Message from the Community Affairs Officer - Cascade: No. 99, Summer 2018

By Theresa Y. Singleton, Ph.D., Senior Vice President and Community Affairs Officer

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Message from the Community Affairs Officer

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In this issue of *Cascade,* we reflect on the 50th anniversary of the Fair Housing Act by exploring the current state of fair housing and fair lending. An article summarizes a recent research symposium on the topic, hosted by the Federal Reserve Bank of Philadelphia in partnership with the Center for Urban Research and Education at Rutgers University–Camden. At the event, leading scholars and practitioners discussed the successes and shortcomings of the Fair Housing Act. The symposium highlighted the need for ongoing research and policy solutions to ensure that the goals of the Act are achieved.

One such solution, Small Area Fair Market Rents (SAFMRs), is discussed in an article in this issue of *Cascade* for its potential to address residential segregation and improve the outcomes of the housing choice voucher program. In another article, Philip Tegeler, president and executive director of the Poverty & Race Research Action Council (PRACC), considers the future of fair housing. PRACC promotes research-based advocacy strategies and advances federal policy to address structural inequality. In the interview, Tegeler reflects on the impact of federal housing policy on outcomes observed today in low- and moderate-income communities and shares insights on the most pressing current challenges in advancing fair housing. He also discusses best practices to address these issues and provides examples of communities that are doing this work well.

From our collective work in the community development industry, we know that successfully combatting challenges like the ones discussed in this issue of *Cascade* requires a holistic approach. To that end, we hope you will join us to discuss how we, as an industry, can build and invest financial, human, physical, and social capital to promote economic mobility in our communities. The Philadelphia Fed's flagship community development conference, Reinventing Our Communities, will be held October 1–3 in Baltimore on the theme of *Investing in Opportunity*. We hope you will join us along with our partners, including the Federal Reserve Bank of Richmond and other partners across the Federal Reserve System, Johns Hopkins 21st Century Cities Initiative, Enterprise Community Partners, the Annie E. Casey Foundation, NeighborWorks, and the Joseph & Harvey Meyerhoff Family Charitable Funds, for a national conversation on these urgent issues. I look forward to seeing many of you at the conference.

Research Symposium on Fair Housing Explores the Past, Present, and Future of the Fair Housing Act - Cascade: No. 99, Summer 2018

By Jimmy Gastner, Community Engagement Associate

Explore This Section

Research Symposium on Fair Housing Explores the Past, Present, and Future of the Fair Housing Act

Even though the Fair Housing Act has resulted in significant strides toward ending discriminatory real estate practices since it was enacted 50 years ago, significant challenges related to fair housing and fair lending still exist, requiring further action by researchers, policymakers, and advocates. This theme underpinned the Federal Reserve Bank of Philadelphia and the Center for Urban Research and Education at Rutgers University–Camden's recent Research Symposium on Fair Housing, which highlighted the past, present, and future of the Fair Housing Act.

Signed into law by President Lyndon Johnson in 1968, shortly after the assassination of Dr. Martin Luther King Jr., the Fair Housing Act[1] outlawed discriminatory practices in housing transactions in an attempt to combat some of the causes of residential racial segregation. The Kerner Commission,[2] which President Johnson formed in 1967 in response to major riots occurring throughout the country, noted that racial residential segregation was leading to the formation of "two societies, one black, one white — separate and unequal." The Fair Housing Act was passed in part to address the concerns raised in the commission's report, making it illegal for renters, homeowners, and mortgage applicants to be denied housing on the basis of race, color, religion, or national origin, a list of protected classes later expanded to include sex, disability, and family status.[3]

In recognition of the 50th anniversary of this landmark legislation, leading scholars and practitioners reflected on the Fair Housing Act's successes, failures, and opportunities for the future during a recent one-day research symposium hosted at the Philadelphia Fed. To kick off the event, Katherine O'Regan, former assistant secretary of the U.S. Department of Housing and Urban Development (HUD) and currently professor of public policy and planning at New York University, explored the context in which the Fair Housing Act was passed, followed by a discussion from leading scholars on the latest research on fair housing and residential segregation, fair lending, and policy approaches to fair housing. Regulators, consumer advocacy groups, and practitioners also shared their perspectives on challenges and policy solutions related to fair housing and fair lending. These wide-ranging perspectives — some of which will be featured in a forthcoming special edition of *Housing Policy Debate* — allowed attendees, who represented government agencies, academia, and nonprofits, to consider how they could apply this research and commentary to their work.

Although there are continuing fair housing and fair lending challenges, the symposium's participants shared optimistic outlooks for the future of the Fair Housing Act. However, the research symposium revealed three key factors that must be considered in order for the Fair Housing Act to better fulfill its purpose.

1. Policy solutions are needed to address residential segregation that still persists and, in some areas, is increasing.

According to Christopher A. Wheeler and Paul Jargowsky of the New Jersey Department of Community Affairs and Rutgers University–Camden, respectively, "the goals of the Fair Housing Act can't be realized unless we focus on spatial equity in metropolitan areas." Their research shows that racial residential segregation decreased from 1990 to 2010, but economic residential segregation increased during the same time period. This increase of economic residential segregation has contributed to an increase in concentrated poverty. Wheeler and Jargowsky's analysis shows that between 2005 and 2009, an estimated 9.5 million people lived in concentrated poverty in the United States, but between 2011 and 2015, 13.8 million people lived in concentrated poverty. This increase was most pronounced for Hispanic residents.

