taken that appears to be discriminatory under the Fair Housing Law, there is not sufficient evidence uncovered as a result of investigation, to prove the action was in fact discrimination, or in other words one of "Reasonable Cause" to transfer to the U.S. DOJ, District Judge or the HUD Administrative Law Judge for a judicial ruling.

Reasonable Cause—As a result of investigation, that may also be considered in a conciliation or other attempted resolution action, there is sufficient evidence or "Reasonable Cause" to present the case to the (DOJ) District Judge or the HUD (ALJ), for a judicial ruling.

HUD/NCHRC Title VIII Complaints

The Community Relations Committee received for processing 23 fair housing complaints. A typical case took 100 to 200 hours to investigate. Fifteen complaints were closed: seven were no cause; five were waived to HUD; two were withdrawn with resolution; and one was conciliated for $4,000 to the complainant. The bases of the 23 complaints were: 12 race, 5 race/family status; 3 design and construction, I race/religion, I family status, and 1 national origin.

In addition, CRC closed 16 carry-over cases: one Superior Court judgment of $750 to the complainant; seven conciliations; six no cause findings; and 2 withdrawn with settlements. Complainants received a total of $22,450 in settlement fees and respondents incurred expenses for correcting design and construction violations. The CRC worked with 24 community organizations, including housing providers, to provide 24 fair housing trainings for 560 individuals during FY2005.

Since 2001, HUD and the Charlotte-Mecklenburg Community Relations Committee received (and cross-filed) for consideration 142 cases under the Fair Housing Act, as illustrated in the table below. During that same period, the agencies closed five cases as Reasonable Cause and 53 cases as No Reasonable Cause. During this period there were a remarkable number of cases that resulted in Conciliations and generally settled without prejudice. Five cases were referred to HUD at the department's request.

Annually, the activities of the CRC in handling fair housing cases result in one to two million dollars of direct relief to an individual or class, in public program action, or in private investment in fair as well as affordable housing.

Complaints Received under the Fair Housing Act, as amended
Charlotte Title VIII Cases Received FY 2001 through FY 2005

Complaint Basis

Class	# of Complaints
Race	59
Sex	11
Color	0
Religion	2
National Origin	10
Family Status	8
Disability	52
Total Filed	142
Note: The total number of cases (142) is less than the sum of the cases by basis because several cases contain allegations with multiple basis.	

Outcome of Complaints Received under the Fair Housing Act, as amended
FY 2001 through FY 2005

Outcome	Number of Resolutions
Cause Findings	5*
No Cause Findings	53
Conciliations	35
Administrative and Other Closures	49
Total Closed	142
* (One Case resulted in a Court Judgment)	

Of the 142 cases filed during the timeframe, 59 where based on race,11 based on sex, 2 based on religion, 10 based on national origin, 8 based on familial status, and 52 based on disability. None of the cases filed were based on color.

In addition to the Charlotte-Mecklenburg Community Relations Committee and HUD, there are at a minimum, two sources of information about the types of fair housing complaints that have been made in the Charlotte-Mecklenburg area: the U.S. Department of Justice (DOJ) and the North Carolina Human Relations Commission.

Due to confidentially, the individual disposition of each case has not been provided by CRC or HUD, although it is expected that some level of discriminatory behavior may have occurred in cases that were not processed further.

Impediments to Choice for Protected Groups

Race

The greatest impediment to fair housing choice for African Americans was residential segregation and the economic disparities that foster it. Disparities between housing values appeared geographically between neighborhoods with different racial compositions. Mostly white neighborhoods (over 90% white) that had high housing values were located in the south side of Charlotte, in first tier suburbs to the south and outer suburban areas to the northwest and southwest. Middle value homes were spread out throughout the region, while moderate and low value homes tend more to be located in Gaston, Lincoln and Rowan counties. Most white neighborhoods were comprised of middle to upper valued homes. Conversely, African American neighborhoods are comprised of mostly moderate or low valued homes in the city of Charlotte.

The North Carolina Fair Housing Center conducted audits to determine the level and type of discrimination faced by African Americans in the Charlotte/Mecklenburg rental market 1999. The audit found a significant level of "gate-keeping" of African American applicants. "Gate-keeping" is a term used to describe the effort by a rental agent to pre-qualify an applicant by making sure before they show the property that the applicant can meet their qualification standards.

National Origin

Latinos

Charlotte experienced a 6l4% growth in its Latino population since the last census; this population group currently comprises 7.4 percent of the population. This rapid influx of Latinos has created unique barriers to fair housing choice. In this short period of time a segregated housing pattern is emerging. There are currently five census tracts where Latinos make up more than 20 percent of the population and one census tract that is more than 4O percent Latino.

The North Carolina Fair Housing Center conducted audits in 1999 to determine the level and type of discrimination faced by Latinos /Latinos in the Charlotte/Mecklenburg rental market. Significant levels of discrimination were found. In several of the sites audited the Control (white) applicant was informed of more units than the Variable (Latino) applicant. In twenty percent (20%) of the sites audited the Variable applicant was given a higher rental price than the Control applicant.

Language and culture also serve as significant barriers to housing opportunity for persons of Latino/Latino background. Many Latinos come from countries where there was very little trust in government and there were often negative consequences for going to government agencies for assistance. Language also serves as a significant barrier for many Latinos who have difficulty in understanding complex legal documents such as leases and mortgages that are often only available in English. Latinos and other immigrants also experience discrimination in the terms and conditions of occupancy. Many times landlords refuse to carryout repairs and routine maintenance for immigrant tenants. Latinos are also subjected to different lease terms such as charging rent by the number of occupants. These serve as significant barriers to housing opportunity for Latinos.

Middle Eastern Populations

Immigrants from different countries such as India, Syria, Jordan, Palestine, Saudi Arabia, UAE, Egypt, Sudan, Morocco, Algeria, Tunisia, Bosnia, Afghanistan, Guyana, Pakistan, Somalia, Malaysia, and Ethiopia, have come to call Charlotte home. Although several persons have reported discrimination in employment and public accommodations since September 11, 2001, there have been no reported cases of housing discrimination in the Charlotte area.

Familial Status

Large families still have difficulty finding affordable units in the Charlotte market. In 1999 the North Carolina Fair Housing Center conducted audits to determine the level and type of discrimination faced by families with children in the Charlotte/Mecklenburg rental market. While family-sized units were found to be expensive, overall the audit uncovered little evidence of widespread discrimination based upon familial status in the Charlotte/Mecklenburg rental market.

Persons with Disabilities

For individuals with disabilities, NIMBYism is the greatest determiner of fair housing opportunities, particularly those living in a group home setting. The consolidated plan for the city of Charlotte outlines in great detail the housing needs for persons with mental and developmental disabilities and for persons with HIV or AIDS. For persons with physical disabilities the challenge is to find an accessible or adaptable unit at an affordable rent. The North Carolina Fair Housing Center in 1999 conducted audits in the city of Charlotte to determine the level of compliance with the design and construction provisions of the Fair Housing Act.

There are seven design and construction requirements under the Fair Housing Act. The standards are as follows:

1. An accessible building on an accessible route
2. Accessible and usable public and common use areas
3. Useable doors
4. Accessible route into and through the covered dwelling unit
5. Accessible light switches, electric outlets, thermostats and other environmental controls in accessible location
6. Reinforced walls for grab bars
7. Usable kitchens and bathrooms

All ground floor units in covered multi-family buildings ready for first occupancy on or after March 13, 1991 are required to meet the above requirements. Multi-family buildings included in this requirement are those made up of four or more attached units. One hundred percent of the units audited showed some level of noncompliance with the design and construction guidelines of the Fair Housing Act.

Fair Housing Act Requirement	% of units non-compliant
An accessible building on an accessible route	50%
Accessible and usable public and common use areas	80%
Useable doors	50%
Accessible route into and through the covered dwelling unit	70%
Accessible light switches, electric outlets, thermostats and other environmental controls in accessible location	40%
Reinforced walls for grab bars	unable to determine
Usable kitchens and bathrooms	70%

Thirty percent (30%) showed substantial compliance with the Fair Housing Act and could be brought into full compliance with only minor modifications or alterations; however, 70 percent of the complexes audited violated three or more of the requirements. Thirty percent (30%) violated both the Fair Housing Act and the Americans with Disabilities Act by having models located on the second floor. While there were compliance issues, no evidence of illegal steering was noted in any of the audit reports. In fact, one leasing agent offered reasonable accommodations or modifications to bring the units into compliance. This is a best practice and should have been stated by all of the leasing agents audited.

Information received from disability advocates in the Charlotte area indicates that 1) there is still a shortage of accessible housing units in the Charlotte area and 2) that there is still significant noncompliance (although there has been some improvement in compliance). It was also reported that many persons with disabilities are faced with landlords' perceptions that a person with disabilities will require more attention than other tenants and are reluctant to rent to them.

Religion

While its religious landscape remains overwhelmingly Christian, new religious communities are becoming visible and vital in Charlotte. A large Hindu temple, four Buddhist temples, and two Islamic centers are the most obvious indicators of the influx of new immigrants. There are approximately 7,000 Muslims in the Charlotte area. Since the events of 9-11, those of the Muslim faith in the city have experienced more challenges. Persons surveyed reported receiving threatening phone calls; there were also reports of threats against the Islamic centers themselves. The Federal Bureau of Investigation issued a memorandum to apartment managers stating that discrimination against persons of the Muslim faith or persons of Middle Eastern decent are in violation of the Fair Housing Act. The Apartment Association of North Carolina and the Charlotte Apartment Association have done a good job of providing appropriate guidance to their members.

Reasons for Trends or Patterns

The predominance of certain races in certain neighborhoods is not a new phenomenon. Clearly some neighborhoods develop a racial or ethnic predominance because individuals feel more comfortable purchasing a home on the street where they grew up or in a neighborhood shared by family or friends. However, the level of spatial isolation found in Charlotte's Latino community cannot be explained away by self-segregation. It is improbable for a community that makes up 7.4 percent of the general population to comprise 40 to 60 percent of some census tracts without some level of unlawful steering.

Section IV: Public Sector Analysis

Overview

The Fair Housing Act generally prohibits the application of special requirements through land-use regulations, restrictive covenants, and conditional or special use permits that, in effect, limit the ability of minorities or the disabled to live in the residence of their choice in the community. If large-lot minimums are prescribed, if a house must contain a certain minimum amount of square feet, or if no multi-family housing or manufactured homes are permitted in an area, the results can exclude persons protected by the Act. If local mandates make it unfeasible to build affordable housing or impose significant obstacles, then a community must affirmatively work toward eliminating this impediment to fair housing choice.

The Fair Housing Acts of 1968 and 1988, as amended, also make it unlawful for municipalities to utilize their governmental authority, including zoning and land use authority, to discriminate against racial minorities or persons with disabilities. Zoning ordinances segregate uses and make differentiations within each use classifications. While many zoning advocates assert that the primary purpose of zoning and land use regulation is to promote and preserve the character of communities, inclusionary zoning can also promote equality and diversity of living patterns. Unfortunately, zoning and land-use planning measures may also have the effect of excluding lower-income and racial groups.

Zoning ordinances aimed at controlling the placement of group homes is one of the most litigated areas of fair housing regulations. Nationally, advocates for the disabled, homeless, and special needs groups have filed complaints against restrictive zoning codes that narrowly define “family” for the purpose of limiting the number of non-related individuals occupying a single-family dwelling unit. The ‘group home’ arrangement/environment affords many persons who are disabled the only affordable housing option for residential stability and more independent living. By limiting the definition of “family” and creating burdensome occupancy standards, disabled persons may suffer discriminatory exclusion from prime residential neighborhoods.

Local Public Codes, Laws, and Policies

Property Tax Policies

Across the country, older cities – with the support of the federal government – have begun to invest in economic and community development programs designed to revitalize their decaying urban cores. Charlotte is no exception. The foundation upon which this kind of development is built is the ability to achieve fairness in the appraisal process within these neighborhoods. Since the starting point for most bank appraisals is the tax department, discriminatory assessment practices can undermine a homebuyer’s ability to secure mortgage financing in an amount commensurate with the property’s true market value.

Although the Fair Housing Act specifically prohibits the consideration of the racial or ethnic composition of the surrounding neighborhood in arriving at appraised values of homes, no practical means exist to investigate violations of this kind. One reliable approach, however, is to review, periodically, the assessment policies and practices of the taxing jurisdiction since their valuations generally comprise the bases for private appraisals.

Property tax assessment discrimination against low-income groups occurs when lower value properties and/or properties in poorer neighborhoods are assessed for property tax purposes at a higher percentage of market value, on average, than other properties in a jurisdiction. Regressive assessments (the tendency to assess lower value properties at a higher percentage of market value than higher value properties) are not uncommon in this country.

