

# **CLOSED DOORS, OPPORTUNITIES LOST**

The Continuing Costs of Housing Discrimination

*John Yinger*

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# The Housing Discrimination Study

The stories that begin this book, in which the treatment of comparable white and minority homeseekers is compared, illustrate the technique called a fair housing audit. The power of such an audit to shed light on the discriminatory practices of landlords and real estate brokers was recognized long ago by people running fair housing agencies. During the 1970s this power was discovered by researchers. By the time the U.S. Department of Housing and Urban Development sponsored its second national audit study, called the Housing Discrimination Study (HDS), audits were widely recognized as a refined and reliable research tool. This chapter presents a brief history of audit research, outlines the key features of a fair housing audit, and describes the audit methodology employed by HDS. The following two chapters explore the HDS results in detail.

## ■ A BRIEF HISTORY OF FAIR HOUSING AUDITS

Before fair housing audits were developed, researchers studied discrimination in urban housing markets indirectly by looking for the impacts of discrimination on housing market outcomes, such as housing prices, housing quality, homeownership, and the pattern of racial residential segregation.<sup>1</sup> Several studies documented, for example, that black households lived in lower quality housing and were

far less likely to be homeowners than were white households with the same income and family characteristics.<sup>2</sup> These findings were consistent with the view that discrimination restricts the opportunities of black households, but they did not measure discrimination directly.

Indirect connections and abstract arguments are common currency for researchers, but they are not marketable in public debate. As a result, these studies did not have a major impact on public policy, even though most of them found evidence of discrimination.

Fair housing audits were developed by fair housing groups as a way to determine whether discrimination complaints had validity.<sup>3</sup> Most agency actions begin with a complaint, that is, by the appearance of a black or Hispanic person who claims that he or she has been unfairly denied access to a house or an apartment. Agencies learned that they could establish whether a house or an apartment was indeed available and whether the complainant had indeed been unfairly denied access to it by sending a comparable white person to inquire about the same unit. When the white person was offered the unit that the black or Hispanic person was denied, the agency had powerful evidence of discrimination, for both administrative and legal purposes. By the early 1970s, many fair housing groups had gained experience in bringing audit evidence into court, and how-to manuals for conducting audits were widely available.<sup>4</sup>

Researchers then discovered that they could measure discrimination by conducting fair housing audits for a sample of housing agents or of advertised housing units.<sup>5</sup> The first examples of audits research in the United States were small-scale studies conducted in Southern California in 1955 and 1971, followed by a large audit study in Detroit in 1974-1975.<sup>6</sup> A large audit study was also conducted in Great Britain in 1967.<sup>7</sup> Audits became a highly visible research tool when, in 1977, the U.S. Department of Housing and Urban Development sponsored the Housing Market Practices Survey (HMPS), which was a national study of housing discrimination against African Americans.<sup>8</sup> HMPS conducted 3,264 audits in 40 metropolitan areas and found evidence of significant discrimination against blacks in both the sales and rental markets.<sup>9</sup> A follow-up study in Dallas found high levels of discrimination against Hispanics, particularly those with dark skin.<sup>10</sup>

The pioneering HMPS report made it clear that fair housing audits are an appropriate and feasible method for studying discrimination in housing. Unlike indirect methods found in earlier research on the topic, fair housing audits provide direct, easy-to-interpret evidence about the extent of discrimination. An audit literally catches a discriminator in the act of discriminating, and it furnishes a compelling narrative about the discriminatory actions encountered by many black and Hispanic homeseekers. Moreover, the strong HMPS results

played a major role, albeit after a 9-year lag, in the passage of the 1988 amendments to the Fair Housing Act.<sup>11</sup>

It did not take long before many fair housing agencies and researchers conducted additional audit studies. Between 1977 and 1990, at least seventy-two other audit studies were done in individual cities, with well-publicized studies in Boston and Denver.<sup>12</sup> Virtually all of these studies provided further evidence of discrimination.<sup>13</sup>