Their analysis also indicates that historic changes in economic residential segregation vary across metropolitan areas. For instance, the Minneapolis–St. Paul metropolitan statistical area (MSA) saw a small decrease in economic residential segregation between 1970 and 2010. However, the Philadelphia MSA experienced a much larger increase in economic residential segregation, and neighborhood inequality increased much faster than household inequality. Wheeler and Jargowsky attribute the growth of economic residential segregation to increases in household inequality and increases in the sorting of households into neighborhoods, and they conclude that policy solutions to address spatial inequities in metropolitan areas, such as local zoning reforms, are needed to address the increase of residential segregation.

Small Area Fair Market Rents (SAFMR) and the enforcement of the Affirmatively Furthering Fair Housing (AFFH) rule are two possible solutions to address residential segregation, according to the symposium's participants. HUD sets voucher rent limits, or Fair Market Rents, for an entire metropolitan area, but housing units in neighborhoods of higher opportunity generally charge rents that exceed HUD's rent limits, resulting in voucher holders being excluded from those neighborhoods. In an attempt to promote greater mobility for voucher holders, HUD instituted a new rule in select metropolitan areas that sets rent limits for voucher holders at the zip code level — SAFMRs[4] — to make higher-opportunity neighborhoods available to voucher holders. Vincent Reina, assistant professor of city and regional planning at the University of Pennsylvania, examined whether SAFMRs improved the quality of neighborhoods where black and Hispanic voucher households live. Looking at six demonstration sites, Reina found that in certain geographies, SAFMRs were associated with greater access to opportunity for black and Hispanic households, which could help reduce racial segregation, but gains were not consistent across all areas, according to his preliminary analysis.

Enforcement of HUD's AFFH rule could also help remedy increases in residential segregation. AFFH requires that HUD grantees submit an Assessment of Fair Housing (AFH) to continue to receive funding. By requiring AFHs to receive funding, HUD forces communities to evaluate how they are addressing challenges related to fair housing and to establish goals and priorities to further those efforts. In an analysis of submitted AFHs, Justin Steil and Nicholas Kelly of the Massachusetts Institute of Technology find that while 17 of the 49 AFHs submitted to HUD before the rule was suspended on January 5, 2018, were initially rejected, the majority of rejections were revised based on HUD's feedback and accepted before the rule's suspension. These rejections demonstrate the effectiveness of the rule as communities are being held to higher standards in regards to fair housing. According to Steil and Kelly, it also demonstrates that, before the suspension of the rule, standards were being enforced, HUD was providing constructive feedback, and there was intergovernmental collaboration. SAFMRs and AFFH demonstrate just two ways to improve the state of fair housing.

2. Tests for fair lending can be improved.

Researchers at the symposium discussed the need for improvement in fair lending tests and presented new fair lending measures to more effectively reveal discrimination in mortgage lending. Laurie Goodman, vice president for housing finance policy at the Urban Institute, proposed a new measure of mortgage denial rates, the real denial rate (RDR). The RDR improves upon the widely used observed denial rates (ODR) by holding credit profiles of mortgage applicants constant. In her analysis, Goodman finds that ODRs underreport how difficult it is for mortgage applicants with poor credit to obtain a mortgage compared with RDRs. She reports that RDRs more accurately measure the accessibility of credit over time and across different channels (e.g., government or conventional channels). Additionally, RDRs suggest that a significant portion of the differences in ODRs by race and ethnicity can be attributed to differences in applicants' credit scores.

Jason Dietrich, senior economist at the Consumer Financial Protection Bureau, proposed a new test for discrimination in mortgage pricing through the use of data envelopment analyses, which he uses to estimate if minorities with certain combined loan-to-value ratios (CLTVs) receive unusually higher mortgage rates than nonminorities. This analysis also makes it possible to simulate disadvantage or introduce lending discrimination, including unusual rates, discount points, or fees, to minority borrowers by manipulating FICO scores, combined loan-to-value ratio, and loan amounts to estimate patterns of lending discrimination and better identify unfair lending practices.

Both Goodman's and Dietrich's new measures offer innovations on traditional approaches of assessing fair lending. While both ideas are preliminary, they can potentially improve the state of fair lending, especially as lenders continue to innovate.

3. Further collaboration between research and practice is needed.

Practitioners called on researchers to provide more opportunities for meaningful collaboration. Just as legal efforts need to be combined with advocacy and organizing to achieve the best results in addressing fair housing challenges, as noted by Kevin Walsh, executive director of the Fair Share Housing Center, research and practice need to be complementary. For instance, Anju Chopra, a senior policy manager at ProsperityNow, described the need for research in making policy recommendations. She said that strong policy recommendations rely on multiple pieces of research that demonstrate similar results. Therefore, the evidence base needs to be continually replenished and expanded for new and innovative policies to take hold. For policy to be reformed, practitioners need stories in one hand and data in the other hand, demonstrating the need for advocates, researchers, and policymakers to work together rather than in silos.

All consumers deserve the guarantee of fair and reasonable choices when purchasing a home, renting a housing unit, or applying for a mortgage, which is the intent of the Fair Housing Act. New challenges continue to arise for fair housing and fair lending, requiring researchers and practitioners to continue to advance new, innovative ideas and practices for the Fair Housing Act to better fulfill its intended purpose for all Americans.

