

**DISCRIMINATION IN METROPOLITAN
HOUSING MARKETS:
PHASE 2 - ASIANS AND PACIFIC ISLANDERS**

Discrimination in Metropolitan Housing Markets: Phase 2 - Asians and Pacific Islanders

Final Report

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EXECUTIVE SUMMARY

This report presents results from the second phase of the latest national Housing Discrimination Study (HDS2000), sponsored by the Department of Housing and Urban Development (HUD) and conducted by the Urban Institute. It is one of five related reports that will ultimately be produced from this major research effort:

- *Discrimination in Metropolitan Housing Markets: National Results from Phase I of HDS2000*
- *Discrimination in Metropolitan Housing Markets: Phase I - Supplement*
- *Discrimination in Metropolitan Housing Markets: Phase 2 - Asians and Pacific Islanders*
- *Discrimination in Metropolitan Housing Markets: Phase 3 - Native Americans*
- *Discrimination in Metropolitan Housing Markets: Phase 4 - Persons with Disabilities*

All of these reports present findings based upon rigorous paired tests, in which two individuals—one minority and the other white¹—pose as otherwise identical homeseekers, and visit real estate or rental agents to inquire about the availability of advertised housing units. This methodology provides direct evidence of differences in the treatment minorities and whites experience when they search for housing.

Background

Paired testing originated as a tool for fair housing enforcement, detecting and documenting individual instances of discrimination. Since the late 1970s, this methodology has also been used to rigorously measure the prevalence of discrimination across the housing market as a whole. When a large number of consistent and comparable tests are conducted for a representative sample of real estate and rental agents, the results control for differences between white and minority homeseekers, and directly measure patterns of adverse treatment based on a homeseeker's race or ethnicity.

HDS2000 is the third national paired-testing study sponsored by HUD to measure patterns of racial and ethnic discrimination in urban housing markets. Its predecessors, the 1977 Housing Market Practices Study (HMPS) and the 1989 Housing Discrimination Study (HDS) found significant levels of racial and ethnic discrimination in both rental and sales markets of urban areas nationwide. Enforcement tests conducted over the intervening decade

¹ For the study on persons with disabilities, the treatment of a person with a disability is being compared to that of a similarly qualified person without a disability

have also uncovered countless instances of illegal discrimination against minority homeseekers. Housing discrimination raises the costs of housing search, creates barriers to homeownership and housing choice, and contributes to the perpetuation of racial and ethnic segregation.

HDS2000 will ultimately involve four phases of paired testing. HUD's goals for the study include rigorous measures of change in adverse treatment against blacks and Hispanics nationwide, site-specific estimates of adverse treatment for major metropolitan areas and selected states, and new measures of adverse treatment against Asians and Pacific Islanders, American Indians, and persons with disabilities. Phase I provided national estimates of adverse treatment against blacks and Hispanics and reported on changes in the incidence of differential treatment since 1989. Phase II (with testing conducted in 2001) focuses on two major new goals: it provides the first national estimates of discrimination against Asians and Pacific Islanders, and an initial set of state estimates of discrimination against blacks and Hispanics that include small and medium-sized metropolitan areas as well as larger areas.

Phase I of HDS2000 found that significant discrimination against African American and Hispanic homeseekers still persists in both rental and sales markets of large metropolitan areas nationwide, but that its incidence has generally declined since 1989. Only Hispanic renters face no change in the incidence of consistent adverse treatment today than they did in 1989. The discriminatory practices that African Americans and Hispanics face are serious, limiting their information and options and making it more difficult for them to find the housing they need. Although the overall incidence of discrimination is generally falling, some forms of adverse treatment are rising. Black homebuyers are more likely to be steered away from predominantly white neighborhoods than they were in 1989, and Hispanic homebuyers are more likely to be denied equal information and assistance with mortgage financing. Finally, although patterns of differential treatment vary from one metropolitan area to another, only a few areas have overall levels that differ significantly from the national average, indicating that discrimination against African American and Hispanic homeseekers remains a national problems.

