

Fair Housing Issues in the Gulf Coast in the Aftermath of Hurricanes Katrina and Rita

Submitted to:

**U.S. House of Representatives Committee on Financial Services
Subcommittee on Housing and Community Opportunity**

Submitted by:

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My name is Janet Murguía, and I am the President and CEO of the National Council of La Raza (NCLR). I have spent my entire career as an advocate for greater opportunities for this nation's hardworking Latino families, and on behalf of NCLR and the Latino community, I am pleased to present our views for this hearing, "Fair Housing Issues in the Gulf Coast in the Aftermath of Hurricanes Katrina and Rita." I thank Chairman Ney, Ranking Member Waters, and the other the members of this committee for taking the lead in holding a field hearing on this issue. The commitment of this committee to the principles of fair housing is clear, and much appreciated by our community. I also thank the Chairman, Ranking Member, Congresswoman Velazquez, and Congressman Tiberi for their work on making homeownership more accessible to Latinos through their support of housing counseling.

NCLR is a private, nonprofit, nonpartisan organization established in 1968 to reduce poverty and discrimination and improve opportunities for the nation's Hispanics. As the largest national Hispanic civil rights and advocacy organization in the U.S., NCLR serves all Hispanic nationality groups in all regions of the country through a network of nearly 300 affiliate community-based organizations.

NCLR has a long history of fighting for Latinos' right to fair and affordable housing. Over the past two decades, we have testified before Congress on this issue multiple times and worked with partners in the private and nonprofit sectors to improve Latino families' access to fair housing. Complementing this work, NCLR has also been a leader in advocating and conducting research on affordable housing issues important to the Latino community. This work focuses on issues such as wealth creation and barriers to homeownership, access to affordable mortgage products, and programs and legislation that support fair lending. NCLR's most recent relevant publications include *Hispanic Housing and Homeownership*; *American Dream to American Reality: Creating a Fair Housing System that Works for Latinos*; *Hispanic Housing and Homeownership*; and *Jeopardizing Hispanic Homeownership: Predatory Practices in the Homebuying Market*.

In addition, since 1997, NCLR has been a national intermediary designated by the Department of Housing and Urban Development (HUD) to distribute funds for housing counseling. The NCLR Homeownership Network (NHN) consists of 37 NCLR affiliates in 20 states which provide pre-purchase bilingual homeownership counseling to low-income families in predominately Latino neighborhoods. NHN counsels more than 20,000 families each year, more than 3,500 of which become homeowners. NHN has sophisticated partnerships with some of the nation's largest providers of home mortgages such as Bank of America, Countrywide, JPMorgan Chase, Washington Mutual, Wells Fargo, Fannie Mae, and Freddie Mac. Our long history and experience in the community puts us into a unique position to comment on the fair housing issues facing current hurricane victims and the implications for Latinos nationwide.

As you well know, Hurricanes Katrina and Rita are responsible for an unprecedented amount of damage to the Gulf Coast region, the complete ramifications of which will not be known fully for some years to come. Unfortunately, issues of housing discrimination have quickly risen to the top of this list. This hearing is an important step in beginning to look at the fair housing challenges facing this region now and those on the horizon, as well as what this tells us for the rest of the country.

In the wake of Hurricanes Katrina and Rita, NCLR quickly realized that Hispanic families were being left behind by public and private relief agencies. In response to the crisis, NCLR reached out to our affiliates, corporate partners, and individuals to create the NCLR Katrina Relief Fund. The Fund was designed to inject badly-needed funds directly into organizations providing services to hurricane victims. It has since become clear that the extent to which the government and public agencies were incompetent in assisting Latino families could have dangerous implications for the next disaster relief effort. NCLR plans to release *In the Eye of the Storm: How the Government and Private Response to Hurricane Katrina Failed Latinos*, a new report that analyzes the response of the federal government and private relief agencies, primarily the American Red Cross, to the needs of Latinos living in the affected areas along the Gulf Coast. *In the Eye of the Storm's* findings include: discriminatory assumptions that all Latinos are undocumented immigrants left some Latinos without relief services; Latino workers were promised housing by their Federal Emergency Management Agency-contracted employers, yet were left to live in tent cities outside construction sites; and the Internet is being used as a new tool to block Latino families from housing. The report makes recommendations to government agencies, policy-makers, and relief agencies, accordingly.