The Fair Housing Potential of Small Area FMRs in the Philadelphia Region - Cascade: No. 99, Summer 2018

By Eileen Divringi, Community Development Research Associate

Explore This Section

The Fair Housing Potential of Small Area FMRs in the Philadelphia Region

The housing choice voucher (HCV) program, sometimes referred to as Section 8 vouchers, is the largest housing assistance program funded by the U.S. Department of Housing and Urban Development (HUD), enabling over 2.2 million renter households across the country to access affordable, decent-quality rental units.[1] Unlike project-based subsidies that make dedicated units available at below-market rents, the HCV program allows low-income households to select from units in the private rental market, subsidizing rents such that they do not exceed 30 percent of household income. In theory, the program enables households to access more opportunity-rich neighborhoods than would be attainable without assistance; however, researchers have extensively documented the underperformance of the program in this regard, particularly among voucher holders of color.[2]

Some scholars suggest that the way the program establishes rent ceilings has contributed to lackluster residential outcomes for participants.[3] Each year, HUD publishes Fair Market Rents (FMRs), which serve as maximum rent levels for units of a given size. FMRs are typically calculated at the 40th percentile of market rents for units that meet certain quality standards.[4] Historically, HUD has established FMRs at a regional level, meaning that voucher households in large metropolitan areas would be subject to the same rent cap across vastly different housing submarkets. As a result, many HCV households find units more attainable in relatively distressed neighborhoods with lower housing costs.[5] To counteract this, in 2012, the agency began experimenting with Small Area FMRs (SAFMRs) that set rent ceilings at the zip code level. After promising early results in pilot communities,[6] HUD issued a rule requiring housing authorities in 24 large metropolitan areas to implement SAFMRs in 2017, including those serving the Philadelphia–Camden–Wilmington metropolitan statistical area (Philadelphia MSA).

In August 2017, HUD announced a two-year delay for implementing the SAFMR program. Several civil rights organizations quickly challenged the delay in court. Although the substance of their complaint focused on procedural issues, the plaintiffs further argued that the delay violated the agency's obligation under the Fair Housing Act and would have a disparate impact on African

American and Hispanic voucher households, who often face the greatest barriers to accessing low-poverty neighborhoods. Although voucher holders are not considered a protected class under the federal Fair Housing Act,[7] there is a long-established link between household-based rental assistance and housing desegregation efforts — several early voucher programs emerged from settlements of housing discrimination lawsuits.[8] In December 2017, the U.S. District Court for the District of Columbia granted an injunction against HUD, compelling it to move forward as planned with SAFMRs.[9] In January 2018, the agency announced that the affected housing authorities would be expected to implement SAFMRs by April 1, 2018.[10]

To better understand SAFMRs' potential to support fair housing goals, this article explores three pertinent questions:

Who uses HCVs in the Philadelphia MSA?

Where are HCV households in the Philadelphia MSA currently living?

What higher-rent neighborhoods have become more financially attainable to HCV households as a result of SAFMRs?

Insights from the vast body of literature on the HCV program are incorporated to provide additional context.

Who Uses HCVs in the Philadelphia MSA?

Table 1. Characteristics of HCV Households, Philadelphia MSA, 2017

	Households with a Voucher
Number	40,147
Demographic Characteristics	
Asian or Pacific Islander (Non-Hispanic)*	2%
Black or African American (Non-Hispanic)*	71%
Hispanic or Latino (of Any Race)*	8%
White (Non-Hispanic)*	19%
Households with Children Under 18 Years	47%
Economic Characteristics	