Thanks to the power of the HMPS results and the mounting evidence of continuing discrimination, the U.S. Department of Housing and Urban Development decided to sponsor a second national audit study. A request for proposals was sent out in the spring of 1988, and that fall the project, the Housing Discrimination Study (HDS), was awarded to a team consisting of researchers at the Urban Institute, a nonprofit research organization in Washington, D.C., and at the Metropolitan Studies Program, a research center in the Maxwell School of Citizenship and Public Affairs at Syracuse University. HDS conducted about 3,800 audits in twenty-five metropolitan areas in the spring and early summer of 1989, and the final HDS reports were issued in September 1991.<sup>14</sup>

HDS was designed to build on the foundation laid by HMPS and to achieve four main objectives:

Provide a current national estimate of the level of discrimination against blacks in urban areas.

Provide, for the first time, a comparable national estimate of the level of discrimination against Hispanics.

Effectively measure racial and ethnic steering, whereby minorities may be shown or recommended housing units but are "steered" away from majority neighborhoods.

Advance the state-of-the-art in the methodology of systematic housing audits, providing researchers and fair housing enforcement officials with more reliable tools for measuring patterns of discrimination.<sup>15</sup>

## ■ WHAT IS A FAIR HOUSING AUDIT?

A fair housing audit is a survey technique designed to isolate the impact of a person's minority status on the way she is treated when asking a landlord or real estate agent about available housing.<sup>16</sup> An audit consists of successive visits to the same housing agent by two audit teammates who are equally qualified for housing but who differ

in minority status.<sup>17</sup> Each teammate then independently completes a detailed audit survey form to describe what she was told and how she was treated. An audit study, which consists of a sample of audits, makes it possible to isolate discrimination, which exists whenever, according to the information on the survey forms, housing agents systematically treat minority auditors less favorably than their white teammates.

The key objective of audit design is to make the members of an audit team as comparable as possible on all characteristics, except for minority status, that might influence their ability to rent an apartment or buy a house. Without this comparability, researchers cannot be confident that differences in the treatment of minority and white auditors are due solely to discrimination.<sup>18</sup> If the minority auditor is always older than her white teammate, for example, researchers cannot definitively rule out the possibility that minority auditors are treated less favorably because of their age.

Researchers cannot make audit teammates exactly comparable, but they have four tools to build comparability: matching, assignment, training, and timing.<sup>19</sup> The careful use of these four tools produces audits in which teammate comparability is sufficiently high so that systematically less favorable treatment of minority auditors can be interpreted as discrimination.

The use of audits raises some ethical issues because they are an imposition on the audited housing agents, some of whom have never practiced racial or ethnic discrimination.<sup>20</sup> In effect, an audited agent involuntarily donates about one hour of his time for a sales audit and about 20 minutes for a rental audit, regardless of his discriminatory practices.<sup>21</sup> However, given the long history of discrimination in the housing market, the strong evidence of continuing discrimination, and the lack of alternative investigative tools, audits are widely regarded as an appropriate technique for measuring discrimination and identifying discriminators. The case for fair housing audits is similar to the case for income tax audits, from which honest taxpayers are not exempt.

Moreover, the U.S. Supreme Court ruled unanimously, in the 1982 *Havens* case, that auditing is a legitimate investigative tool to combat discrimination in housing.<sup>22</sup> In fact, the *Havens* decision even stated that an auditor who encounters discrimination has standing to sue the offending housing agent even though she is not a bona fide housing seeker. This ruling created a potential conflict of interest for auditors, who are hired to collect information but who might gain from information that suggests discrimination. To avoid this conflict of interest, many audit studies, including HDS, have required all auditors to relinquish their rights to sue housing agents who treat them unfavorably.

## ■ THE HDS AUDIT METHODOLOGY

The HDS audit methodology builds heavily on earlier audit studies, especially HMPS. The key methodological issues include audit design, sampling, and administrative procedures. Interpretation of the HDS results requires a clear understanding of the HDS choices on each of these issues.