They result from political pressures, practical problems in assessment administration and the use of certain inappropriate appraisal techniques. Assessments tend to remain relatively rigid at a time when property values are rising in middle income neighborhoods and are declining or remaining at the same level in low-income neighborhoods.

Inequities in property tax assessments are a problem for both lower-income homeowners and low-income tenants. Millions of low-income families own homes. Variations in assessment-to-market value ratios between neighborhoods or between higher and lower value properties can make a difference of several hundred dollars or more each year in an individual homeowner's property tax bill. In addition to causing higher property tax bills, discriminatorily high assessment levels can also have an adverse impact upon property values. Buyers are less likely to purchase a property if the property taxes are perceived as too high thereby making the property less attractive and reducing its market value.

Another common inequity is the assessment of multifamily dwellings at a higher ratio-to-market value than single family dwellings. This type of inequity may be considered a form of discrimination against low-income groups because a higher percentage of low-income than middle-income persons live in multifamily rental dwellings. The requirement to pay a higher assessment is passed on to the tenant in the form of higher rent. Quite often, higher assessments also make it difficult for landlords to maintain property within the limits of the property's rent structure leading to substandard housing conditions.

Most jurisdictions rely heavily on a market value approach to determining value when conducting their property assessment appraisals. Under this approach, an appraiser compares recent sale prices of comparable properties within the area – in addition to site visits and a good deal of expert speculation – in arriving at an appraised value. The limitations inherent in market value approaches are many. Most prominent among them are the cumulative result of decades of discriminatory valuations, especially where the neighborhood is a minority one. Unless some radical re-appraisal process has been conducted within the preceding 10-year period, the present market value approach merely compounds past discrimination.

While the market value approach may operate successfully in some jurisdictions, a substantial percentage of jurisdictions rely primarily on a replacement cost approach in valuing properties. Making determinations of value based on comparable sales is a complex task, which requires considerable exercise of judgment. Assessor's departments, which must appraise every property within a jurisdiction, often do not find it feasible to make the detailed individual analysis required to apply the market value approach.

Zoning and Site Selection Laws

A view of representative studies concerning the nature of zoning discrimination shows that, as observed by Professor Richard T. Lal, Arizona State University, in his paper "The Effect of Exclusionary Zoning on Affordable Housing:"

> "If land-use zoning for the purpose of promoting reason, order and beauty in urban growth management is one side of the coin, so can it be said that exclusion of housing affordable to low and moderate income groups is the other…as practiced, zoning and other land-use regulations can diminish the general availability of good quality, low-cost dwellings…."

While zoning may positively impact and control the character of communities, the city must consider its role in assuring it is not involved in promoting barriers to equal housing. In considering how zoning might create barriers to fair housing, four key areas were reviewed; these included the following which were selected because of the possible adverse effects they could have on families and persons with disabilities.

- Definitions used for "families" and "group homes"

- Regulations (if any) regarding group homes

- Ability for group homes or other similar type housing to be developed

- Unreasonable restrictions on developing multifamily units, such as lot size requirements.

While the definition of group care facility is broader in terms of the number of people that can be served and no limited related to temporary disability, group housing is much more restricted in where it is permitted under current zoning designations. Family care homes are permitted under all single-family zoning districts as well as all multifamily and office use districts, neighborhood business districts (light commercial), agriculture districts and mixed use districts (traditional neighborhoods). Group homes, on the other hand, are not permitted in any single-family zoning districts and are only permitted in the highest density multifamily residential districts and commercial, office and public and institutional districts. This serves to limit group homes located in single-family and low-density multifamily districts to only small-scale homes (six persons or less) that serve those with temporary disabilities. Generally, the concept of group homes is to integrate residents into neighborhoods, providing the maximum amount of independent living in a community-based environment. For those group homes that serve persons with permanent disabilities and/or more than six occupants, this neighborhood integration is often more difficult.

Charlotte's land use plan requires that adequate public facilities be available for any development activities. In this context, "adequate public facilities" generally refers to governmental strategies for assuring that all infrastructure required to meet the service demands of a particular development is available as development occurs. Such strategies can require (where permitted by statute) that the costs for all or a portion of such infrastructure be borne by the developer (ultimately the consumer), and not the general public. Currently, the policy of the city of Charlotte is that all streets, water, sewer, and storm drainage facilities within a subdivision, including any required water quality retention ponds, are paid for by the developer.

The ability to provide affordable housing to low-income persons is often enhanced by an entitlement grantee's willingness to assist in defraying the costs of development. Effective approaches include contributing water, sewer, or other infrastructure improvements to projects as development subsidies or waiving impact and other fees. These types of approaches help to reduce development costs and increase affordability allowing developers to serve lower-income households.

Planning and Zoning Commission

The Planning and Zoning Commission is an advisory body appointed by the Mayor and confirmed by city council. The commission is intended to represent the community, and members are encouraged to be deeply interested in its physical, social, and economic betterment. Members are responsible for the development of a comprehensive plan, which the commission prepares and recommends to city council, along with other specialized plans and studies. A majority of the commission's work, however, involves hearing and making recommendations to the city council on zoning map amendments, conditional use permit requests, special use permit requests and street closings.

Membership on the commission requires several hours a month attending regular meetings with special meetings often necessary to consider projects and plans. Although the commission's work is concentrated mostly in meetings, additional time is needed to adequately review agenda items and visit sites prior to meetings.

Building Codes (Accessibility)

The city of Charlotte does not have its own building codes but has adopted North Carolina's statewide building codes. In 2005, North Carolina received ADA certification of its statewide accessibility code, making it one of only six states to receive this status. This certification identifies North Carolina's accessibility code as meeting or exceeding the new construction and alterations requirements of title III of the Americans with Disabilities Act. While the state's codes are recognized as meeting requirements of the ADA, the state is still behind the curve in its compliance with the Fair Housing Act's accessibility requirements. The state of North Carolina identified in its most recent consolidated plan a "continuing lack of understanding of the Fair Housing Act at the local level, which is creating significant barriers to affordable housing. This lack of education plays out in the following ways:

- Local planners and planning commissioners are not trained in fair housing laws and make decisions on affordable housing proposals that are in violation of the Fair Housing Act

- Local building inspectors do not enforce the Fair Housing Act's accessibility provisions regarding multifamily residential development

- Local jurisdictions do not have reasonable accommodation ordinances to handle requests for special needs populations

Neighborhood Revitalization, Municipal Programs, Transportation

Neighborhood Revitalization

The city of Charlotte carries out federal programs administered by the U.S. Department of Housing and Urban Development. In FY 2000, the city of Charlotte published its Consolidated Five Year Strategic Plan, which addressed housing and community development needs during the period of FY 2001 to FY 2005. The one-year action plan describes the activities to be undertaken during the fiscal year and how the City will use federal and local resources to accomplish the stated objectives. The annual plan also describes how other community resources will be used to address the needs of the homeless, low- to moderate-income individuals and families, and other targeted populations. The 2006-2010 consolidated plan, prepared in May, 2005, focused most of its efforts on achieving the goals and strategies outlined in the "City Within a City" (CWAC) focus area and the Charlotte city council's housing policy. The City also focused on its nine targeted revitalization neighborhoods. The CWAC area consists of 73 contiguous neighborhoods within a four-mile radius of the downtown area. The housing policy, adopted in 1997, represents the City's housing revitalization strategies for low and moderate-income areas.

The City of Charlotte's Housing Programs

Faced with the reality of limited federal and local government resources for housing, Charlotte has been challenged to create a comprehensive, affordable housing program to meet the demands of priority needs households along the entire housing continuum – rental, ownership, special needs, supportive housing, etc. While the large unmet need for rental housing for extremely low income households might suggest that all resources should be devoted to addressing this gap, resources must also be devoted to addressing the housing needs of low and moderate income households that have cost burdens and other housing problems to ensure the housing continuum is intact and flowing. This includes enabling more homeownership among these income groups, which the City has determined is important for stabilizing families and neighborhoods. It also includes preserving the existing affordable housing stock, also key for neighborhood revitalization.

As part of its consolidated planning process, the city of Charlotte retained Robert Charles Lesser and Co., LLC (RCLC0), a real estate consulting firm, to conduct a full assessment of the affordable rental and for-sale housing supply and demand in Mecklenburg County. Available demographic, economic, and housing data for the Charlotte market was used to quantify the current and projected five-year housing supply and demand for priority needs households in Mecklenburg County. Some of that information appears at the end of this section under Additional Information.

Strategy

Over the next five years, a total of 5,800 affordable units are targeted to be rehabilitated or constructed in Charlotte, with 47 percent of the total units for extremely low income households, 35 percent for low income households and 18 percent for moderate income households; this is consistent with the above priorities. The projected cost to meet this target will be approximately $119.5 million. CBDG and HOME dollars will be used to fund approximately $20 million of this total (17 percent), with the remainder funded locally. Important to underscore again, this target of 5,800 units does not adequately address the unmet need for affordable housing units in Charlotte-Mecklenburg. In effect, it will only address approximately 20 percent of the unmet need. This is a conservative, realistic targets based on the assumptions that: 1) federal funds will remain the same, or may even decline as a result of program cuts, and 2) local funds will remain somewhat constant over the next five years through the Housing Trust Fund. If additional sources of funding are identified, a higher percentage of the unmet need could then be met.

Community Development Block Grant Program

The Community Development Block Grant (CDBG) program is used to plan and implement projects that foster revitalization of eligible communities. The primary goal of the program is the development of viable urban communities. Program objectives include the provision of decent housing, a suitable living environment, and expanded opportunities principally for low- to moderate-income individuals and families. Charlotte has been an entitlement city for 30 years and receives its CDBG allocation directly from HUD.

HOME Investment Partnership Program

The HOME Investment Partnership (HOME) program is used to assist in developing affordable housing strategies that address local housing needs. HOME strives to meet both the short-term goal of increasing the supply and availability of affordable housing and the long-term goal of building partnerships among state and local governments and nonprofit housing providers. Charlotte receives its funding directly form HUD as a HOME participating jurisdiction.

Affordable Housing Needs and Activities

The Neighborhood Development Department has designed and implemented various housing assistance strategies that include rehabilitation, down payment assistance for first-time homebuyers, and new affordable housing construction. The city's community and neighborhood development activities are designed to assist with neighborhood improvement projects; assist small businesses; provide public services; help low- to moderate-income residents acquire needed information, knowledge, and skills to build their capacity; enhance the provision of public services; and provide relocation assistance to residents who are required to move from their homes. The majority of these projects are located in the core-city area.

Public Housing

The Charlotte Housing Authority (CHA) is responsible for the development and maintenance of the city's public housing. The member agencies of the Charlotte Housing Coalition work with the city to address the needs of the homeless and persons with special needs. Affordable housing in Charlotte is provided through a variety of public agencies, nonprofit organizations, other private sector developers and lenders. In many cases, individual housing providers focus their efforts on specific income groups, tenure types or on providing certain types of housing and supportive services.

The Charlotte Housing Authority administers all public and Section 8 housing in Charlotte-Mecklenburg. In total, the agency manages 3,253 units of public rental housing that are, on average, in fair to good condition. These units are located within 36 different CHA communities throughout Charlotte. CHA also currently administers 4,217 Section 8 Certificates or Vouchers, which provide over $20 million in housing assistance to private landlords. In early 2005, 3,406 families were on the waiting list for a public housing unit and 825 families were on the Section 8 waiting list, for a total of 4,231 families.

The city of Charlotte has enjoyed a positive relationship with the Charlotte Housing Authority for many years. The city of Charlotte staff and CHA staff work cooperatively and share information relative to the City's strategies to address housing and other community development needs. The City has also worked closely with the Housing Authority with its effort to redevelop troubled public housing.

Transportation

Transportation links are an essential component to successful fair housing. Residents who do not have access to commercial areas are limited in where they can shop for goods and services and seek employment. The converse is true as well. Inadequate transportation routes limit the selection of housing to neighborhoods within transportation service areas. Convenient roads in good repair are as important for those who rely on their own vehicles for transportation as they are for those who rely on public transportation.

Additional Information

The following information, though not directly related to fair housing, is helpful to understanding the overall view of housing in the city of Charlotte. This material was developed through an analysis of Charlotte's housing market and also appears in the City's annual action plan.

General Observations in Charlotte's Housing Market

- In 2000, approximately 38 percent (103,450) of all Charlotte households rented their housing as compared with 62 percent (nearly 170,000) households that owned their home. While the number of renter households is growing at a rate of approximately 1.7 percent annually, the number of owner households in Mecklenburg County is projected to outpace the renter households at a growth rate of 2.6 percent.

- In 2004, approximately 17,400 Mecklenburg County renter households had an annual income less than $15,000 (16 percent of all renter households), equating to an affordable monthly rent of less than $375. The total number of renter households earning less than $15,000 is projected to remain stable, at approximately 17,500 households, through 2010.