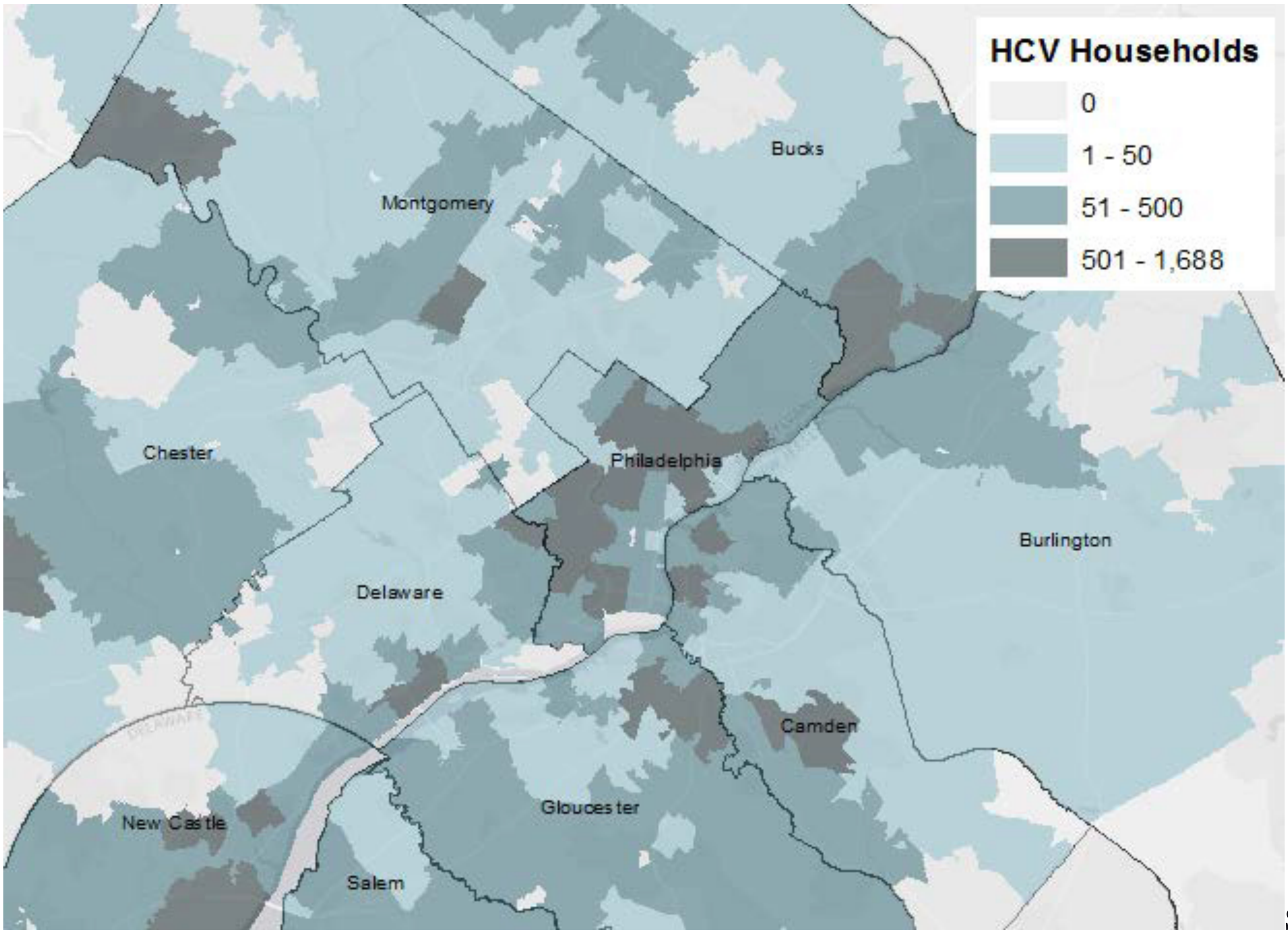
Median Household Income	$14,991

Source: U.S. Department of Housing and Urban Development Picture of Assisted Households
*Classified by the race/ethnicity of the household head.

Table 1 summarizes key demographic and economic characteristics of HCV households in the Philadelphia region, providing insight into why the program remains a salient issue for fair housing advocates. A substantial majority of HCV households in the region are headed by individuals who identify as black or African American, and more than eight out of 10 identify as racial or ethnic minorities, compared with half of renter households in the region overall. The median household income is somewhat below the federal poverty line for a family of two and roughly equivalent to the earnings of full-time, year-round employment at the Pennsylvania minimum wage. Almost half of HCV households have children under 18 present, compared with 37 percent of HUD-assisted households in the region overall. In light of recent research on the importance of neighborhood conditions for the economic mobility and psychological well-being of youth,[11] this further motivates attention to these households' residential outcomes.

Where Are HCV Households in the Philadelphia MSA Currently Living?

Figure 1. Number of HCV Households by Zip Code Tabulation Area (ZCTA), Philadelphia MSA, 2017



Source: U.S. Department of Housing and Urban Development Picture of Subsidized Households, UDS Mapper Zip Code to ZCTA Crosswalk, U.S. Census TIGER/Line Shapefiles
Note: Excludes five HCV households residing in zip codes that could not be directly merged to ZCTAs.

Figure 1 illustrates that HCV households can be found in the vast majority of zip codes12 in the Philadelphia region, although their concentration appears higher in a handful of areas. This is particularly true in the central cities of the MSA (Philadelphia; Wilmington, DE; and Camden, NJ), which account for 42% of the region's occupied rental units but are home to 53% of its HCV households.13 By contrast, areas with few or no voucher households tend to be suburban communities. This within-region distribution of households is consistent with that of the nation.14

Table 2. Characteristics of Census Tracts in Which HUD-Assisted Households Reside, 2017