### *Audit Design*

To isolate discrimination, HDS carefully employed the four tools of audit design—matching, assignment, training, and timing.

The first tool, matching, involves the selection of audit teammates with the same fixed characteristics of sex, age, and general appearance. People with different fixed characteristics may be treated differently by housing agents, so all HDS audit teams consisted of two people, one black or Hispanic and the other white, of the same sex and approximately the same age. Individuals with an unusual appearance or manner were not selected as auditors.

The Hispanic population in the United States is very diverse, both racially and culturally.<sup>23</sup> A previous audit study found that the shade of an Hispanic homeseeker's skin may affect whether she experiences unfavorable treatment by a housing agent.<sup>24</sup> Her treatment might also be affected by the strength of her Spanish accent. As a result, HDS recruited as auditors both light- and dark-skinned Hispanics, with and without noticeable accents, all with Hispanic surnames.

The second tool for enhancing teammates' comparability is assignment. Since a household's ability to rent an apartment or buy a house depends on its income and family composition, audit teammates are assigned similar economic and family characteristics for the purposes of each audit. These characteristics include income, assets available for a down payment, occupation, marital status, and number of children.<sup>25</sup> Each audit was based on a specific advertised housing unit and the two teammates were assigned characteristics that made them fully qualified for that unit. Their given incomes were high enough to afford the rent or price of the advertised unit, and they were assigned a family composition that was appropriate for the number of bedrooms that unit contained. To help keep an agent from figuring out that he was being audited, minority and white teammates were not assigned exactly the same income. Moreover, to make certain that minority auditors were never treated less favorably because of their income, a slightly higher income was always assigned to the minority teammate.

The third tool, training, helps to minimize differences in teammates' queries and in the way they behave. All HDS auditors were trained to begin the audit by asking whether the advertised unit or similar units were available;<sup>26</sup> to behave in a serious, professional manner during the interview; to avoid trying to elicit any particular behavior from the agent; to express an interest in all available housing units that meet their price and size requirements; to keep track of information, with informal notes if necessary, and to fill out the survey as completely and accurately as possible; to refrain from indicating community or neighborhood preferences; and to try to inspect several housing units.<sup>27</sup>

Two themes of this training are worth highlighting. First, the training did not conceal the purpose of the study but instead emphasized the need for accurate, complete reporting and taught each auditor not to communicate with her teammate. The decision not to run a fully "blind" study in which auditors were not aware of the existence of their teammate or the purpose of the study was deliberate.<sup>28</sup> Some early audit studies discovered that minority auditors who encountered blatant unfavorable treatment became upset and were unable to complete their audit forms in an accurate manner, thereby invalidating some audits in which discrimination was the most severe. To avoid this possibility, auditors were told that they should behave in a professional manner no matter how they were treated, and they were debriefed after each audit.

Moreover, to minimize differences in their behavior, audit teammates received exactly the same training. Since they can observe that half of the people in a training session are black or Hispanic and the other half are white, it is better to tell them the purpose of the study and to emphasize the need for accurate reporting than to leave them guessing.

Second, each auditor was instructed to be interested in all housing that was offered but to ask for the housing agent's opinion instead of giving clear preferences of her own. This approach ensured that the agent, not the auditor, determined which units were recommended or shown to each auditor.