- Twenty-eight percent (28%) of renter households in Mecklenburg County pay more than 30 percent of their annual household income towards rent, and almost 16 percent of renter households pay in excess of 50 percent of their annual household income towards rent. These renter households are generally those earning less than $20,000 annual income.

- Approximately 16 percent of all homes in Mecklenburg County are valued under $100,000. The median housing value in Mecklenburg County was $161,832 in 2004, compared to $141,249 in the United States and $119,912 in the Southeast.

Rental Housing Supply and Demand

- In 2004, an unmet demand of 10,178 affordable rental-housing units existed in Mecklenburg County. A majority (73 percent) of this unmet demand was from those households earning less than $8,000 per year (requiring a $200 per month rental housing payment); the remainder of the unmet demand came from those earning less than $16,000 per year (requiring a monthly rental housing payment less than $400).

- By 2010, a need for approximately 12,530 affordable rental-housing units is projected to increase, with approximately 8,000 (63 percent) of those units requiring rents of less than $200 per month. The remaining 4,530 affordable units will require rents between $200 and $400 per month.

- The majority of the unmet demand for rental housing units is located in the Central Mecklenburg County Planning District. In 2004, the Central Planning District had an unmet demand for approximately 4,600 rental- housing units with rents under $300 per month, and an additional unmet demand for 2,900 units with rents between $400 and $700 per month.

Owner-Occupied Housing Supply and Demand

- In 2004, an unmet demand of 1,094 affordable owner-occupied housing units existed in Mecklenburg County. All of the unmet demand was from households earning less than $15,000 per year (requiring a maximum $375 per month housing payment).

- A majority of the 2004 unmet demand for owner-occupied housing units was located in the Central Planning District. However, through 2010, the largest share of unmet demand for affordable owner-occupied housing units will be in the South Planning District due to rapid land appreciation and a lack of affordable homes.

- In 2010, a need for approximately 4,154 additional affordable owner- occupied housing units, or 1.9 percent of total owner-occupied housing units in Mecklenburg County is projected.

Special Needs Housing (Non-Homeless)

- The special needs population includes individuals having mobility impairments, disabilities or that require supportive services. An estimated 28,028 special needs households (renter and owner) who have annual incomes of 80 percent or less of the area median income existed in Mecklenburg County in 2004.
- The largest number of special needs priority households (15.4 percent) has annual gross incomes of $9,000 or less.
- Between 2000 and 2004, the number of special population individuals increased by 21.5 percent, with a 12 percent increase projected between 2004 and 2010.

Lead-Based Paint

- It is estimated that as many as 124,487 housing units in Charlotte may have lead-based paint. Since the city of Charlotte undertakes the rehabilitation of limited to comprehensive rehabilitation of housing units (many of which were constructed prior to 1978), painted surfaces will be disturbed as part of this process. As such, the city is required to incorporate lead-based paint hazard evaluation, approved remediation/reduction strategies and clearance requirements for all housing structures built before 1978.

- To reduce the potential for adverse health effects attributable to the rehabilitation of deteriorated lead-based paint surfaces, the city provides educational material. All customers receiving housing rehabilitation assistance from the city are informed about the potential health hazards posed by the presence of deteriorated lead-based paint, which includes information about protecting their families from this hazardous substance.

- In addition, Project Managers who oversee rehabilitation projects are trained to incorporate proper hazard reduction techniques into the treatment of lead-based paint. Instead of performing lead hazard evaluations on properties proposed for rehabilitation, it is Charlotte's policy to automatically presume that lead-based paint and/or lead-based paint hazards are present when the housing was built before 1978. Visual assessment, stabilization and standard treatment methodologies are employed to achieve clearance for each comprehensive rehabilitation project.

- As the result of elevated lead poisoning cases that were reported by the local media, the City has stepped up its activities to elevate public consciousness regarding the adverse effects of lead poisoning in the Charlotte community include and secure funding for lead hazard reduction activities.

Section V: Private Sector Analysis

Overview

Since most housing transactions occur in the private sector and are not significantly impacted by the local government(s), an analysis of impediments must explore housing in the private sector in Charlotte. This section provides an in-depth review of private real estate and lending activity over the past three years and identifies trends that have an impact on fair housing.

Lenders in Charlotte, NC

Homeownership rates are important to a community's financial well-being. Prospective homebuyers expect to have access to mortgage credit, and programs that offer homeownership must be available without regard to discrimination, income, or profession. To truly live up to fair housing law, all persons must have the ability to live where they want and can afford to live.

Access to mortgage credit enables residents to own their homes, and access to home improvement loans allows them to keep older houses in good condition. Access to refinancing loans assures achievement of the dreams that all Americans have. All of these help keep neighborhoods attractive and residents vested in their communities.[12]

Inadequate lending performance results in various long term and far ranging community problems, and of these, disinvestment is probably the most devastating. Disinvestment in Charlotte by its lenders would reduce housing finance options for borrowers and weakens competition in the mortgage market for low- and moderate-income neighborhoods. High mortgage costs, less favorable mortgage loan terms, deteriorating neighborhoods, reduced opportunities for homeownership, reduced opportunities for home improvement and the lack of affordable housing are only a few of the consequences of inadequate lending performance. Financial decay in the business sector as well as in the private sector is also a result of disinvestment in the form of business relocation, closure and bankruptcy. Full service local lenders that have traditionally served residents and businesses are one of the main elements that keep neighborhoods stable.

Significant changes are occurring in the lending market not only in Charlotte but throughout the United States. The number and type of lenders have changed over the last ten years, and it is a common occurrence to read about national lenders buying local lenders. These national lending institutions are becoming increasingly more active locally, as the market share of national corporations is growing yearly. The newest issue to emerge from the changes in the market is the substantial growth of the sub-prime market and the impact these lenders have on communities and neighborhoods. More and more we see local, commercial banks lose market share to lenders outside the city.

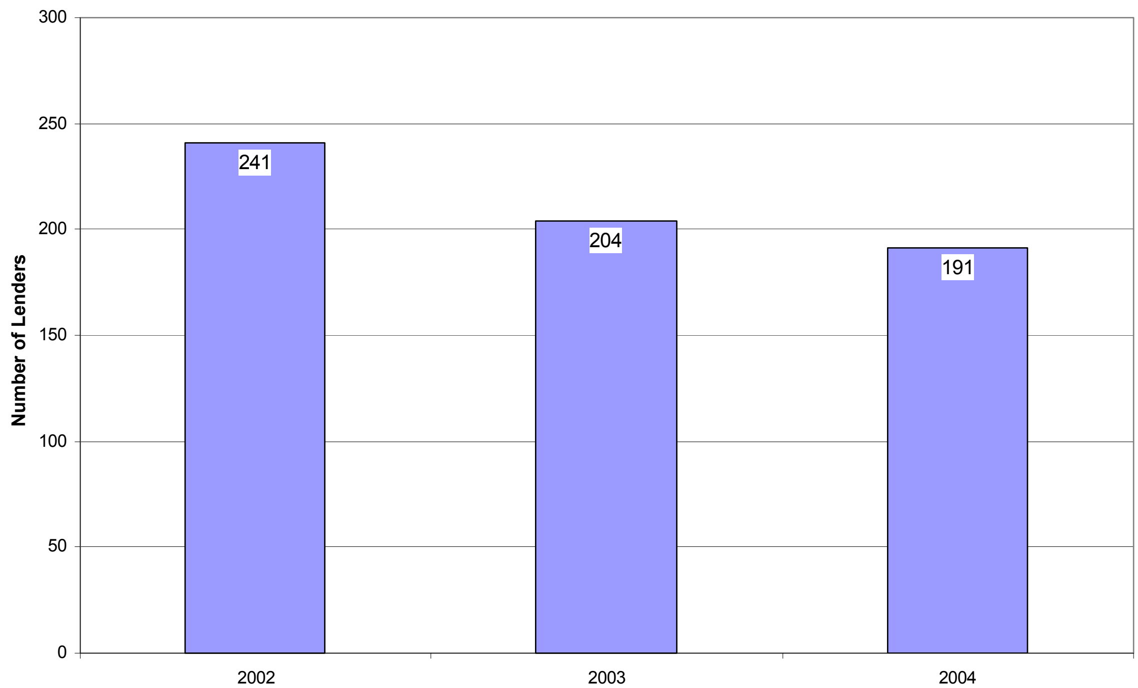
Like most cities that are part of a large Metropolitan Statistical Area (MSA), Charlotte is highly influenced by lending activity throughout the Charlotte-Gastonia-Rock Hill areas of both North Carolina and South Carolina. In this context, while data were specifically extracted from activity that took place in the census tracts that make up the city of Charlotte, the city responds to activity that takes place throughout the MSA as a whole.

[12] Profile of Lima, Ohio, Federal Reserve Bank of Cleveland, Fall 2000.

There are 64 financial institutions with a home or branch office in Charlotte, their data make up the 2004 aggregate report for the city of Charlotte. In addition, there are 127 other lending institutions that do not have a home or branch office in the city, totaling 191.

The number of all mortgage lenders in Charlotte showed a 15-percent drop from 2003 to 2004 (from 241 to 204). The 2004 figure shows a continuing downward trend of loss of lenders.

Fig. 1. Number of Lenders



Source: HMDA, 2002-2004

The physical presence of financial institutions in communities facilitates relationships with banks, and the location of these institutions is a primary concern for a community. Areas left without branches or with access to only ATM machines must find alternative sources for services, such as checking-cashing businesses or finance companies, which can be more expensive than traditional financial institutions or credit unions.

Percent Change 2002 to 2004	
2002 to 2003	-15.4%
2003 to 2004	-6.4%

Table 1 shows the top five lenders in the Charlotte area and their 2004 market share for mortgage applications (all types and purposes). As lenders, these institutions have a market share of 21.3 percent, while all lenders with locations in Charlotte have a combined total market share of 50.9 percent. The remaining 49.1 percent of all loans written on real property in the market went to lenders who do not have offices or branches in Charlotte. This means that the real estate lending marketplace in the city of Charlotte is divided nearly equally between local and remote lenders.

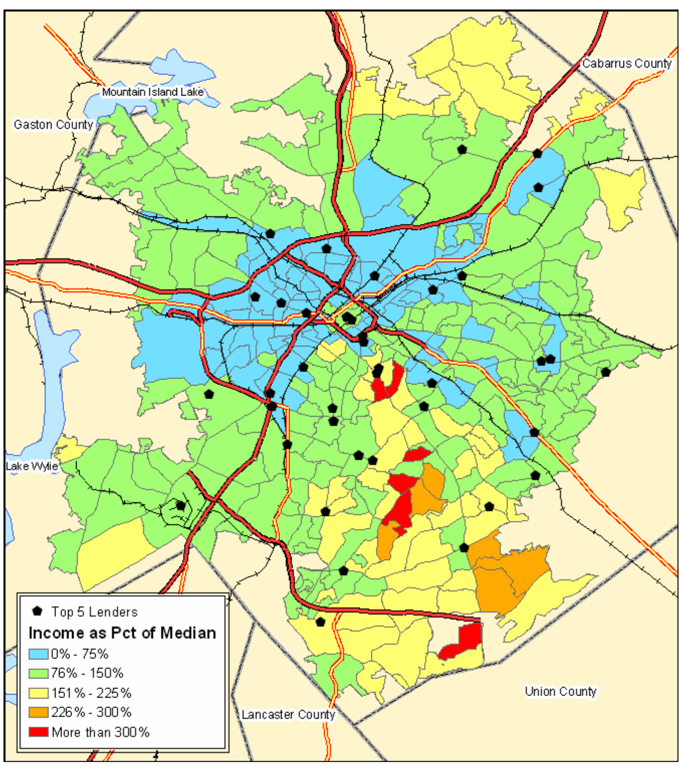
Table 1. Lending Institutions in Charlotte

Institution	Number of Locations	% Market Share 2004
Ameriquest Mortgage Company	1	13.0%
Bank of America, NA	25	8.8%
Beneficial	2	7.9%
Countrywide Home Loans	7	6.1%
Wells Fargo Bank, NA	9	6.0%

Source: HMDA, 2004

The following map represents the locations of the five largest local lenders in Charlotte. Sited throughout the central city and along the path of several primary routes, they are easily accessible by residents of even the poorest areas, where the median income is less than 50 percent that of the city. It is the more affluent residents of Charlotte who have to travel farther to do business with local offices of top-tier lenders. Charlotte has a small share of sub-prime lenders, but the local presence and strength of top-tier accessibility makes the sub-prime market less attractive for local borrowers.