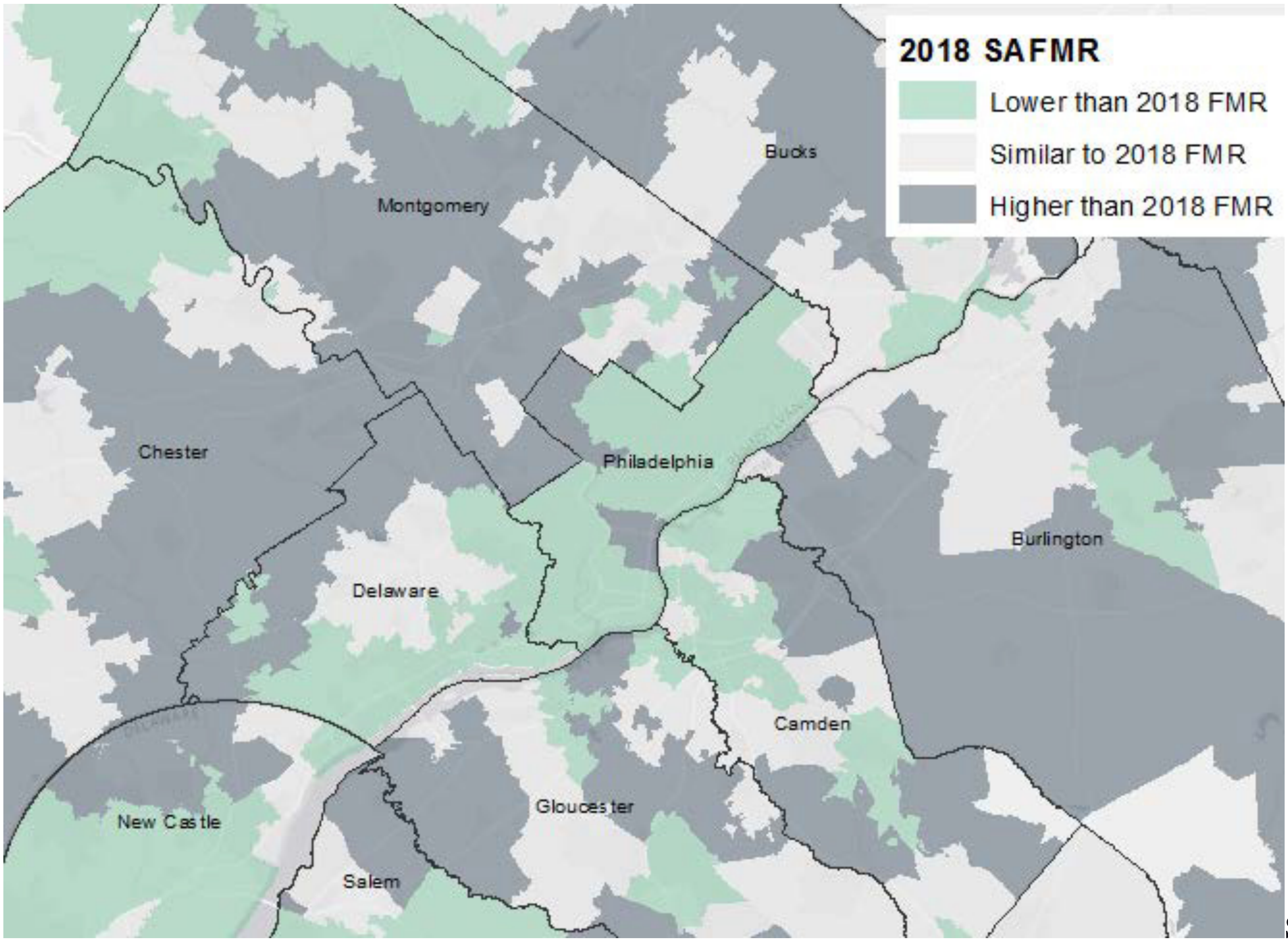
HUD Program	Housing Choice Vouchers	Public Housing
Percent Minority	64%	78%
Poverty Rate	25%	37%

Source: U.S. Department of Housing and Urban Development Picture of Assisted Households
Note: Percent minority indicates the share of total population in census tracts where HCV households reside who identify as racial or ethnic minorities; poverty rate indicates the share of total population in census tracts where HCV households reside whose income was below the federal poverty level.

It is worth examining the extent to which voucher holders live in segregated, high-poverty neighborhoods before the implementation of SAFMRs (Table 2). Like HCV households overall,[15] Philadelphia-area voucher holders appear to access more diverse neighborhoods with lower poverty rates than do residents of public housing.[16] However, this regional average may belie more troubling underlying patterns of socioeconomic segregation. HCV households in the city of Philadelphia, of which 90 percent are minority-headed, live in census tracts where 80 percent of residents identify as a racial or ethnic minority and where 32 percent of households have incomes below the poverty level. Existing research suggests that African American and Hispanic voucher households are more likely to be concentrated in moderate- to high-poverty inner-city neighborhoods[17] than their white counterparts. Furthermore, African American HCV households in particular seem to have worse residential outcomes in regions that are already highly segregated,[18] such as the Philadelphia MSA.[19] Despite these racial disparities, nationally, African American and Hispanic HCV households actually tend to see greater relative improvements in neighborhood economic conditions from voucher-enabled moves compared with white HCV households.[20] This mixed empirical picture helps illustrate both the promise and limitations of the HCV program thus far.

What Higher-Rent Neighborhoods Have Become More Financially Attainable to HCV Households as a Result of SAFMRs?

Figure 2. Comparison of 2018 SAFMR to Regional FMR by ZCTA, Philadelphia MSA, 2017



Source: Author's calculation based on U.S. Department of Housing and Urban Development FY2018 Advisory Small Area FMR Lookup System, UDS Mapper Zip Code to ZCTA Crosswalk, U.S. Census TIGER/Line Shapefiles

Notes: Lower than 2018 FMR indicates SAFMR <95% of regional FMR; similar to 2018 FMR indicates SAFMR 95%–105% of regional FMR; higher than 2018 FMR indicates SAFMR >105% of regional FMR. Excludes zip codes that could not be directly merged to ZCTAs.