Finally, a person's experience at a housing agency depends in part on the circumstances she encounters there. Is the market active that day or that week? Has the advertised unit already been sold or rented? And so on. The fourth tool, therefore, is to manipulate the timing of the two teammates' visits to make the circumstances they encounter as similar as possible. In the case of HDS, teammates initiated their visits within a short time of each other.<sup>29</sup>

Advertisements identify a housing agency but often do not men-

tion the housing agent. Thus, audit teammates inquire about the advertised unit but speak to whomever they encounter at the housing agency. The possibility that audit teammates may deal with different agents within an agency in no way compromises the audit design. The matching of customers to agents may be a random process, in which case it cannot systematically influence the treatment of minority auditors relative to white auditors, or it may itself be a means of discriminating, in which case its effects on the treatment of auditors are reflected, as they should be, in measures of discrimination.<sup>30</sup>

One final aspect of timing concerns the order of visit. An auditor's treatment may depend on whether she preceded or followed her teammate. If a rental agent believes that the first auditor will rent the advertised apartment, for example, he may not show this apartment to the second auditor. To ensure that the order of visit did not influence treatment, HDS randomized order; it determined at random the order in which two teammates contacted the housing agent targeted by each audit.<sup>31</sup>

### *Sampling Plan*

The HDS sampling plan, like that of HMPS, contained two stages. In the first stage, a sample of metropolitan areas was selected to yield nationally representative estimates of differential treatment of minority homeseekers in major urban areas.<sup>32</sup> In the second stage, a sample of newspaper advertisements was selected to yield a representative sample of available housing units in each metropolitan area.

HDS audits were conducted in twenty-five metropolitan areas, selected from the set of large urban areas with significant minority populations.<sup>33</sup> The 105 metropolitan areas in this set all had central city populations greater than 100,000 and were more than 12 percent black or more than 7 percent Hispanic, the average shares of blacks and Hispanics in the U.S. population as of 1980.<sup>34</sup> A relatively large number of audits was conducted in five sites where a large share of the nation's black and Hispanic citizens live. These five sites are New York, Chicago, and Los Angeles, where both black-white and Hispanic-white audits were conducted; Atlanta, where only black-white audits were conducted; and San Antonio, where only Hispanic-white audits were conducted. The remaining twenty sites range from small metropolitan areas, such as Pueblo, Colorado, and Macon-Warner-Robins, Georgia, to large urban areas, such as Detroit, Miami, Philadelphia, and Washington, D.C. The complete list of sites, which is presented in Table 2.1, is geographically diverse, with representatives

TABLE 2.1 HDS SITES AND SAMPLE SIZES

Site	Black-White Audits		Hispanic-White Audits	
	Sales	Rental	Sales	Rental
Atlanta	94	66	—	—
Austin	43	32	63	55
Bergen County	36	28	64	47
Birmingham	48	34	—	—
Chicago	103	65	122	81
Cincinnati	25	34	—	—
Dayton	25	33	—	—
Denver	47	42	73	59
Detroit	51	33	—	—
Houston	48	42	53	51
Lansing	43	35	—	—
Los Angeles	104	75	120	81
Macon	45	33	—	—
Miami	39	32	60	58
New Orleans	44	33	—	—
New York	87	52	118	62
Orlando	43	32	—	—
Philadelphia	44	30	—	—
Phoenix	—	—	72	56
Pittsburgh	46	38	—	—
Pueblo	—	—	68	50
San Antonio	—	—	116	67
San Diego	—	—	76	61
Tucson	—	—	71	59
Washington	43	32	—	—
Total	1,081	801	1,076	787

from all four census regions and from fourteen states plus the District of Columbia.

In the second stage of the HDS sampling plan, newspaper advertisements for available housing units were randomly selected from the major newspaper in each sampled metropolitan area.<sup>35</sup> In the sales audits, housing units for sale by the owner were excluded from the sample, but condominiums were included.<sup>36</sup> A sample of available units was drawn each weekend in each site until the desired number of audits was completed.

### Administrative Procedures

A national audit study cannot be conducted without a large, complex administrative structure. HDS was administered by the Urban Institute, following administrative procedures similar to those pioneered by HMPS. Local fair housing organizations were hired to conduct the audits and to hire and train local auditors, using procedures developed by the central research staff. The people selected as auditors were judged to be capable of role-playing and not to have any unusual personality or physical characteristic that might influence their treatment by housing agents. The local administrator's responsibilities included preserving confidentiality and debriefing each auditor after each audit to maintain high standards of completeness and accuracy on the survey forms. Regional supervisors, working under the direction of a central audit manager, monitored the activities at each audit site, to ensure that the audits were conducted according to the standard procedures, and they provided a second review of the audit survey forms.