Location of Lenders in Charlotte

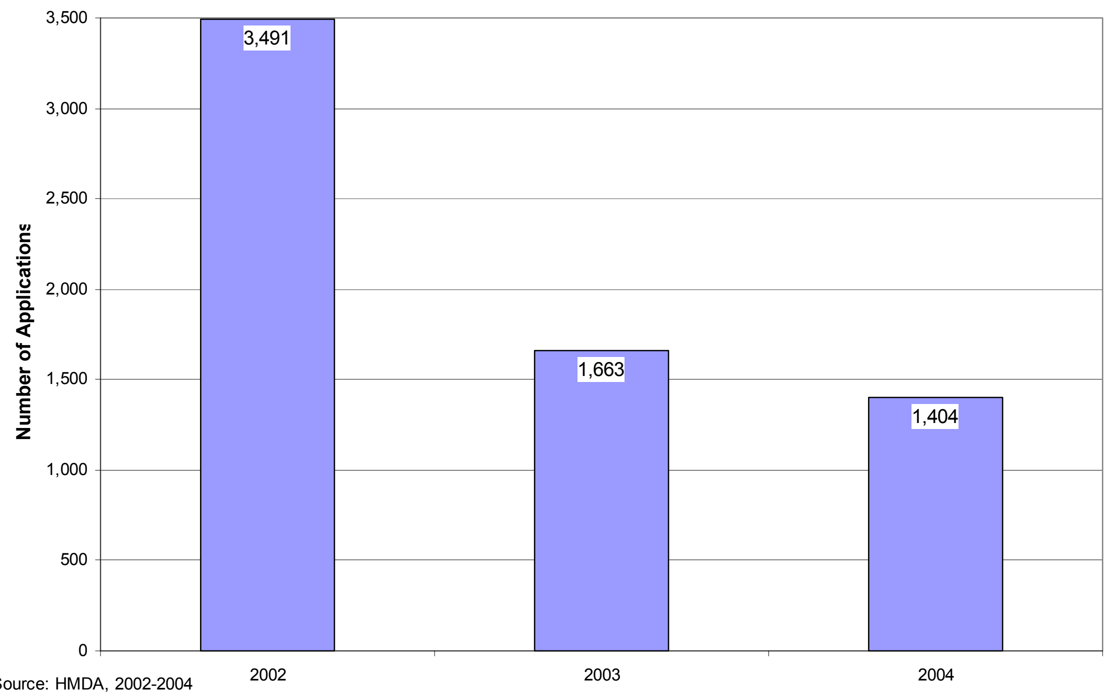


Lending Activity in Charlotte, NC, 2000-2004

The statistical databases used for this analysis were 2000 decennial census data and the Home Mortgage Disclosure Act (HMDA) data for the years 2002 to 2004, inclusive. HMDA data on loan activity are reported to document home purchase, refinancing and home improvement loans. Due to recent changes in HMDA reporting criteria, there are some inconsistencies when comparing 2004 data to prior years. However, this does not substantially alter evidence of meaningful trends in lending practices throughout the market.

The broadest measure of lending activity is total market activity, which covers all three categories of home loans (purchase, refinance and home improvement). In this report, if the loan purpose is not specified in the text or figures, the reference is to total market activity.

Fig. 2. Home Mortgage Applications, All Types



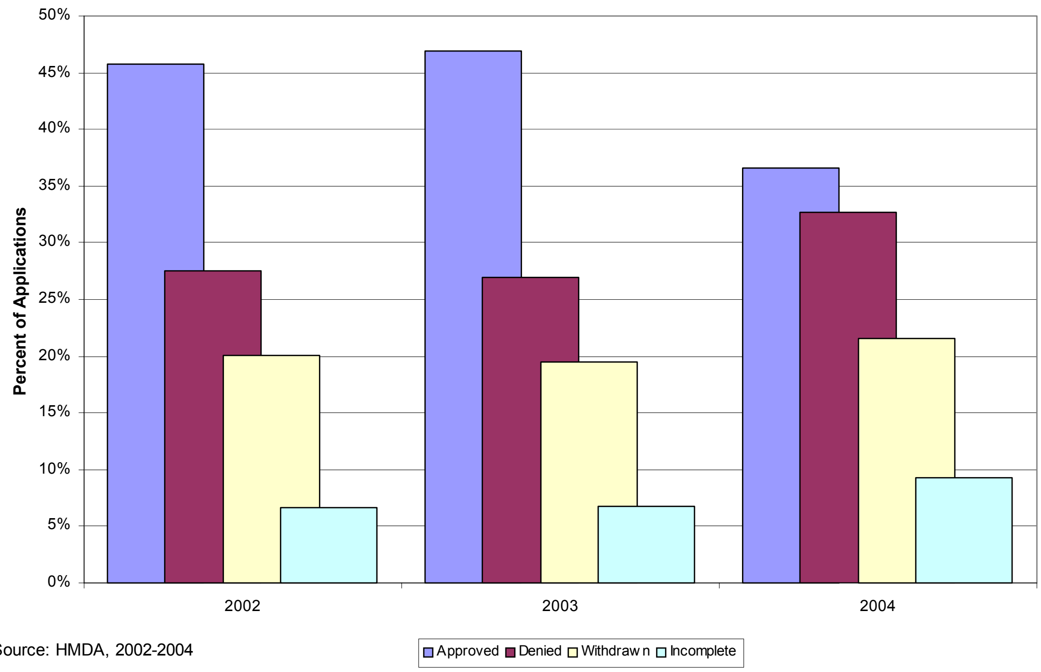
Source: HMDA, 2002-2004

During the strong economic trends of a few years ago, there was a boost in income and employment, which generated a higher demand for home ownership and other mortgage related activities. Mortgage interest rates were quite low and there was a rush to refinance homes and to do home-improvement projects. Mirroring national trends, mortgage loan activity in Charlotte was at a recent high in 2002. Since then, however, the total number of applications submitted to lenders in Charlotte fell by 52.4 percent (Figure 2). Undoubtedly, this is a reflection of the rise in interest rates nationwide, as well as the caution associated with the uncertainty of the outcome of the military conflict in the Middle East. The applications reported here are for all loans: conventional, government backed, refinance, home improvement, those for multi-family (5 or more) dwellings, and non-owner occupied buildings.

Percent Change 2002 to 2004	
2002 to 2003	52.4%
2003 to 2004	-15.6%

Approval rates[13] have declined in recent years (Figure 3) in response to general economic conditions nationwide. Throughout the period, from 30 to nearly 39 percent of all loans were originated (not shown separately), while from 7 to 9 percent of loans approved were subsequently declined by the applicants. The rates of denials climbed overall to nearly one-third of all loans (32.6 percent) in 2004, while over 20 percent of applicants withdrew their applications before the process was complete, as compared to a nationwide average of about 10 percent. Also on the rise is the percent of applications closed for incompleteness, over 9 percent in 2004.

Fig. 3. Actions Taken on Applications
All Applications, All Loan Categories

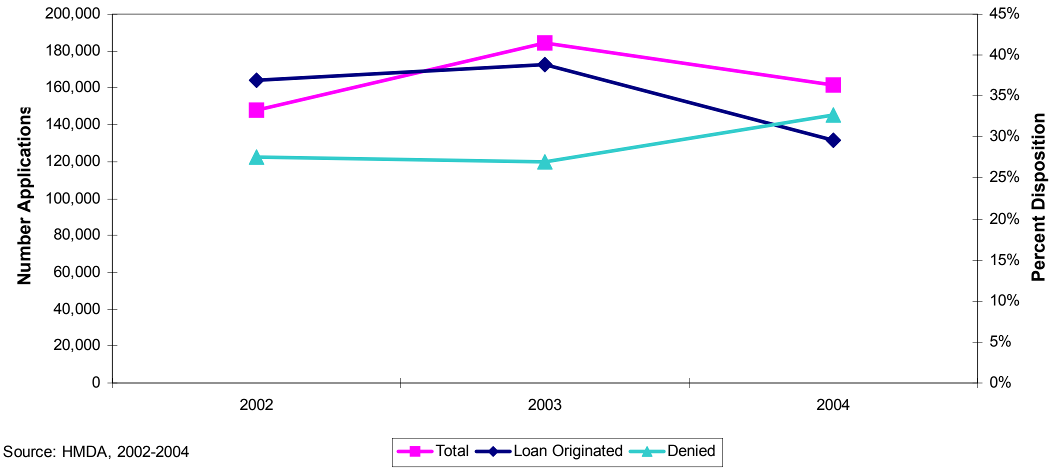


Source: HMDA, 2002-2004

Figure 4 shows the relationship among percent of applications, originations, and denials for the three-year period in Charlotte. The rate of originations (read at the right as percent of applications) has been declining since 2002 against steady increase in denials. The percent of originations dropped nearly 10 points to 29.6 percent, as denials rose by 5.5 percentage points in 2004. Interestingly, the number of applications fell at a rate that closely mirrors originations, while an increase in the rate of applications withdrawn overcompensates for this difference. This suggests that fewer applicants sought loans in 2004 than in prior years, while more withdrew their applications before the process was complete.

[13] Approved loans are those that originated (culminated in a closing) as well as those approved by the lender but subsequently declined by the borrower.

Fig. 4. Change in Applications Submitted, Originations and Denials

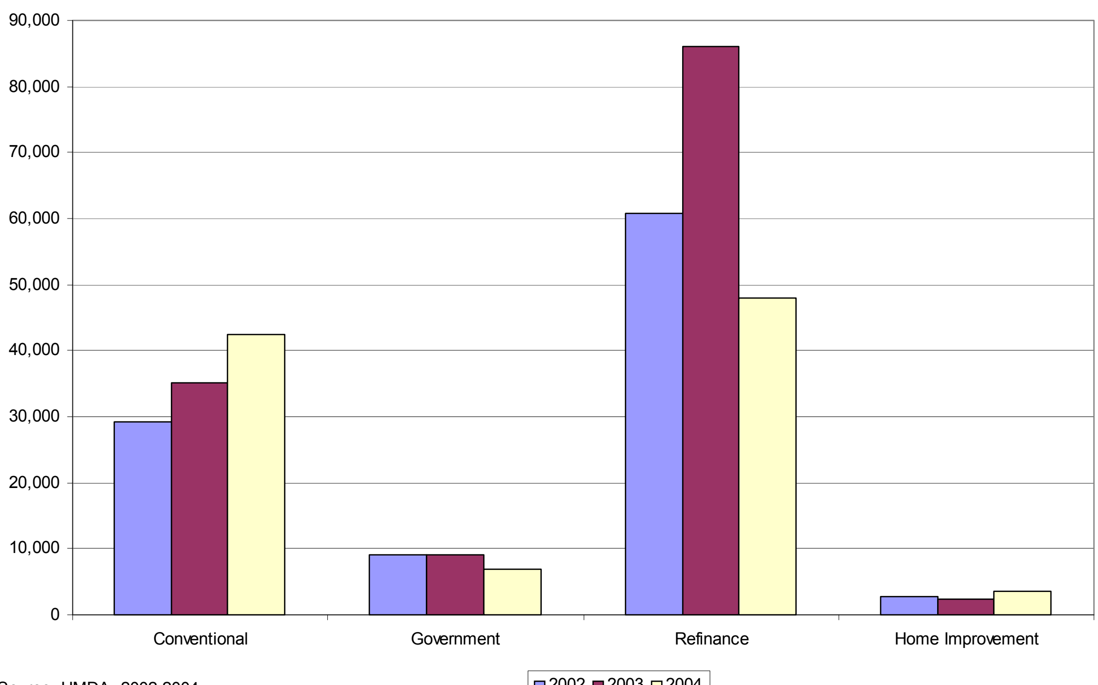


Source: HMDA, 2002-2004

A factor that might contribute to the change in the rate of loan originations is the difference in the types of loans applicants seek. A review of applications by type (Figure 5) reveals that refinancing is the most sought after loan type. Refinancing tends to be thought of as a common way for homeowners to access cash. While the large increase in applications from 2002 to 2003 might be an indication of homeowners' attempts to recover from a sluggish economy, especially in light of falling interest rates during that time, in 2004, the window of opportunity closed, as interest rates rose and the prospect of continued employment became more uncertain nationwide. Conventional loan applications increased steadily over the period, with 42,512 applications in 2004. Home improvement loan applications continue to be the least sought-after product.