Discrimination Against Latinos

Discrimination against Latino homeseekers is not a new issue and, given the current backlash against immigrants, we have reason to believe that it may be intensifying. For example, in 2000 the Department of Housing and Urban Development released a study using paired testing to gauge incidences of discriminatory acts whereby a minority and a White tester are given identical financial information and apply for the same apartment or home loan. The study found that nearly one in five Hispanic homebuyers and more than one in four Hispanic renters experience some act of discrimination while searching for their new home.¹ While discrimination against Hispanic homebuyers had decreased since the previous HUD-sponsored report (completed in 1989), the incidence of discrimination against Hispanic renters rose, while the same figures fell for other renters. This is troubling in light of the important contribution that Hispanic families make to the renting market, accounting for just over 17% of all renters. With respect to the Gulf Coast, reports from our affiliates and partners suggest that the rates of housing discrimination against minorities, families with children, the elderly, and religious minorities appear to be much higher in that area now.

Other evidence suggests a potential rise in housing discrimination against Latinos nationwide. In response to what can only be called a backlash against hardworking immigrant families, some local municipalities have selectively enforced their zoning laws to target Latino families. In 2004, for example, the Department of Justice (DOJ) settled a case against Bound Brook, New Jersey in which an elected official was found using an Internet chat site to solicit addresses of Latino-occupied units for selective housing code enforcement. In other areas, cities have passed new laws that are designed to keep large immigrant families out of their neighborhoods. The *Washington Post* recently reported that Latino families are targets of housing-related complaints and searches that are without merit (determined by the fact that no infractions of the code were

¹ Turner, M.A., S.L. Ross, G.C. Galster, and J. Yinger, *Discrimination in Metropolitan Housing Markets: Phase 1*. U.S. Department of Housing and Urban Development, 2002.

found).² In addition, analysis of the 2004 Home Mortgage Disclosure Act data confirms earlier research and findings that Latinos and other minority and low-income families are disproportionately receiving higher-cost home loans, even when controlling for key loan characteristics such as income, loan amount, property location, co-applicant, and gender.³

Housing discrimination in and of itself is a major societal concern and undermines the fundamental American commitment to equal opportunity under the law; for that reason alone society should be committed to its eradication. However, there are tangible harms to victims and communities as a result of discrimination. The most obvious and measurable is segregation. Major studies of segregation patterns have identified a trend of rising segregation levels after an historical low in the mid-1980s. Neighborhood segregation contributes to cycles of poverty, segregated and underperforming schools, and decreased access to city services and jobs. Moreover, limited housing mobility undermines wealth creation and economic mobility.⁴ The rising discrimination rates seen in the Gulf Coast area threaten to undercut the entire rebuilding effort.

The Gulf Coast

As was evident to members of this committee during the field hearings held in Mississippi and Louisiana January 13 and 14, 2006, issues concerning fair housing access have emerged among the most important issues for those living and working in the affected regions. I want to draw your attention to three of NCLR's concerns related to housing:

- **Many Latino workers have been left without decent housing.** Though Latino workers play an important role in rebuilding the Gulf Coast region, most live in tent cities outside their job sites. In some cases, there is not an affordable option available. In other cases Hispanic workers in particular have been barred from accessing better housing options. *The Wall Street Journal* documented the eviction of Hispanic workers from American Red Cross shelters during the early rebuilding efforts.⁵
- **The Internet poses new challenges.** The autonomy of Internet users presents a challenge for fair housing laws that were designed for print media. Websites that give users a free hand to post information without first reviewing its contents may unwittingly aid housing discrimination. The Greater New Orleans Fair Housing Action Center filed a complaint with HUD against several websites that were advertising housing opportunities for posting

² McCrummen, Stephanie, "Concerns Persist About Manassas Anti-Crowding Efforts," *The Washington Post*, Thursday, February 23, 2006, VA15; and Stewart, Nikita, "Prince William Sizes Up Crowded Housing Problem," *The Washington Post*, Wednesday, February 22, 2006, B02.