The central research staff selected the random samples of advertisements and randomly determined the order of the teammates' visits for each advertisement. Because advertisements were selected from a weekend newspaper for audits that began on Monday, there was a flurry of sampling activity and fax transmissions at the central office each weekend. The central research staff also gave the audit survey forms a final review for completeness and consistency. The completed audit survey forms were then compiled into final data sets by the central research staff, with extensive efforts to check the data, to find information for completing missing entries, and to resolve any inconsistencies. The final data sets were analyzed by researchers at the Urban Institute and Syracuse University.

### Interpretation

The audit design and sampling procedures employed by HDS lead to a specific interpretation of the HDS results.

To begin, the HDS results cannot be generalized to all housing transactions because they are based on a sample of newspaper advertisements. In fact, some housing is not advertised in major metropolitan newspapers, some real estate or rental agents do not use this means to attract customers, and some minority homeseekers do not use newspaper advertisements in their housing search.<sup>37</sup> In other words, the HDS results reveal something about discrimination associated with housing units advertised in major newspapers, but not

about housing discrimination in general. The focus on advertised units probably means that HDS understates discrimination in the housing market as a whole. After all, many owners sell their houses through word of mouth precisely because they want to avoid selling to certain types of people. Moreover, some landlords employ apartment referral services that will send them the type of tenants they want.<sup>38</sup>

In addition, the income, assets, debt, and household size assigned to each audit team were matched to the cost and size of the advertised housing unit; that is, the auditors were qualified for the sample of advertised units. This sample is quite different from the set of housing units for which the actual population of black and Hispanic households is qualified or in which it lives. The HDS results do not necessarily reflect, therefore, the experience of the average black or Hispanic homeseeker. Instead, they reflect the treatment that can be expected by black or Hispanic homeseekers who search for housing using newspaper ads and who are qualified to rent or buy the average housing unit advertised in a major metropolitan newspaper.<sup>39</sup>

In short, HDS measures discrimination in a major segment of the metropolitan housing market—a segment that is accessible through the newspaper to every homeseeker, regardless of race or ethnicity—but the HDS results do not necessarily apply to the housing market as a whole.

One could argue that the housing advertised in the major metropolitan newspaper is fairly representative of the housing available for white households. One recent study in Boston, for example, found that three-quarters of the whites looking to buy a house consulted *The Boston Globe*.<sup>40</sup> Consequently, the HDS results reveal the discrimination to be expected by black or Hispanic households with characteristics similar to those of whites. With no past discrimination, black and Hispanic households presumably would have economic and social characteristics very similar to those of white households, so HDS can be interpreted as measuring the discrimination that black and Hispanic households could expect to encounter if past discrimination had not placed them at a disadvantage in the housing market. This approach probably makes HDS somewhat conservative; the available evidence indicates that discrimination is higher against the average black or Hispanic household than against the black or Hispanic household qualified for the average advertised housing unit.<sup>41</sup>

## ■ CONCLUSIONS

Fair housing audits have been widely used by private fair housing organizations, researchers, and civil rights enforcement officials.

Thanks to the tools of matching, assignment, training, and timing, an audit can isolate the impact of minority status on the treatment a person receives from a housing agent, and a sample of audits can provide a direct measure of discrimination in housing.

The Housing Discrimination Study built on the experience of previous audit studies to obtain data on the treatment of African American and Hispanic American homeseekers in a nationally representative sample of metropolitan areas. The HDS audits are tied to randomly selected newspaper advertisements, and the HDS results describe the treatment black and Hispanic households who are qualified for advertised housing units can expect to encounter when they ask housing agents whether those units are available.