Conventional home purchase loans are a strong indicator of how many families are able to purchase single-family

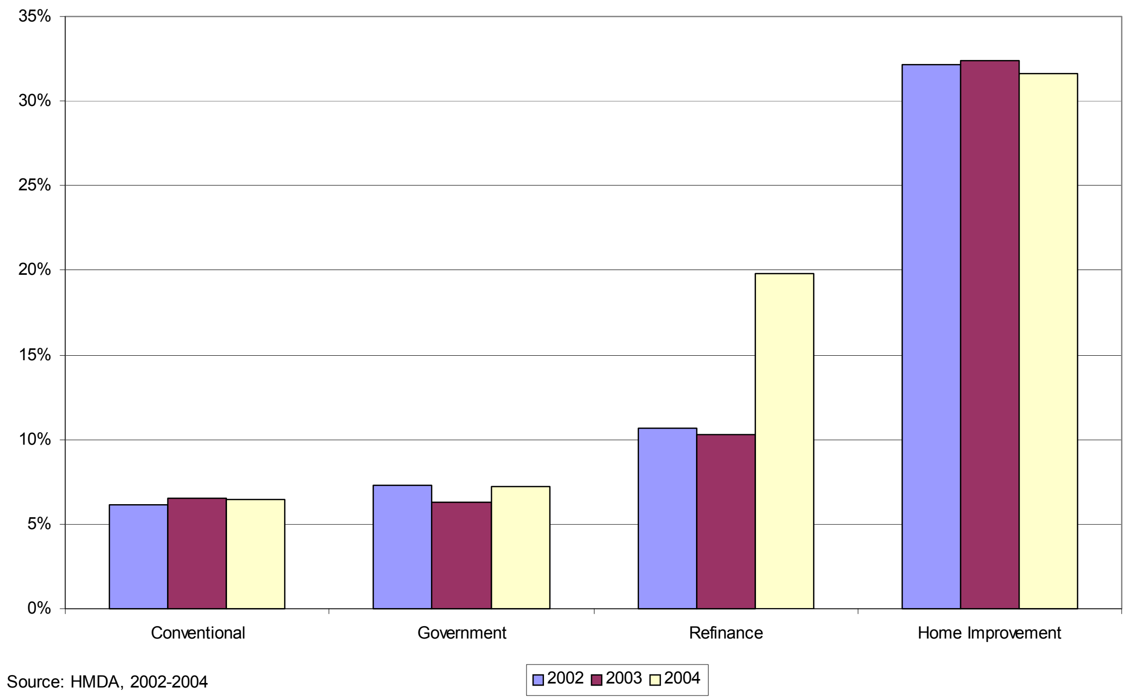
Fig. 5. Applications by Type



Source: HMDA, 2002-2004

housing in the area. The denial rate for these loans have held relatively steady over the last three years, ranging from 6 to 6.5 percent (Figure 6). These rates are unusually low when compared to other markets nationwide, where rates of denial for conventional loans typically exceed 9 percent. Government loans, which traditionally have a very low rate of denials, exhibit denial rates that slightly exceed conventional loans, with a 2004 high of 7.2 percent. While government loan applications made up just 6.8 percent of all loan applications in 2004, they comprised just 3.6 percent of all denials, with just 491 government loan applications denied in 2004.

Fig. 6. Denial Rates by Type of Loan



Applicants for both refinance and home improvement loans already have histories as borrowers and have equity in their homes. For these reasons, securing additional financing ought to be easier. There are two different motivations for refinancing one's home. One motivation involves borrowing funds in the amount of the existing mortgage at a lower interest rate so that the homeowner's monthly mortgage payment is lower. Certainly, this type of loan is favorable, since the homeowner will be better able to afford remaining in the home and will continue to support the community. The second motivation is one in which the homeowner extracts accumulated equity in order to afford a large-ticket expense, such as a wedding or a new vehicle, or to consolidate accumulated smaller debts. This type of refinancing can be viewed less favorably, since the owner is disinvesting in the property by withdrawing his accumulated wealth. From a lender's point of view, the reduced owner's equity represents a higher risk for the lender. The comparatively high rate of denials for refinance applications in 2004 (19.8 percent) is likely in response to higher interest rates and the national uncertainty of the outcome of the military conflict in the Middle East.

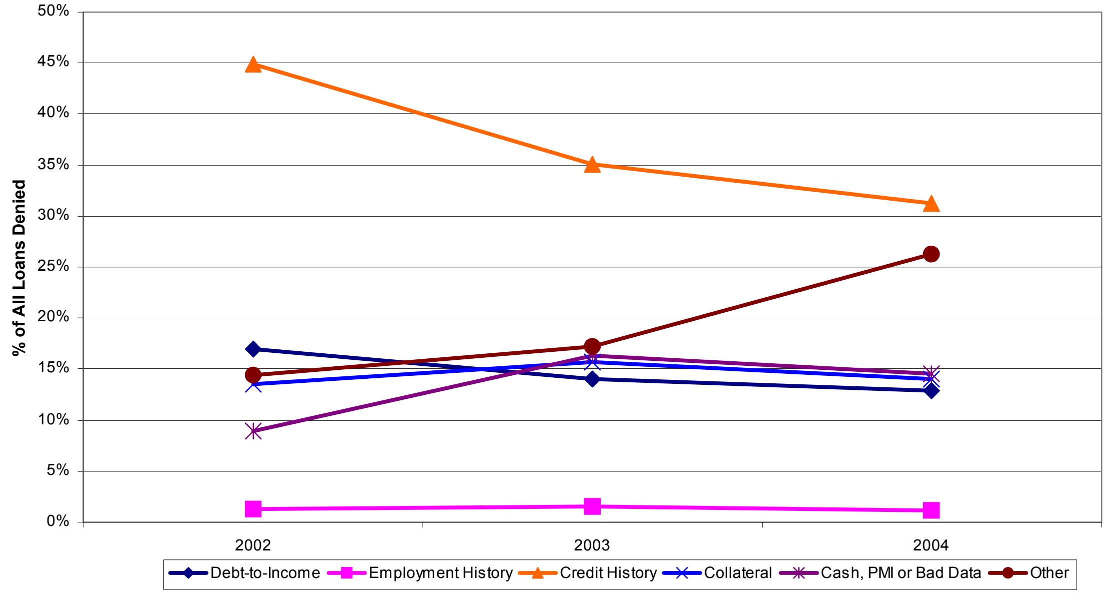
Home improvement loan applications historically have the highest rate of denials, but this could be due to the fact that there is no separate category for reporting second mortgages and equity-based lines of credit, and lenders use the Home Improvement category to report this activity. Although home improvement loans may be a means for financially ailing homeowners to generate funds for needed repairs, the rate of 31.6 percent in 2004 was the lowest over the three years, but by a very small margin. An important consideration in this area is the fact that more than one-half (52.4 percent) of Charlotte's housing stock is more than 25 years old. Reinvestment in the form of home improvement is crucial to maintaining the supply of homes. Furthermore, without improvements, homeowners will be unable to command a fair market value once they decide to sell. Rising denial rates on these types of loans may reflect changing policies in the lending industry, but this is an area that warrants some attention in Charlotte. The associated disinvestment can have an undesirable effect on the community when it occurs in great numbers.

When loans are denied, lenders record the reasons for their decisions. Figure 7 shows the percent of denials by reason for the period from 2002 to 2004 for all loans of all types. Historically, the most common reason for denying loans has been the applicant's credit history. Although this rate has been gradually declining from a high of 44.9 percent of all denials in 2002, it was still the most common reason in 2004, when this measure reached 31.2 percent—a drop of nearly 14 points.

The second most common reason for denial shifted in recent years from debt-to-income ratio to "other" reasons, which showed an abrupt increase from 17.3 percent in 2003 to 26.3 percent in 2004. However, this apparently 10-point increase may be a function of recent changes in HMDA reporting criteria or analysis methodology, and may include reasons that were previously accounted for elsewhere. In 2004, Collateral (14.0) and Debt-to-Income Ratio (12.8 percent) as reasons for denial were at their lowest points in the three-year period. Employment history continues to be the least common reason for denials, and has been holding steady at between 1 and 1.5 percent since 2002.

Slightly elevated as a reason for denial is the combined measure of Insufficient Cash, Unverifiable Information, Inability to Secure Private Mortgage Insurance, and Incomplete Credit Application. This combined measure rose dramatically from 9 percent in 2002 to 16.3 percent the following year, and then falling back to 14.6 in 2004. The last component of this combined measure (Incomplete Credit Application) is not generally a result of applicants' inability or lack of desire to complete the application, but is rather a willful abandonment of the application process. While this is sometimes due to being lured away by a more attractive opportunity with another lender, it can also be perceived as a sign that applicants reconsider the change in their debt or expenses that a new loan would bring and decide not to proceed with securing a loan.

Fig. 7. Reasons for Denial of Applications



Source: HMDA, 2002-2004

Analysis by Race and Ethnicity

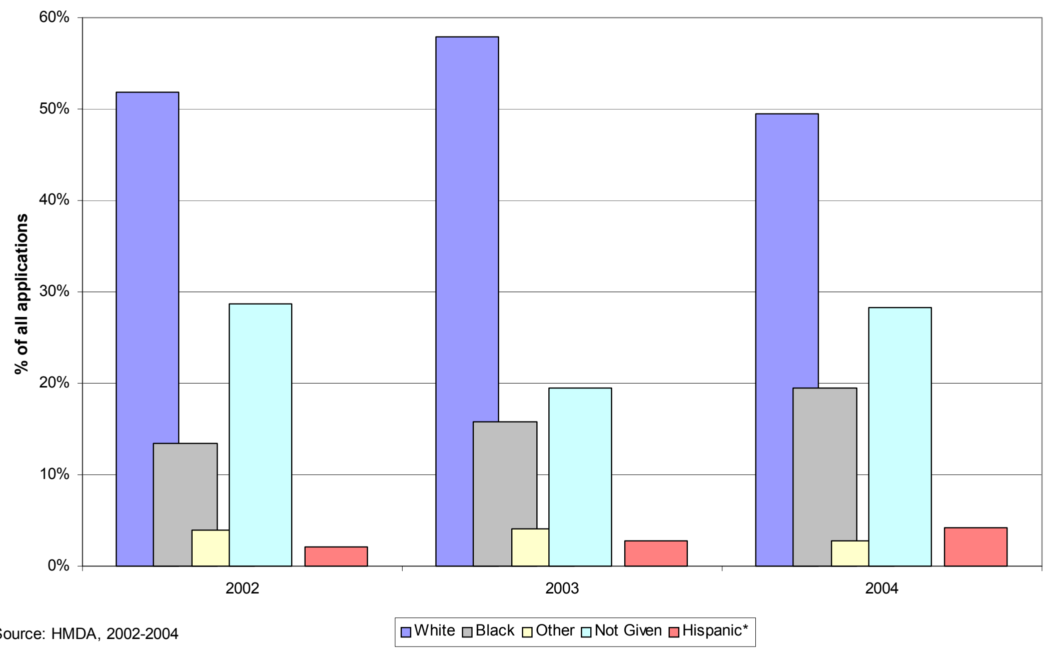
Prior to 2004, loan applications asked applicants to indicate their race as White, African American, and Latino (and others) in a single response. Thus, for example, a white Latino applicant had to choose whether to respond as either White or Latino. In 2004, a separate category (Ethnicity) was included so that applicants now select race and ethnicity separately. In the following analysis, the percentages indicating Latino ethnicity are included in the total responses for earlier years. Beginning with 2004, respondents who selected Latino ethnicity are included in the bars representing race, but are also shown separately. This also means that white and African American applicants were mutually exclusively in previous years, the Latino designation was not. In 2004 these categories include all Latino applicants. The category shown as Other includes American Indian/Native American, Asian, Native Hawaiian/Pacific Islander, multi-racial individuals, and couples who represent more than one race.

It might be expected that applications received would be in close proportion to the percent of population of each racial group. As described in the demographic section, the 2000 population of Charlotte is comprised of 58.3 percent white and 32.6 percent African American residents. Yet the relationship between applications received from African American and white applicants is quite different. In 2004, the percent of applications made by white consumers was 49.5, down from a recent high of 70.2 percent in 2003 (Figure 8). The rate of applications from African American consumers steadily rose from 12.3 percent in 2002 to 19.5 percent in 2004. Part of this increase among African American applicants may be a function of reporting race and ethnicity on mortgage applications, as described above. Still, in an area where African Americans comprise 32.6 percent of the population, African American applicants are clearly underrepresented. This should be an area of concern.

Interestingly, the rate of applications coming from applicants whose race was not reported varies inversely with applications from white consumers. The 9 percent increase in those choosing not to report race can be nearly entirely offset by the 8 point drop in white applicants. Still, indications are strong that more minority consumers applied for loan products in 2004 than in previous years.