The HDS2000 Methodology

This study builds upon and refines the basic testing protocols that have been implemented in previous national studies and in Phase I of HDS2000. Random samples of advertised housing units were drawn from multiple advertising sources in each site on a weekly basis, and testers visited the sampled offices to inquire about the availability of these advertised units. Both minority and white partners were assigned income, assets, and debt levels to make them equally qualified to buy or rent the advertised housing unit. Test partners were also assigned comparable family circumstances, job characteristics, education levels, and housing preferences. They visited sales or rental agents, and systematically recorded the information and assistance they received about the advertised unit and/or other similar units, including location, quality and condition, rent or sales price, and other terms and conditions. Test

partners did not compare their experiences with one another or record any conclusions about differences in treatment; each simply reported the details of the treatment he or she experienced as an individual homeseeker.²

The national results presented here for Asians and Pacific Islanders are based on a sample of 11 metropolitan areas that account for more than three quarters of all Asians and Pacific Islanders living in metropolitan areas nationwide. America's Asian and Pacific Islander populations are tremendously diverse, and different ethnic sub-groups may face differing levels or forms of discrimination. However, producing rigorous estimates of discrimination for each sub-group would be extremely costly. HUD's goal for its first research effort focused on discrimination against Asians and Pacific Islanders was to produce rigorous national estimates for the populations as a whole. Therefore, testers were recruited to represent the primary groups of Asians and Pacific Islanders living in each of the sampled metropolitan areas, including people who identify themselves as Chinese, Japanese, Korean, Filipino, Vietnamese and other Southeast Asians, Native Hawaiian and other Pacific Islanders, and Asian Indians.³

Summary of Findings

Asians and Pacific Islanders face significant levels of discrimination when they search for housing in large metropolitan areas nationwide. For renters, patterns of adverse treatment are mixed; Asians and Pacific Islanders appear to be systematically favored with respect to

² HDS2000 is designed to measure the extent to which minority homeseekers experience adverse treatment when they look for housing in urban areas nationwide. The tests conducted for this study were not designed to assemble evidence of discrimination in individual cases. The question of when differential treatment warrants prosecution and the related question of whether sufficient evidence is available to prevail in court can only be resolved on a case-by-case basis, which might also consider other indicators of treatment than those reported here.

³ On October 30, 1997, the Office of Management and Budget (OMB) issued a notice that federal agencies separate Asians from Pacific Islanders and Native Hawaiians in their data collection. The information about the testers recruited for this study is more detailed than the OMB requirement, including information about which Asian, Native Hawaiian, or Pacific Islander subgroup they considered themselves to be a member (see Exhibit 2-2 in Chapter 2). In general, OMB believes that, "consistent with criteria for confidentiality and data quality, the tabulation procedures used by the agencies should result in production of as much detailed information on race and ethnicity as possible". In accordance with that guidance, the main report reflects the level of discrimination encountered by the combined Asian and Pacific Islander subgroups with breakouts in the annexes for individual subgroups for whom enough data are available to produce a reliable estimate. Specifically, the combination of all Asian subgroups without Native Hawaiians and Pacific Islanders is large enough to provide reliable estimates and those results are reported in Annex 7. The sample for Native Hawaiians and Pacific Islanders alone is not large enough to provide a reliable estimate alone so those results are not presented separately. There are some Asian subgroups in metropolitan areas that enough data were collected to report separately, and those are shown in Annex 6. Specifically, Los Angeles metropolitan area estimates are provided for Chinese and Koreans, and Minneapolis metropolitan area estimates are provided for Southeast Asians.

housing inspections. Overall, the level of *consistent adverse treatment* against Asian and Pacific Islander renters is 21.5 percent—about the same as the level for African American and Hispanic renters. However, because of the mixed pattern of adverse treatment against Asians and Pacific Islanders, the lower-bound estimate of systematic discrimination is not significantly different from zero. Asian and Pacific Islander homebuyers experience *consistent adverse treatment* 20.4 percent of the time,⁴ with systematic discrimination occurring in housing availability, inspections, financing assistance, and agent encouragement. This level of discrimination is comparable to the level experienced by African American homebuyers, and significantly higher than the level of discrimination against Hispanics.

Because the composition and history of Honolulu’s Asian and Pacific Islander populations differs quite substantially from metro areas in the mainland U.S.⁵, we explored the possibility that levels or patterns of discrimination might be different when Honolulu was excluded from the analysis. In general, however, estimates are the same for the mainland metro areas as for the nation as a whole. In addition, estimates of discrimination against Asians and Pacific Islanders seeking housing in California are comparable to estimates for the nation as a whole.

To explore variations in discrimination for different segments of the Asian and Pacific Islander populations, we compared estimates of adverse treatment for light-skinned Asians and Pacific Islanders to estimates for dark-skinned people.⁶ In addition, because Phase II of HDS2000 expanded the sample of advertised sources, we tested for differences between units advertised in major metropolitan newspapers and those advertised in other sources. Based upon these comparisons, we conclude that:

- There is little consistent evidence that dark-skinned Asians and Pacific Islanders experience higher levels of adverse treatment than light-skinned Asians and Pacific Islanders. Differences are statistically significant for only a few individual treatment indicators, however, and these results suggest that dark-skinned renters face a greater disadvantage than homebuyers with comparable skin tone.