While it is too early to examine the impacts of SAFMRs in the Philadelphia MSA, we can begin to develop a picture of the likely impacts by examining which zip codes became more or less financially attainable with the introduction of SAFMRs. Figure 2 maps the difference between the 2018 regional FMR and SAFMRs for zip codes across the region. For simplicity, this analysis only examines differences for two-bedroom units, although it seems reasonable to assume that the direction and magnitude of differences within a zip code would be similar across unit sizes. A zip code is considered more financially attainable if its SAFMR is more than 5 percent higher than the regional FMR. Contrasting Figures 1 and 2, it is clear that the areas that have become more financially attainable to HCV households are areas in which few voucher holders currently live, as shown in Table 3.

Table 3. Comparison of ZCTAs by Difference Between 2018 Regional FMR and SAFMR, Philadelphia MSA

SAFMR:	**Lower than FMR**	**Similar to FMR**	**Higher than FMR**
Number of ZCTAs	173	92	127
HCV Households Residing in ZCTAs*	34,898 (77%)	7,432 (16%)	3,275 (7%)
SAFMR Range, 2BR	$1,090–$1,200	$1,210–$1,320	$1,330–$1,750
Median Household Income	$50,523	$74,476	$91,262
Family Poverty Rate	14.7%	5.8%	3.7%
Unemployment Rate	10.3%	6.8%	5.5%
Percent Minority	50.8%	26.9%	22.6%

Source: Author's calculations based on U.S. Census Bureau 2012–2016 American Community Survey (ACS), U.S. Department of Housing and Urban Development Picture of Subsidized Households 2017 and FY2018 Advisory Small Area FMR Lookup System, and UDS Mapper Zip Code to ZCTA Crosswalk
* Excludes five HCV households residing in zip codes that could not be directly merged to ZCTAs. Does not sum to Philadelphia MSA total because of differences in ZCTA boundaries.
Notes: Lower than FMR indicates SAFMR <95% of regional FMR; similar to FMR indicates SAFMR 95%–105% of regional FMR; higher than FMR indicates SAFMR >105% of regional FMR. Calculations exclude ZCTAs for which 2012–2016 ACS estimates were not available. Number of HCV households based on 2017 data. SAFMR ranges based on 2018 guidelines. All other characteristics pertain to the 2012–2016 period. Median household income, family poverty rate, unemployment rate, and percent minority are weighted ZCTA averages. Median household income and family poverty rate are household-weighted, unemployment rate is weighted by population ages 20–64, and percent minority is weighted by total population.

Zip codes that have become more financially attainable — where the SAFMR is higher than the FMR — have considerably lower levels of poverty and unemployment than areas with lower SAFMRs, and they are less likely to be predominantly minority (Table 3). At face value, this analysis points to a strong potential for SAFMRs to expand voucher households' access to more socioeconomically advantaged neighborhoods.[21] Still, the existing evidence suggests that mobility-enhancing interventions may have a limited effect on racial and ethnic segregation.[22] After all, the HCV program prior to the implementation of SAFMRs yielded disparate residential outcomes for white and minority HCV households.

Remaining Obstacles

Scholars have identified a variety of explanations for why voucher holders of color are less likely to move to low-poverty, racially integrated neighborhoods than may be expected. Sharkey identifies two types of constraints affecting low-income households' residential mobility: *structural constraints*, which pertain to housing market characteristics and household economic resources, and *cognitive constraints*, which refers to how movers conceptualize which neighborhoods are available to them.[23] Regardless of HCV use, low-income minority renters already face a wide range of structural constraints on their access to high-opportunity neighborhoods, including landlord bias, a limited supply of adequate and affordable rental units, travel and childcare costs associated with visiting units, upfront security deposit costs, and credit checks.[24] Although HCVs partially alleviate household budgetary constraints, the program also requires that vouchers be used within a certain period of time after issuance,[25] a requirement that may induce families to settle for less-than-ideal housing situations.[26] Cognitive constraints arise from HCV households' limited awareness of or information about residential opportunities in less distressed neighborhoods. These constraints may also be influenced by structural factors; for example, individual or community memories of housing discrimination can limit the range of neighborhoods that minority voucher holders consider in their housing search.[26]

Beyond structural and cognitive constraints, residential preferences likely play a role in the neighborhood choice of HCV households. Qualitative evidence suggests that low-income households heavily prioritize maintaining access to existing social supports during their housing searches, and many residents of distressed neighborhoods express deep connections to their communities.[28] In fact, a substantial portion of voucher households end up leasing in the same neighborhood — or even the same unit — in which they lived before receiving HCVs.[29] To the extent that neighborhood characteristics are considered in housing searches, they may be limited by transit accessibility and proximity to jobs and shopping,[30] which are likely to be better in inner-city neighborhoods. Still, there is some evidence that exposure to neighborhoods with lower crime rates and higher-performing schools can influence HCV households' residential preferences.[31]

Conclusion

There are good reasons to be optimistic about the impacts of SAFMRs on HCV households' neighborhood options. Households in the HCV program already see improvements in residential outcomes relative to public housing residents, and early evaluations suggest that SAFMRs have the potential to further expand access to high-opportunity neighborhoods.[32] However, the extent to which the HCV program can be effective at fostering broader desegregation remains to be seen. Assessing the potential of SAFMRs as a fair housing tool forces us to confront the complex realities that low-income households face in the private rental housing market, including structural and cognitive constraints beyond unit affordability. Furthermore, the value of social supports in HCV households' current neighborhoods should not be underrated. Ultimately, this tension between fair housing objectives and HCV participant outcomes speaks to the ongoing need for both agency-enhancing mobility programs and quality-of-life-enhancing investments in distressed neighborhoods.