Fig. 8. Applications by Race and Ethnicity

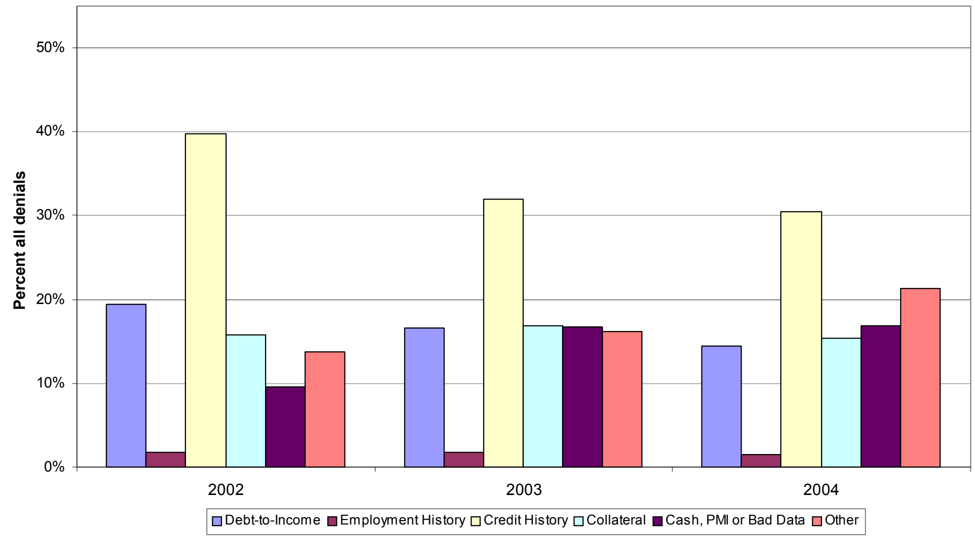
* Prior to 2004, the response "Hispanic" was part of Race. In 2004, respondents selected Race and Hispanic Ethnicity separately.



Source: HMDA, 2002-2004

When examining reasons for denial among only white applicants, unacceptable credit history maintains its position as the most common (Figure 9), mirroring the industry trend (Figure 7). This reason dropped from 39.8 percent of denials in 2002 to 30.5 in 2004. Historically debt-to-income ratio has been the second most common reason for denial, falling from 19.5 in 2002 to 14.5 in 2004. The combined category of insufficient cash, unverifiable information, inability to secure private mortgage insurance, and incomplete applications rose significantly from 9.5 percent in 2002 to 16.9 percent in just two years, while insufficient collateral and employment history have been steady at near 16 percent and less than 2 percent, respectively

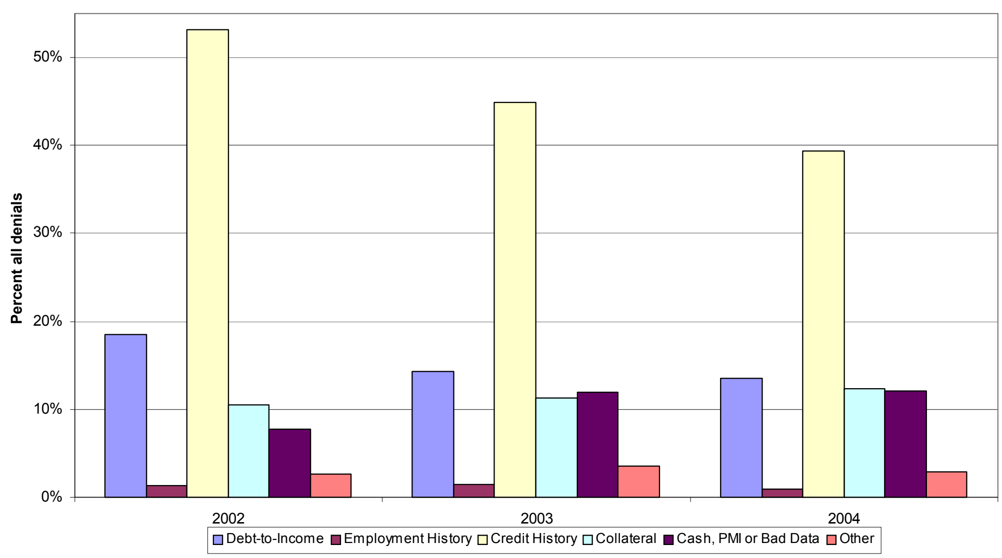
Fig. 9. Reason for Denial of Application
White Applicants



Source: HMDA, 2002-2004

"Other" reasons for denial have been on the rise in recent years from 13.7 percent in 2002 to 21.2 in 2004. Interestingly, the net change in all specific reasons for denial from 2003 to 2004 is completely offset by the change in

Fig. 10. Reason for Denial of Application
Black Applicants



Source: HMDA, 2002-2004

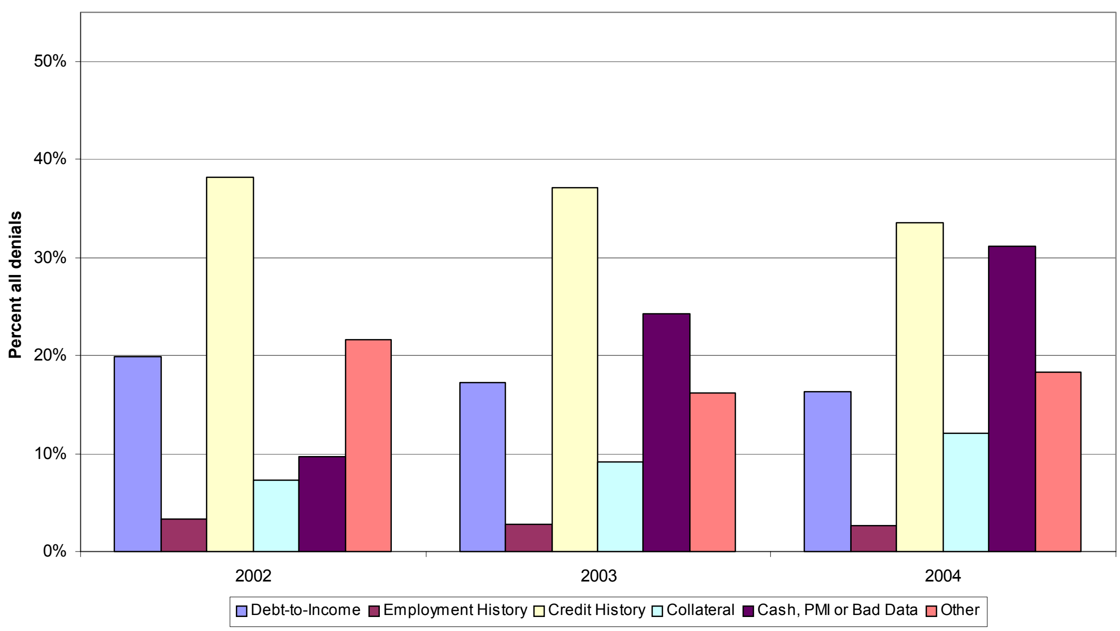
frequency of denial for "Other" reasons. To completely offset all reasons by a corresponding change in "Other" reasons is an unusual statistical phenomenon. Still, a part of this difference may be attributable to recent changes in HMDA reporting criteria, where the category "Other" may now include reasons that were previously accounted for in specific categories.

As with white applicants, credit history was the most common reason for loan denials among African American applicants (Figure 10). The 2004 level of 39.4 percent was the lowest in recent years, after a high of 53.2 percent in 2002. Over the years, the rate of denials for this reason has been consistently higher for African American applicants than for white, but this reason for denial has been dropping faster for African American applicants. Denial due to debt-to-income ratio among African American applicants is consistently less common for African American applicants than for white (13.5 as compared to 14.5 percent in 2004). This reason has been dropping for both African American and white applicants in recent years.

Denials for insufficient collateral have been on the rise, from 10.5 percent in 2002 to 12.3 percent in 2004, as is the case with the combined category of insufficient cash, unverifiable information, inability to secure private mortgage insurance and incomplete application. While considerably less frequent among African American applicants than white in recent years, this reason ranged from a low of 7.7 percent in 2002 to a high of 12.1 percent in 2004 among African American applicants.

“Other” reasons for denial have consistently been more prevalent among white applicants than African American, and remain near 3 percent among African American applicants. Denial based on employment history, while accounting for about one percent of denial reasons among all applicants, is more likely for white applicants than African American.

Fig. 11. Reason for Denial of Application
Hispanic Applicants



Source: HMDA, 2002-2004

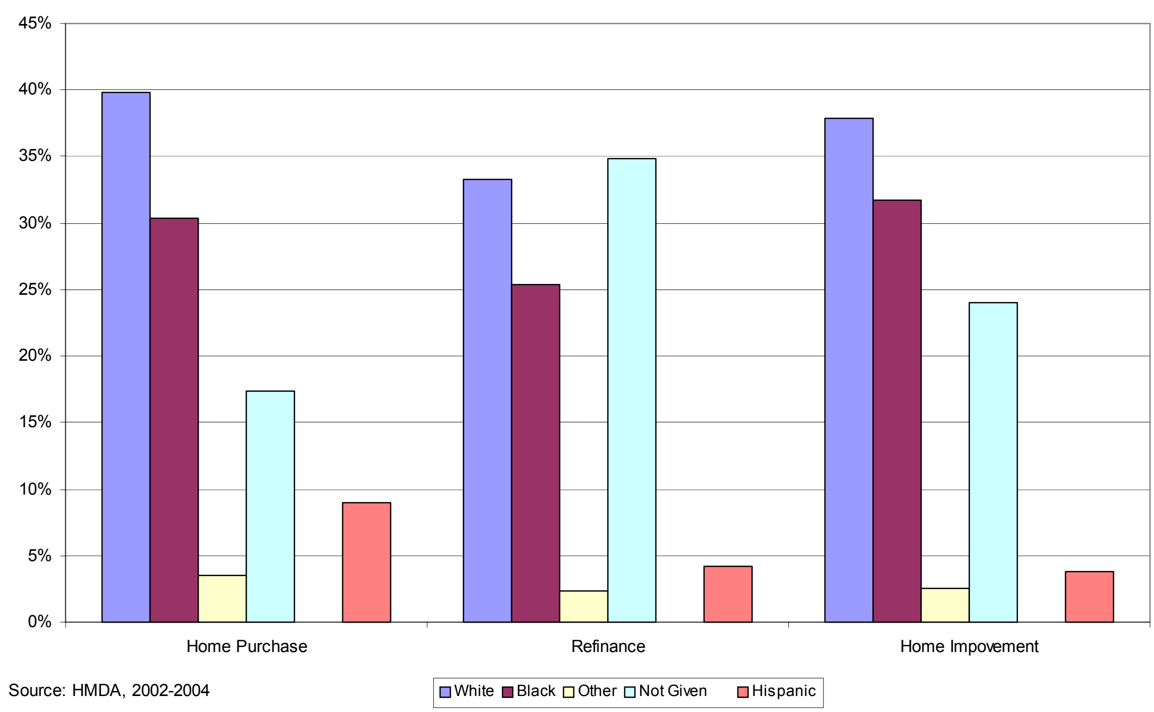
While some differences exist, denial reasons for Latino applicants are very similar to those given for white applicants. As with white and African American applicants, credit history is the most common reason for denials among Latino applicants. However, applications from Latino consumers are far more often denied on the basis of the combined category of insufficient cash, inability to secure private mortgage insurance, incomplete applications, or unverifiable data. While nearly one-third of denied applications were turned down for this reason in 2004, the change from prior years must be evaluated cautiously, as applicants did not have the opportunity to report Latino ethnicity separately before 2004.

Applications from white consumers were consistently denied more often for all reasons other than credit history. Denials for credit history have dropped for all applicants in recent years, especially among African American consumers, whose rate fell from 53.2 percent in 2002 to 39.4 percent in 2004. While this rate has decreased for white applicants since 2002 as well, this was a 9 percent difference, from 39.8 percent in 2002 to 30.5 in 2004.

These similarities in loan denial decisions suggest that there is little, if any, deliberate racial discrimination taking place, signaling good news from a fair housing standpoint. Any major differences between denial reasons for African American and white applicants appear to be explained through economically founded rationale. However, these data show only a small piece of the lending picture. Continued improvements for the future can be gained by continued vigilance.

When examining the denial rates by the loan type (purchase, refinance or home improvement), whites' applications were denied consistently more often than were African Americans' (Figure 12). However, a crucial caveat in these data is the statistically large percentage of applicants whose race was not reported (nearly one-third in 2004),

Fig. 12. Denial Rates by Race and Purpose of Loan



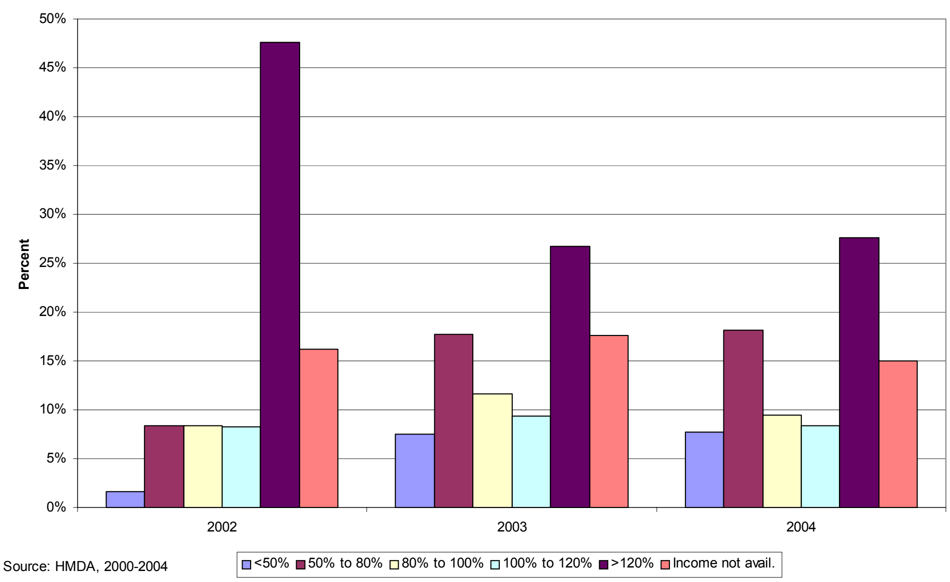
particularly among those seeking loans to refinance and perform improvements. With over 30 percent of refinance loan applicants and nearly 29 percent home improvement loan applicants not reporting their race, any conclusions attempted from comparing race-specific data in these areas will be critically flawed, for it is impossible to determine who is declining to report race. Particularly in light of this phenomenon, this is an area that merits continued vigilance.