⁴ The lower-bound estimate of systematic discrimination in sales is 19.6 percent.

⁵ In Honolulu, Asian subgroups constitute the majority race, that is they make up 55 percent of the population. Since HDS is designed to assess differences in the treatment of Asians and Pacific Islanders relative to whites, it was hypothesized that the Honolulu findings might mask the level of discrimination against Asians and Pacific Islanders on the mainland U.S.

⁶ Local testing organizations provided photographs for all testers participating in HDS2000. Based on these photographs, each tester’s skin tone was rated on a scale of one to five (palest to darkest) by at least two independent coders.

- Discrimination against Asians and Pacific Islanders seeking rental housing does not vary significantly by type of advertising source. However, Asian and Pacific Islander homebuyers appear to face a significantly higher level of discrimination when they inquire about units advertised in sources other than major metropolitan newspapers.

Experience from this research effort also suggests that the recruitment and retention of Asians and Pacific Islanders as testers may present special challenges for local fair housing organizations. Some local testing organizations that did not have already established pools of Asian and Pacific Islander testers found it difficult to recruit testers because they were unable to make inroads into the various service organizations, associations, and other networks that serve the Asian and Pacific Islander community. In addition, for some ethnic sub-groups, particularly those who are newer immigrants to the U.S., cultural issues proved to be a barrier to completing tests and retaining testers. For example, conducting sales tests was particularly daunting for testers from groups who have little homebuying knowledge or experience in the United States.

Measurement Issues

A paired test can result in any one of three basic outcomes for any measure of treatment: 1) the white tester is favored over the minority; 2) the minority tester is favored over the white; or 3) both testers receive the same treatment (which may be either favorable or unfavorable). The simplest measure of adverse treatment is the share of all tests in which the white tester is favored over the minority. Because there are also tests in which minority testers receive better treatment than their white partners, we report both the incidence of white-favored treatment and the incidence of minority-favored treatment.

Gross and Net Measures. Although these simple *gross measures* of white-favored and minority-favored treatment are straightforward and easily understandable, they almost certainly overstate the frequency of systematic discrimination.⁷ Specifically, differential treatment may occur during a test not only because of differences in race or ethnicity, but also because of random differences in the circumstances of their visits to the real estate agency. For example, in the time between two testers' visits, an apartment might have been rented, or the agent may have been distracted by personal matters and forgotten about an available unit. Gross

⁷ We use the term "systematic discrimination" to mean differences in treatment that are attributable to a customer's race or ethnicity, rather than to any other differences in tester characteristics or test circumstances. This term is not the same as "intentional" discrimination, nor is it intended to mean that these differences would necessarily be ruled as violations of federal fair housing law.

measures of white-favored and minority-favored treatment include both random and systematic elements, and therefore provide *upper-bound estimates* of systematic discrimination.⁸

One strategy for estimating systematic discrimination, that is, to remove the cases where non-discriminatory random events are responsible for differences in treatment, is to subtract the incidence of minority-favored treatment from the incidence of white-favored treatment to produce a *net measure*. This approach essentially assumes that all cases of minority-favored treatment are attributable to random factors—that systematic discrimination never favors minorities—and that random white-favored treatment occurs just as frequently as random minority-favored treatment. Based on these assumptions, the net measure subtracts differences due to random factors from the total incidence of white-favored treatment. However, it seems possible that sometimes minorities may be systematically favored on the basis of their race or ethnicity. If so, the net measure subtracts not only random differences but some systematic differences, and may therefore understate the frequency of systematic discrimination.⁹

It is possible to adapt the basic paired testing methodology to directly observe how often random differences in treatment occur. Specifically, in two metropolitan areas, Phase II of HDS2000 conducted three-part tests. In these tests, a white tester was followed by two minorities or a minority tester was followed by two whites, all following the same protocols. Comparing the treatment of the two same-race testers provides a direct estimate of random (non race-based) differential treatment. This exploratory triad testing effort suggests that most, if not all minority-favored treatment is random; it provides no convincing evidence that minority-favored treatment systematically exceeds differences in the treatment of same-race testers. However, because these results are based on a relatively small number of tests in only two metropolitan areas, they should be viewed as preliminary and require further confirmation.