³ Ernst, Keith and Debbie Goldstein, "Comment on Federal Reserve Analysis of Home Mortgage Disclosure Act Data." Washington, DC: Center for Responsible Lending, September 14, 2005.

⁴ See: Logan, John R., *Separate and Unequal: The Neighborhood Gap for Blacks and Hispanics in Metropolitan America*. University of Albany, Lewis Mumford Center for Comparative Urban and Regional Research, 2002; Sandoval, Juan Onesimo, Hans P. Jonson, and Sonya M. Tafoya, "Who Is Your Neighbor: Residential Segregation in California," *California Counts* 4(1), 2002; Orfield, Gary and Chungmei Lee, *Brown at 50: King's Dream or Plessy's Nightmare?* Harvard University Civil Rights Project, 2004; and Orfield, Gary, *Housing Segregation: Causes, Effects, Possible Cure*. Harvard University Civil Rights Project, 2001.

⁵ Terhune, Chad and Evan Perez, "Roundup of Immigrants in Shelter Reveals Rising Tensions," *The Wall Street Journal*, October 3, 2005.

discriminatory ads. Executive Director James Perry testified before the House Financial Services Committee that these ads included blunt statements that Blacks, Hispanics, children, and non-Christian families were not welcome, a clear violation of the 1968 Fair Housing Act.

- **Homeowners are vulnerable.** As many suspected, many homeowners from the affected areas are facing the threat of foreclosure. Temporary forbearances have lapsed and many owners are still unable to pay their mortgage. According to The Brookings Institution, which has been tracking such variables on a monthly basis, nearly one in four Louisiana mortgages and more than one in six Mississippi mortgages were 30 or more days past due, a significant increase over the pre-Katrina levels of one in 15 in Louisiana and one in eight in Mississippi.⁶ NCLR, along with many of our affiliates and partners, is concerned that these vulnerable families run a high risk of being targets of predatory lenders.

Current Enforcement System

Clearly the need for an effective fair housing system has never been greater. Regrettably, the current fair housing system has fallen short of the needs of the Latino community in three key ways.

- **Many Latinos are unaware of their rights.** Because there have historically been so few Latino-focused community-based organizations involved in fair housing outreach, education, and testing, there is a lack of a cultural awareness of the civil rights enforcement system in general and the fair housing system in particular. The result is that many Hispanics who encounter housing bias may not recognize it when it occurs. The National Fair Housing Alliance's (NFHA) *2003 Fair Housing Trends Report* estimates that, based on HUD findings of a 27% discrimination rate against Hispanic renters and on the average number of Hispanic families who move each year, Hispanics alone probably encounter at least 441,085 incidents of discrimination a year. However, there were only 25,000 total claims filed on behalf of all protected classes during 2002.⁷ Further, many federal and local offices, as well as agencies funded by the Federal Housing Initiative Program and the Federal Housing Assistance Program (the two major federal sources for fair housing funding), lack bilingual staff and materials, which inhibits effective outreach to the Hispanic community; many Latino families do not understand their rights, are reluctant to report discrimination, or do not receive information about subsidized housing programs. This is especially true in areas such as the Gulf Coast.
- **Enforcement systems do not meet the needs of victims of housing discrimination effectively.** Despite the widespread discrimination encountered by Latinos in the housing market, there is substantial evidence that the fair housing enforcement system fails to adequately enforce their rights. For example, Hispanics are severely underrepresented in federal charge caseloads and litigation and in complaints filed with state-local enforcement agencies and private fair housing groups. A review of the U.S. Department of Justice's publicly available case summaries for housing and civil rights enforcement, for example, reveals that it has pursued only 22 fair housing cases involving Latino

⁶ Katz, Bruce, Matt Fellowes, and Mia Mabanta, *Katrina Index: Tracking Variables of Post-Katrina Reconstruction*. Washington, DC: The Brookings Institution, February 1, 2006.