Analysis by Income

Low- and moderate-income households make up a substantial portion of Charlotte's total households. According to the description in Section II (Demographics) of this report, more than 7 percent of Charlotte's residents earn under $10,000 annually. Another 15.4 percent earn from $10,000 to $25,000, as compared to a median income of $46,975 in 1999. For these households, access to credit for home loans is essential, as homeownership is the primary means to increase personal net worth and assets.

In Charlotte in 2002, of the 90,002 loans approved, 10 percent went to low- and moderate-income borrowers combined: 1.7 percent to those households earning less than 50 percent of the area's median and 8.3 percent to those earning from 50 percent to 80 percent. This total rose to 25.2 percent by 2003 and to 25.8 percent in 2004. The rate among low-income applicants (earning less than 50 percent of the area's median) increased dramatically, rising from 1.7 percent in 2002 to over 7 percent in 2003 and 2004. Loans originated for moderate-income applicants (earning 50 percent to 80 percent of the area's median) also rose noticeably from the 2002 rate of 8.3 percent to 18.1 in 2004.

Fig. 13. Approvals by Median Income

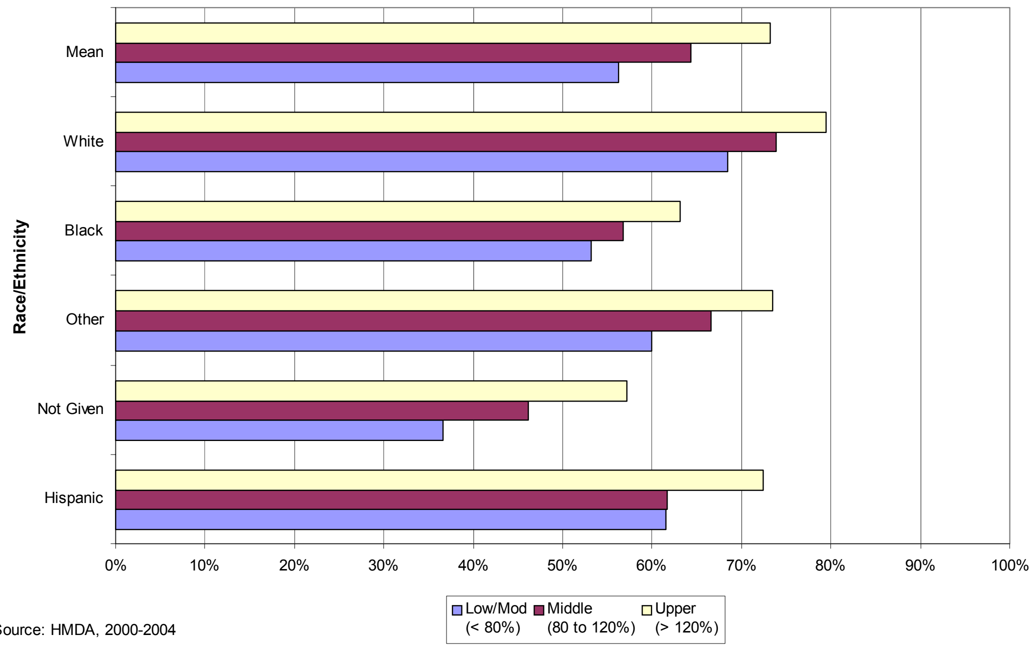


Source: HMDA, 2000-2004

By comparison, households earning 80 percent to 100 percent of the city's median receive from 8.4 to 9.4 percent of the loans approved over the period, with a small peak of 11.7 percent in 2003. The rate of loans going to upper-middle and upper income borrowers (earning 100 percent or more of the city's median) has shifted dramatically from 55.8 percent in 2002 to 36.0 percent in 2004. While the rate among those earning from 100 to 120 percent remained relatively consistent around 9 percent, the rate among applicants earning over 120 percent of the area's median income fell from 47.6 percent in 2002 to 27.6 percent in 2004.

When examining approval rates by income shown by race, some disturbing patterns emerge. The uppermost bars on the graph shown in Figure 14 represent the mean rate of approvals for each income group (Low/Mod, Middle and Upper). White applicants are well above the mean at all income levels (28 points, overall), as are applicants who described their race as "Other" (6 points, overall). However, African American applicants are below the mean at all income levels, with an aggregate difference of minus 21 points from the mean. Applicants who did not specify their race also fall far below the mean, with an aggregate difference of minus-54 points. Latino applicants' approval rates are above the mean among those who earn below 80 percent of the area's median income, and below the mean at other income levels; however, their net difference is just 2 points.

Figure 14: Approvals by Race/Ethnicity



Source: HMDA, 2000-2004

While this analysis reveals distinct differences in rates of approvals, it is difficult to disentangle race from income, especially in light of the high rate of applicants who did not specify their race. Low approval rates among low-income applicants who did not specify race might be more a function of income than race.

Alternative Lending Sources

Sub-Prime Lenders

While conventional lenders focus their marketing efforts on consumers with few or no credit blemishes (those with "A" credit), an alternative source of loan funds for consumers with lower credit scores ("B" or "C" credit) is sub-prime lending institutions. Borrowers find the application process easier, and the loan approval quicker and more certain when dealing with sub-prime lenders. While their application and approval process are easier, sub-prime lenders charge higher interest rates to help mitigate the increased risk in lending to consumers with poorer credit histories. Interestingly, consumers who borrow from sub-prime lenders often qualify for loans from conventional lenders, but succumb to marketing tactics that encourage them to choose sub-prime institutions over conventional, even though the sub-prime loan will ultimately be the more expensive choice. Recent studies by Freddie Mac, the government sponsored entity that purchases mortgages from lenders and packages them into securities that are sold to investors, show that between 25 percent and 35 percent of consumers receiving high cost loans in the sub-prime market qualify for conventional loans.[14] While some customers may choose sub-prime lenders based on the company's marketing efforts, others choose sub-prime lenders based on proximity. As conventional lenders relocate their branches, they leave citizens with fewer lenders from which to choose. As a result, consumers select those that are conveniently located, even at a higher price.

[14] Information for this discussion provided by Miami Valley Fair Housing Center, 2002.

"Payday" Lenders

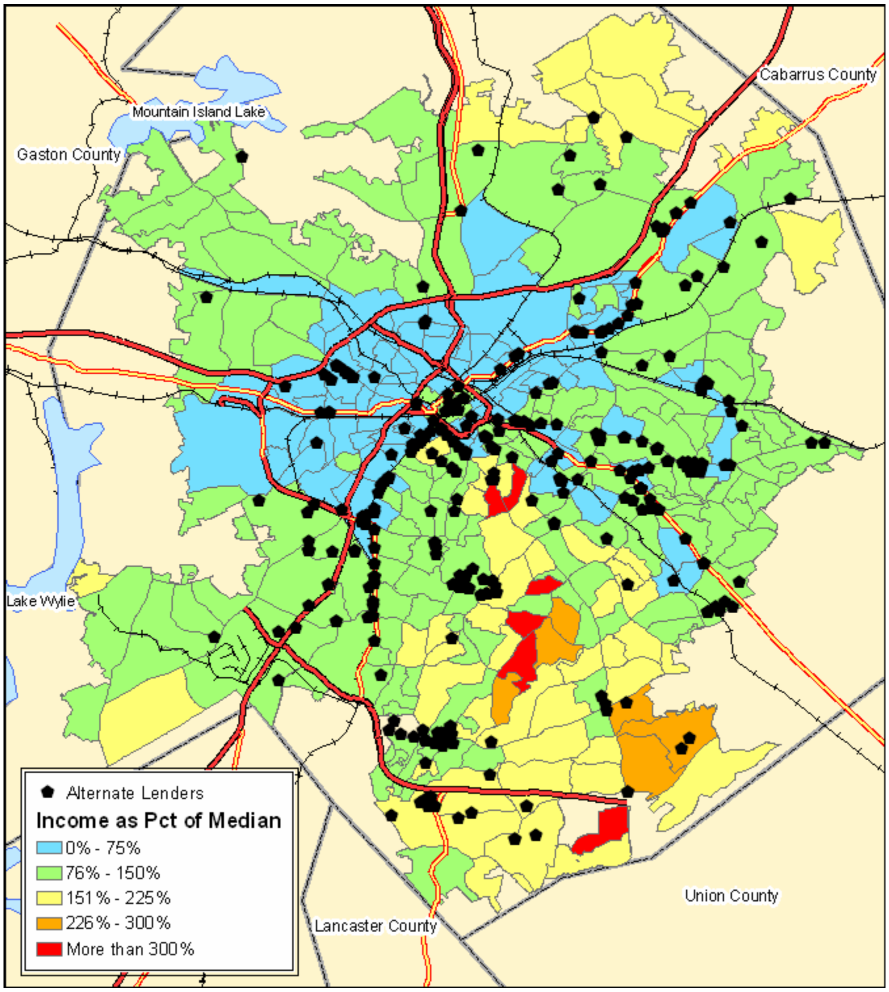
Another source of loans is check-cashing or "payday" lenders. Check cashing outlets (such as currency exchanges) cash payroll, government, and personal checks for a fee. Their popularity increases as customers lose access to banks or cannot afford rising fees associated with the inability to maintain minimum balance requirements. Consumers use these outlets for their banking needs and are charged for the services they receive. These businesses also offer temporary "payday loans" by accepting a postdated check from the customer, who receives the funds immediately, minus a fee. When used regularly, these fees can equate to double-digit interest rates. Although these services tend to be located in areas of highest minority and low-income concentration, they are also found in very close proximity to local lenders. Customarily, however, they fill the void left by banks that have moved from the area.

Predatory Lenders

While most sub-prime lenders serve a need by targeting borrowers with sub-par credit histories, some go too far. Those that do are known as predatory lenders. Lending becomes predatory when lenders target specific populations (such as low-income, minority, or elderly homeowners), charge excessive fees, frequently refinance the loan, and often mislead the borrower. Since wealth is often tied to property ownership, this system threatens to deprive residents of their assets by overextending their home's equity and, in some cases, foreclosing on the homes of people who cannot afford the high interest rates and associated fees.

Mainstream financial institutions often unwittingly exclude the very groups targeted by predatory lenders when they market loan products. Additionally, unknowing consumers find themselves in devastating positions due to a lack of financial savvy. The lending process can be complicated and often consumers are ill-prepared to deal with the large volume of paperwork required for the loan process. Most predatory lenders, however, do not provide quality counseling for consumers seeking their products and use the consumers' ignorance as their opportunity to reap profits. In the end, borrowers pay substantially higher interest rates and purchase unnecessary credit, life, and disability insurance products.

Location of Alternate Lenders in Charlotte



Alternate lending sources are plentiful in Charlotte and can be found throughout the city. Oftentimes there is a direct correlation between an area's income level and the types of alternate lending sources found, and this is evident in the concentration of alternate lending sources in lower-income areas. However, mortgage lenders, personal finance services, check cashing establishments, and pawnshops can be found citywide.

Other Entities that Impact Fair Housing Choice

Homeowner's Insurance

Fair housing seeks to achieve expanding the housing choice for those restricted by economic, social, political, and other forces. Underlying the persistence of unfair housing choices are factors that include unequal education, unequal access to credit and job opportunities, unequal income, and redlining.

Redlining is an exclusionary practice of realtors, insurance companies, and financial institutions that exists when there is a lack of activity by an institution to extend credit or coverage to certain urban neighborhoods because of their racial composition. Redlining may also be denial of services because of the year-to-year change in racial composition and the age of structure in a neighborhood, regardless of the creditworthiness or insurability of the potential buyer and policyholder or the condition of the property.