The Future of Fair Housing: Interview with Philip Tegeler - Cascade: No. 99, Summer 2018

By Sydney Diavua, Community Engagement Associate

Explore This Section

The Future of Fair Housing: Interview with Philip Tegeler

The Poverty & Race Research Action Council (PRRAC) is leading efforts to advance federal policy on fair housing and is working "to promote innovative, research-based advocacy strategies to address structural inequality and disrupt the systems that disadvantage low-income people of color."[1] *Philip Tegeler, the president and executive director of PRRAC, contributed his insights on the current state of fair housing 50 years after the landmark Fair Housing Act during a recent Philadelphia Fed Research Symposium. Cascade sat down with Tegeler to learn more.*

Tell us a little bit about your background. How did your career in fair housing begin?

I began my career in fair housing after law school, working with Paul Davidoff at the Metropolitan Action Institute in New York City. There, my work focused on application of advocacy planning principles to civil rights litigation. I assisted Paul with expert testimony in several fair housing lawsuits, one of which was the United States v. City of Yonkers case that addressed intentional housing and educational segregation. After I left New York, I worked with the American Civil Liberties Union (ACLU) in Connecticut, where I specialized in housing and school segregation cases. Much of the work I did there focused on public housing agency reform and exclusionary zoning and housing policies in suburban towns.

What has been the impact of federal housing policy on outcomes we observe today in low- and moderate-income communities?

Many of the problems we see today are built on a legacy of policies from the last century, during the pre– and post–World War II period, when the U.S. government aggressively subsidized and insured suburban subdivisions that carried requirements that these areas not include African American residents.[2] It is also the result of actions where we intentionally denied credit access to racially mixed areas of cities through redlining.[3] This, combined with massive federal investment in highways and suburban infrastructure, created metropolitan structures that are highly unequal. Richard Rothstein has done a wonderful job of pulling together all of this history in his recent book, *The Color of Law*. But the point is that we are still living with these structures in 2018, and they continue to impact politics, policy, and people's housing and education choices.

Current federal housing programs overlay the pattern laid down in the last century. Even if we were to completely reform federal housing programs so that they are actively promoting integration, it would not be nearly enough to undo the legacy that we have created. Most American cities are stuck in a highly segregated pattern inherited from the 1940s –1970s. The partial exception is in some of our coastal and global cities, where market forces are out of control and we have a pattern of gentrification and displacement and a resegregation of the poor away from emerging areas of opportunity. These trends are also a legacy of segregation and disinvestment — they are two sides of the same coin.

In your opinion, what are the most pressing current challenges in advancing fair housing?

There is a continuing need to desegregate areas of concentrated poverty, but this needs to be done in a way that respects residents' basic dignity and human rights and does not reduce the overall affordable housing stock. In the Northeast, tight urban areas are still living with the legacy of 20th century government-sponsored segregation. This is true and quite evident when it comes to communities in Connecticut and upstate New York. It was my work in Connecticut that initially led me to examine how federal policies continue to drive segregation at the local level.

While there was significant progress in fair housing policy made during the Obama administration, many federal policy programs such as low-income housing tax credits (LIHTC), housing choice vouchers, and public housing redevelopment programs like HOPE VI and Rental Assistance Demonstration (RAD) continue to drive segregation in housing.[4] For example, while HOPE VI was effective in deconcentrating poverty by demolishing old public housing units and replacing them with mixed-income opportunities, it also produced a loss of low-cost units, and it forced the displacement of low-income families from their communities. In all, many of the legacy federal affordable housing programs and projects are still being administered in the same manner as they were when they started and are in need of significant reform.

Despite these challenges, there has been some progress. Some states and localities are allocating LIHTC credits to create units in low-poverty areas. Adjustments to Small Area Fair Market Rents (SAFMRs) are changing the ways that rents are calculated to open up opportunities for more families across areas. The Affirmatively Furthering Fair Housing (AFFH) rule has the potential to spark change at the state and local level, although unfortunately, the rule was recently suspended by the U.S. Department of Housing and Urban Development (HUD) — a lawsuit is pending to reinstate it.

Describe some of the approaches that PRRAC and others are promoting to address these challenges.

Among the three federal housing programs mentioned (LIHTC, RAD, and housing vouchers), there is a need to improve LIHTC so that affordable housing opportunities are created not just in areas of high poverty but also in areas of high opportunity. For the Treasury Department to bring the program into compliance with the AFFH mandate, it would need to direct the use of tax credits to reverse patterns of segregation in metropolitan areas. That would mean forcing the development of LIHTC housing in high-opportunity, low-poverty areas and the use of strong affirmative marketing to attract families to come live in those developments. It would require eliminating local approval for LIHTC properties and creating a significant set-aside of funds for development in low-poverty communities. This is at odds with the department's basic approach of delegating LIHTC administration to the state level.

For the housing choice voucher program, there is a need to make SAFMRs mandatory in more metropolitan areas. HUD and local housing agencies should also direct funding for housing mobility counseling to families in the most segregated areas, especially those with young children. Federal policy could expand source of income protections to more states so that families will not be turned away because they are using a voucher, landlords in high-opportunity areas should be given incentives to accept voucher recipients, and public housing agencies should be measured by stronger performance standards to ensure they meet racial and economic integration goals.