The body of this report presents both gross and net measures, because in combination, they indicate not only how often whites are favored over comparable minority homeseekers, but the extent to which white-favored treatment systematically exceeds minority-favored treatment.

⁸ Note that it is conceivable that random factors might *reduce* the observed incidence of white-favored or minority-favored treatment, so that the gross-incidence measure is technically not an absolute upper-bound for systematic discrimination.

⁹ Even when no statistical pattern of race-based differential treatment is observed, individual cases of discrimination may occur. Specifically, even if the gross incidence of white favored treatment is statistically insignificant, this does not mean that discrimination never occurred, but only that the number of cases was too small to draw any conclusions about systematic patterns across the sample as a whole. Similarly, for variables where the net measure is close to zero, there may in fact be instances of race-based discrimination, even though the overall pattern does not systematically favor one group.

These two measures provide upper- and lower-bound estimates of systematic discrimination against minority homeseekers.

Summary Measures. A visit with a rental or sales agent is a complex transaction, and may include many forms of favorable or unfavorable treatment. This report presents results for a series of fourteen individual rental treatment indicators and fifteen sales treatment indicators, but also combines these individual indicators to create *composite measures* for categories of treatment (such as housing availability or housing costs) as well as for the transaction as a whole. For rental tests, treatment measures include the availability of advertised and similar units, opportunities to inspect units, housing costs, and the encouragement and assistance from rental agents. For sales tests, measures include the availability of advertised and similar homes, opportunities to inspect homes, the neighborhood characteristics of recommended and inspected homes, assistance with mortgage financing, and encouragement and assistance from the sales agent.

Two types of composite measures have been constructed. *Consistency measures* reflect the extent to which the different forms of treatment that occur in a visit consistently favor one tester over the other. Specifically, tests are classified as white-favored if the white tester received favorable treatment on one or more individual items, while his or her partner received *no* favorable treatment. Tests were classified as “neutral” if one tester was favored on some individual treatment items and his or her partner was favored on even one item. Consistency measures were used in 1989 to summarize testing results across individual treatment indicators. In HDS2000, however, we also developed *hierarchical measures* by considering the relative importance of individual treatment measures to determine whether one tester was favored over the other. For each category of treatment measures and for the full set of measures, a hierarchy of importance was established *independently* of the testing results, to provide an objective set of decision rules for comparing treatment across indicators.¹⁰

The body of this report presents both consistency measures and hierarchical measures. These alternative measures (including both lower-bound and upper-bound estimates of systematic discrimination) generally tell a consistent story about the existence of discrimination at the national, state, and metropolitan level.

Strengths and Limitations of This Research

Paired testing is a powerful tool for directly observing differences in the treatment that minority and white homeseekers experience when they inquire about the availability of

¹⁰ Again, it is important to emphasize the difference between methods used for the statistical analysis of paired testing results and methods used to assemble or assess evidence of unlawful conduct in an individual case. No pre-determined set of decision criteria can substitute for case-by-case judgements about test results.

advertised housing units. Despite the strengths of this methodology, HDS2000, like previous national paired testing studies, is limited in its coverage of metropolitan housing markets and the experience of minority homeseekers. The sample of real estate and rental agents to be tested was drawn from newspaper advertisements, and the economic characteristics of tester teams were matched to the characteristics of the advertised units. However, not all housing units for sale or rent are advertised, not all real estate and rental agents use advertising to attract customers, and not all homeseekers rely upon published advertisements in their housing search. Therefore, results presented here do not necessarily reflect the experience of the typical minority homeseeker, but rather of homeseekers qualified to rent or buy the average housing unit advertised in a readily available information source.

Moreover, the results presented here do not encompass all phases of the housing market transaction. HDS2000, like most paired testing studies, focuses on the initial encounter between a homeseeker and a rental or sales agent. Additional incidents of adverse treatment may occur later in the housing transaction, when a renter submits an application or negotiates lease terms, or when a homebuyer makes an offer on a particular unit or applies for mortgage financing.

Finally, as discussed earlier, this study provides information about housing discrimination against the Asians and Pacific Islander populations as a whole, when there are good reasons to suspect that different ethnic sub-groups may face different levels or forms of discrimination. More targeted testing studies would be needed to develop reliable estimates of discrimination against individual Asian and Pacific Islander sub-groups in parts of the country where their numbers are significant. In spite of these important limitations, Phase II of HDS2000 provides the first rigorous national estimates of discrimination against Asians and Pacific Islanders, and presents compelling evidence that they face significant levels of discrimination, particularly when they search for homebuyer housing in metropolitan areas nationwide.

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