Nearly 40 years ago, an observation was made that "insurance is essential to revitalize our [American] cities. It is the cornerstone of credit. Without insurance, banks and other financial institutions will not—and cannot—make loans. …housing cannot be repaired. New businesses cannot expand, or survive. Without insurance, buildings are left to deteriorate, and services, goods and jobs diminish."[15] This statement can accurately describe many cities today as well as those in 1968. Investigations and statistical and applied research throughout the United States has shown that residents of minority communities have been discouraged in pursuit of homeownership, while many predominantly white neighborhoods have been successful in attracting those seeking the American dream of owning a home.

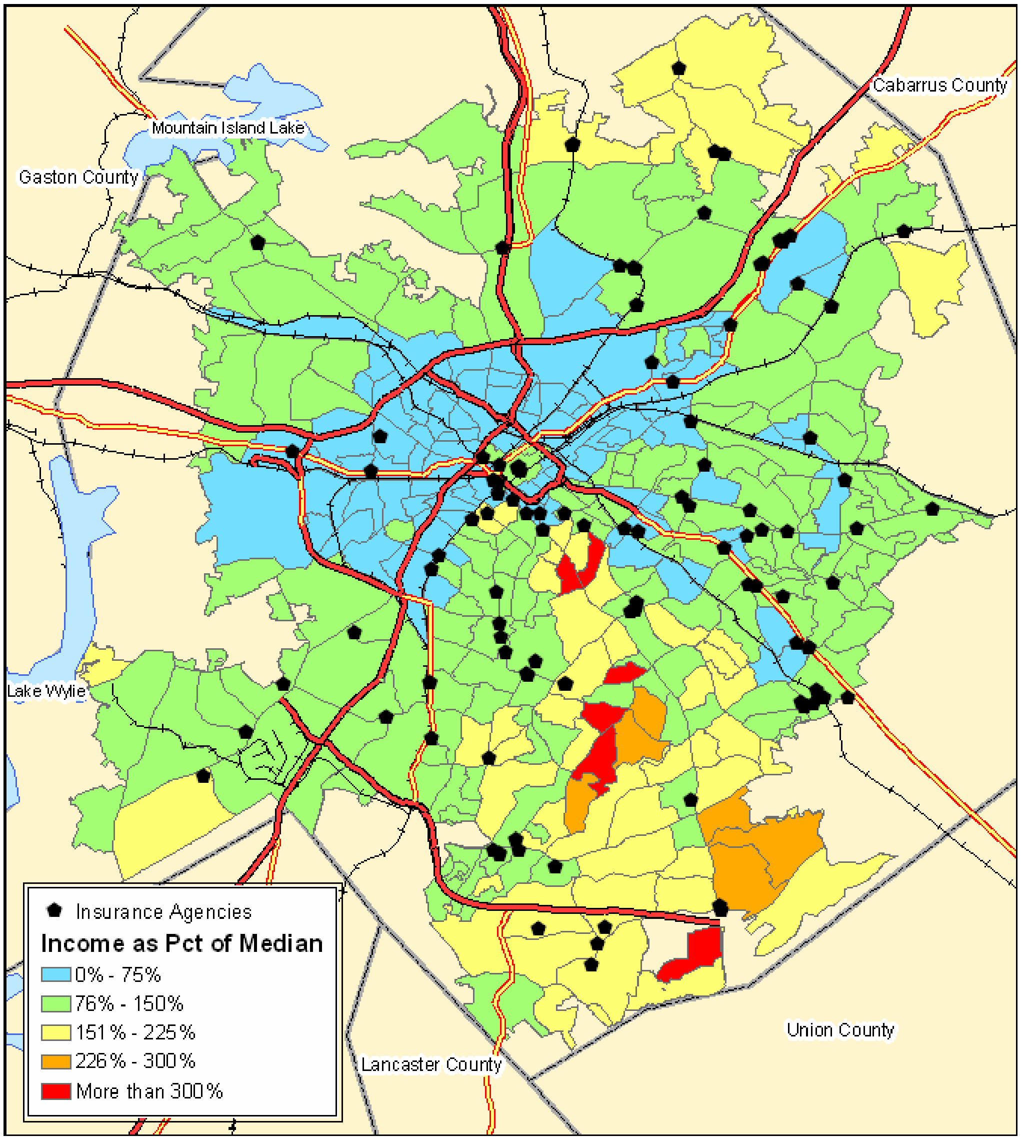
Discrimination in the provision of housing insurance has a lasting effect on the vitality of America's neighborhoods. Many traditional industry underwriting practices which may have some legitimate business purpose also adversely affect minorities and minority neighborhoods. While more recent studies have found little evidence of differential treatment of mortgage applications, evidence does suggest that lenders may favor applicants from Community Reinvestment Act (CRA)-protected neighborhoods if they obtain private mortgage insurance (PMI). The requirement of obtaining this additional type of insurance may actually mask lender redlining of low-income and minority neighborhoods. For loan applicants who are not covered by PMI, there is strong evidence that applications for units in low-income neighborhoods are less likely to be approved. Furthermore, these potential homeowners are more likely to be subject to policies that provide more limited coverage in case of a loss, and are likely to pay more for comparable policies.

Another critical factor in marketing of insurance is the location of agents. Most of the property insurance policies sold by most agents are to insure within neighborhoods in which the agent is located. Studies have shown that the distribution of agent locations was clearly related to the racial composition of neighborhoods. In Charlotte, a cursory review of local listings shows that the 127 insurance companies found have offices distributed throughout the city, however, they are concentrated toward the southeast and are more sparsely represented in the lower-income areas to the northwest. While these are mostly located on main roads, their services are accessible to households of all income levels.

---

[15] National Advisory Panel on Insurance in Riot Affected Areas, 1968.

Location of Insurance Agencies in Charlotte



Section VI: Conclusions and Recommendations

This section presents the fair housing analysis update for the Charlotte 2005-2010 Consolidated Plan. It includes a series of observations TDA made while working on this project. It also revisits impediments to fair housing choice that were first identified in 2002 and the ongoing efforts to remove them.

This update centers on the public/private information regarding the real estate, insurance and banking industries, housing authority, Charlotte-Mecklenburg Community Relations Committee, North Carolina Human Relations Commission, and the Atlanta and Greensboro HUD Offices of Fair Housing and Equal Opportunity, Community Planning and Development, and Public Housing. Charlotte's prior analysis of impediments included an issue that has been carried over to this update.

It is important to note that the city of Charlotte has one of the most effective local fair housing programs in the nation. While progress continues to be made on the impediments identified in 2002, those matters have been carried forward. The main recommendation currently is to report progress each year in the City's CAPER and when a goal is achieved through the City's performance measurements system by reflecting resources, goals, output, and outcome for each recommendation/potential impediment. Finally, there is one new impediment based on an analysis of the HMDA information – Lack of Access to Homeownership; and one existing impediment – Gate-keeping.

Observations and Suggestions

While the state of affordable housing and fair housing is very good in Charlotte, pockets of the city could be classified as high poverty and/or high minority. TDA suggests the city of Charlotte take measures to reduce racial and ethnic concentration by assuring that a variety of housing options are available throughout the city. Furthermore, the City should ascertain that low homeownership rates are a reflection of a geographic area's function and not a reflection of the race, ethnicity, or income level of its residents. And last, TDA recommends that the City remedy high vacancy rates in areas with high ethnic concentrations by ensuring availability of and access to services and amenities that will attract other residents.

In an area where African American residents comprise 32.6 percent of the population, but apply for only 19.5 percent of all home-related loans, there is reason to investigate why African American applicants are underrepresented.[16] Municipal programs targeted at minorities (particularly African American residents) should include educating the population on the importance of homeownership and how to access local lending resources.[17]

Consistently high denial rates on home improvement loans may reflect policies in the lending industry, but this is an area that warrants some attention in Charlotte. The disinvestment associated with an inability to raise funds to maintain one's home can have an undesirable effect on the community when it occurs in great numbers.

---

[16] Based on HMDA data

[17] It is important to note that nearly one-fifth of all applicants chose not to report their race, including 35 percent of those seeking to refinance and 24 percent of those seeking home improvement loans (Figure 12). Therefore, conclusions attempted from comparing race data could be flawed, for it is impossible to determine who is declining to report race.

From the standpoint of homeownership opportunities for low-income households, the increase in approval rates among low-income populations (earning less than 80 percent of the area's median) is an encouraging sign suggesting that lenders may be accommodating a wider range of criteria to determine creditworthiness. It may also be an indication that lenders are participating in homeownership initiatives focused on this population. The importance of homeownership cannot be undervalued, either as a vehicle to increase household wealth nor its ability to stabilize neighborhoods. Local efforts must continue to include homeownership education and opportunities for prospective homeowners at the lowest income levels, including thorough and comprehensive information on access to loans, through diligent marketing efforts that reach all segments.

Impediment #1: Lack of Access to Homeownership

The importance of homeownership cannot be overstated, both as a means to increase household wealth and as stabilizer in at-risk neighborhoods. The cost of housing in the Charlotte metro area, however, excludes many middle-income and lower-income households from owning their home. Local efforts must continue to include homeownership education and opportunities for prospective homeowners at the lowest income levels, including thorough and comprehensive information on access to loans, through diligent marketing efforts that reach all segments.

Suggested Steps to Remove this Impediment:

1. The cost of housing is largely a matter of economics in the private sector. However, it is possible for a public entity, such as the city of Charlotte, to promote homeownership education and opportunities for prospective homeowners at the lowest income levels. Through diligent marketing efforts to all socio-economic segments, the city of Charlotte can provide information on available down-payment assistance and other homeownership programs as well as information on access to loans.

2. TDA recommends that municipal programs targeted at minorities (particularly African American residents) should include educating the population on the importance of homeownership and how to access local lending resources.

Impediment #2: Gate-Keeping of Protected Classes

"Gate-keeping" describes the effort of some rental agents to pre-qualify applicants by making sure that the applicant meets certain qualification standards before being shown the property. Then, based on the results of the prequalification, the rental agent shows only certain properties or adjusts the prices of properties in order to control where people live. Gate-keeping is more insidious than outright discrimination, because the applicant is very likely being discriminated against, but just doesn't know it. This kind of sly discrimination is unfair to both cities and citizens because, by channeling certain races or ethnicities into specific rental units, these agents are creating entire neighborhoods of a single race or ethnicity. Charlotte is a diverse city, and its neighborhoods should reflect that diversity.

The greatest impediment to fair housing choice for African Americans and people of Latino descent was residential segregation and the economic disparities that foster it. The North Carolina Fair Housing Center conducted audits to determine the level and type of discrimination faced by both African Americans and people of Latino descent in the Charlotte/Mecklenburg 1999 rental market. The audit found a significant level of "gate-keeping" of both of these classes.

Also, disparities between housing values appeared geographically between neighborhoods with different racial and ethnic compositions. Mostly white neighborhoods (over 90% white) that had high housing values were located in the south side of Charlotte, in first tier suburbs to the south and outer suburban areas to the northwest and southwest. Middle value homes were spread out throughout the region, while moderate and low value homes tend more to be located in Gaston, Lincoln, and Rowan counties. Most white neighborhoods were comprised of middle to upper valued homes. Conversely, African American neighborhoods are comprised of mostly moderate or low valued homes in the city of Charlotte.

Significant levels of discrimination were found in the Latino community, too. Charlotte experienced a 6l4 percent growth in its Latino population since the last census; this sub-group currently comprises 7.4 percent of the population. This rapid influx of Latinos has created unique barriers to fair housing choice. In this short period of time a segregated housing pattern is emerging. There are currently five census tracts where Latinos make up more than 20 percent of the population and one census tract that is more than 4O percent Latino. This type of isolation can not be explained away by self-segregation. In several of the sites audited by the North Carolina Fair Housing Center, the Control (white) applicant was informed of more units than the Variable (Latino) applicant; in 20 percent of the sites audited the Variable applicant was given a higher rental price than the Control applicant.

Suggested Steps to Remove this Impediment:

1. Develop print and media campaign to provide education and outreach to a variety of groups on the fair housing law. This campaign should be carried out in a variety of languages.

2. Survey (through bi-lingual outreach and education) the Latino community to determine what is driving current housing patterns.

3. Conduct lending and sales baseline audits to determine what role gate-keeping plays in the lower homeownership rates experienced by African Americans.

Summary

These two impediments, Gate-keeping and Lack of Access, tell us that fair housing is within reach in Charlotte; however, these two impediments do not give the whole picture. Other barriers exist, but, regrettably, they are not quite within the realm of public control; furthermore, they are not exclusive to the city of Charlotte. These limitations are largely ones that exist within the individuals themselves, such as lack of education, language barriers, suspicion of public agencies, and other cultural or social characteristics. Certainly cities can reach out to the less educated, to speakers of other languages, and to those who might not trust government – and the city of Charlotte does this – but overcoming these kinds of cultural impediments is, to a great extent, under the control of the citizens themselves. Each citizen, whether or not a member of a protected class, has the opportunity – and some would argue, the responsibility – to make fair housing a standard practice, by educating themselves and others of the right each American has to live in housing free of discrimination.