Public housing redevelopment programs need stronger requirements for the location of replacement housing outside high-poverty areas. The RAD program gets this partially right: While the program allows current residents to have the right to return to a redeveloped unit, public housing authorities (PHAs) still have the option of placing all the replacement housing units in the same high-poverty neighborhood as before, even if many residents would have preferred to live in a different neighborhood.[5] Improving policies to require that PHAs create significant portions of replacement housing in areas of high opportunity can create the choice that residents need to advance their opportunities, whether that be in their existing community or a new one.

Finally, as a society, we have disinvested from low-income neighborhoods, and there needs to be substantial reinvestment in those communities. That doesn't mean just creating more low-income housing in these already saturated neighborhoods, it means investing in commercial and retail properties, jobs, schools, parks, and other amenities to make better, healthier, and safer places to live. We need to think about this at a much bigger scale than we have previously.

What are some communities that are doing this work well?

The Baltimore Regional Housing Partnership (BRHP)[6] is a great example of a highly effective housing mobility program operating at scale throughout the region and implementing best practices in the housing choice voucher program. BRHP is the administrator for the Baltimore Housing Mobility Program, which is providing pathways to opportunity for low-income Baltimore households through access to expanded housing, education, and employment options in high-opportunity areas. Almost

4,000 families have been assisted with voluntary moves from public housing to scattered-site, high-opportunity areas throughout the Baltimore region.

There is also some great work happening at the King County Housing Authority in Washington to promote housing mobility and to deconcentrate its voucher program by acquiring existing multifamily housing in high-opportunity areas of the county. The National Housing Trust (NHT) is now developing a similar high-opportunity housing acquisition program in several metro areas.

New Jersey is a place where the LIHTC program has been administered quite well in expanding access to high-opportunity suburban communities and where advocates have been successfully using the state's Mt. Laurel zoning doctrine to force local jurisdictions to open up to multifamily housing development.

What is needed going forward to advance fair and affordable housing?

It is important to have continued, aggressive civil rights advocacy to address exclusionary zoning as well as policies that contribute to segregation in publicly assisted housing programs. When you look at the most important housing reforms of the last 10 years, many can be traced back to a major civil rights case. Starting with Gautreaux v. Chicago Housing Authority, which led to the first major housing mobility program, and more recently the SAFMR rule that was triggered by a 2007 lawsuit in Dallas and the AFFH rule that was set in motion by a major federal lawsuit in Westchester County, NY, there is a direct link between legal advocacy and housing policy reform. This will be a continuing part of the reform story going forward, and it needs to be supported by housing funders. I think everyone has a part to play in the process of trying to reverse our legacy of segregation. Whether you're a housing program administrator, a developer, a private investor, or a community development financial institution (CDFI), everyone has to work together to move toward a common goal.

Federal Reserve Bank of Philadelphia

5 Things to Know About the Community Reinvestment Act and Fair Lending Laws

	Community Reinvestment Act	Fair Lending Laws
What is it?	The Community Reinvestment Act (CRA) was passed by Congress in 1977 to encourage regulated financial institutions to help meet the credit needs of the communities in which they operate, particularly low- and moderate-income (LMI) individuals and areas.[1]	Fair lending laws originated from two pieces of legislation — the Equal Credit Opportunity Act and the Fair Housing Act — which collectively make it unlawful to discriminate against protected classes[2] in housing transactions.
What's covered?	The CRA requires that financial institutions make credit available to LMI individuals and areas, small businesses, and small farms.	Fair lending laws consider race, religion, and sex, among other factors, to prevent discrimination against protected classes.
What do examiners look for?	CRA evaluations analyze a financial institution's lending performance, including the volume and type of lending provided to all income levels and businesses and farms of all sizes.	Fair lending evaluations analyze a financial institution's lending to protected classes, including lending to minorities and in majority-minority areas — areas with populations of at least 50 percent minority.
What enforcement measures exist?	Less than satisfactory CRA ratings may affect a financial institution's ability to participate in mergers and acquisitions or to open new branches. Additionally, CRA ratings are publicly available, which can impact a financial institution's reputation and provide incentive to comply with the CRA.	Evidence of discrimination against protected classes can lead to referrals to the U.S. Department of Justice and/or the U.S. Department of Housing and Urban Development. Although resulting enforcement actions may be publically available, fair lending evaluation ratings are not.

How do they overlap? The CRA and fair lending laws often overlap because certain LMI areas also contain significant minority populations. Additionally, CRA and fair lending are linked because CRA ratings may be downgraded by the presence of illegal credit practices which may include violations of fair lending laws.

Footnote 1: Regulators align definitions of LMI areas with the U.S. Department of Housing and Urban Development's defined standards of area median income (AMI).

Footnote 2: The Equal Credit Opportunity Act, enacted in 1974, makes it unlawful for creditors to discriminate based on race, color, religion, national origin, sex, marital status, age, receipt of public assistance, or the exercise of any rights under the Consumer Credit Protection Act. The Fair Housing Act, enacted in 1968, makes it unlawful to discriminate in housing transactions based on race, color, religion, sex, handicap, familial status, or national origin.

If you believe that you have been discriminated against by a financial institution, contact the Federal Reserve Consumer Help at 888.851.1920 or https://www.federalreserveconsumerhelp.gov/.