⁷ *2003 Fair Housing Trends Report*, National Fair Housing Alliance.

plaintiffs between 2000 and January 30, 2004 and filed one amicus curiae brief out of more than 180 cases.⁸ This litigation on behalf of Hispanics constituted less than 13% of all DOJ's caseload over this period. The fair housing system relies heavily on victims reporting incidents of discrimination, which requires victims to know their rights, to realize they have been discriminated against, and to be comfortable reporting the incident. Immigrants in particular face considerable intimidation when filing a complaint. We have heard many reports from community organizations that landlords or homebuying agents threaten to have families deported, even when a family is legally present and the threat is baseless. These intimidation tactics only serve to keep all Latinos from trusting the fair housing system.

- **Funding for fair housing has not been a priority.** Unfortunately, Latinos have not been welcomed as mainstream stakeholders in the fair housing system. As a result, there is a lack of mainstream fair housing agencies that have the capacity to serve the Latino community effectively and even fewer Latino community-based organizations engaged in the field of fair housing. Although anecdotal evidence suggests that a significant number of mainstream fair housing agencies have some capacity to serve the Hispanic community, it is still far from the norm for Latinos or other bicultural or bilingual staff to be proportionately represented in such agencies. NCLR research shows that Latino-serving agencies do not receive the funds they need to adequately reach the Latino community. The funds they do receive are more often focused on outreach but not on enforcement. Given recent demographic changes and the research findings documenting a high incidence of housing discrimination against Hispanics, one might expect a substantial portion of funding to be targeted to agencies building Latino-focused capacity, or Hispanic organizations seeking to build fair housing capacity, or both.

Recommendations

- **Make fair housing a priority.** It is clear that fair housing must be part of all long-term disaster relief efforts now and in the future. Congress must direct the Department of Housing and Urban Development to target a portion of their disaster relief-related funds to local fair housing and community organizations with the capacity to educate hurricane victims and current Gulf Coast residents of their rights to fair housing. Such a campaign must be broad, timely, and accessible in multiple languages that reflect the diversity of the area. In addition, the Department of Homeland Security must incorporate strategies for ensuring that victims fleeing affected areas and those working in the disaster relief efforts are not discriminated against in their search for decent and safe housing.
- **Invest in education and enforcement.** Broad public education campaigns in multiple languages are necessary to educate homeseekers on their rights to fair access to a home, how to file a complaint in the event of an incidence of discrimination, and who in their area can help them through the process. This cannot be done without fully funding the existing fair housing budget, which the Administration has proposed to cut by \$1 million. Moreover, Congress must increase the funding for the fair housing programs and set

⁸ U.S. Department of Justice, *Case Summaries*, 2004. World Wide Web page <www.usdoj.gov/crt/housing/documents/casesummary.htm>.

aside a portion of this increase to build capacity within Latino-serving community organizations to address the unique needs of this population.

- **Hold Internet users accountable.** Website hosts have the same responsibilities as print media to police their website and monitor all posts regarding the renting or sale of property, even if it is on a temporary basis. Congress, HUD, and DOJ must send a collective message that the Internet cannot be used to discriminate against protected classes. To accomplish this, we suggest that those involved in the fair housing enforcement system post an open letter to Internet users reaffirming their commitment to pursuing any violations of the Fair Housing Act. In addition, monies should be appropriated for HUD and its grantees to jointly monitor and study the role of the Internet in home searches and the possible presence of discriminatory acts. Finally, in HUD's next round of funding fair housing testing, a review of Internet advertisements must be included.

Conclusion

Discrimination in the housing market threatens to undermine the rebuilding efforts along the Gulf Coast. Moreover, new discriminatory practices are creeping up in communities throughout the country. NCLR appreciates the commitment of this committee to the ideals of equal access. We now call on the members of Congress to act on this commitment and make fair housing a priority. We stand ready to work with you in any way we can.