# Analysis of the Impediments to Fair Housing

## City of Orange, Texas
## And The
## Orange Regional HOME Consortium*

(*Including: Hardin County, Unincorporated Jefferson County, Liberty County, Orange County and the cities and towns of Liberty, Orange, Silsbee, Sour Lake, Kountze, West Orange, Pinehurst, Dayton, Bridge City, China and Vidor)

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Under Contract to:

The City of Orange and

The Orange Regional HOME Consortium

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## Section I: Introduction

Fair Housing is the right of individuals to obtain the housing of their choice, free from discrimination based on race, color, religion, sex, disability, familial status, or national origin. This right is assured by the Federal Fair Housing Acts of 1968 and 1988, as amended, which makes it unlawful to discriminate in the sale, rental, financing, and insuring of housing.

Under the Fair Housing Act an aggrieved person may, not later than one year after an alleged discriminatory housing practice has occurred, file a complaint directly with the U.S. Department of Housing and Urban Development (HUD), or a State or local agency enforcing laws that are "substantially equivalent" to the Fair Housing Act. Upon the filing of such a complaint, HUD has the responsibility to serve notice of the complaint and conduct an investigation into the alleged discriminatory housing practice.

In order to ensure the prevention and elimination of housing discrimination, HUD requires all governing authorities directly receiving Consolidated Plan Program funds to certify that the community, consortium or state will "affirmatively further Fair Housing" within their jurisdictions. This requirement is codified in the Consolidated Plan requirements under 24 CFR 91.225. Public agency obligations under the Act may be grouped into three categories:

Intent: The obligation to avoid policies, customs, practices, or processes whose intent or purpose is to impede, infringe, or deny the exercise of fair housing rights by persons protected under the Act.

Effect: The obligation to avoid policies, customs, practices, or processes whose effect or impact is to impede, infringe, or deny the exercise of Fair Housing rights by persons protected under the Act.

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

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

The City of Orange/Orange County Consortium (ORHC) Fair Housing Analysis of Impediments discusses the results of earlier analyses of impediments and the steps the City and the ORHC intend to take to implement policies that will prevent and eliminate housing discrimination in the region.

## METHODOLOGY

The Analysis of Impediments (AI) conducted by the Community Development Services team involved a variety of data collection and analysis techniques, including:

1. Analyzing demographic data available through the U.S. Census Bureau, as well as descriptive data pertaining to the ORHC housing market and trends in real estate over the past ten years.

2. Examination of mortgage lending trends through the analysis of data available through the Home Mortgage Disclosure Act (HMDA). Enacted by Congress in 1975 and implemented by the Federal Reserve Board's Regulation C, HMDA requires lending institutions to report public loan data. Using the loan data submitted by these financial institutions, the Federal Financial Institutions Examination Council (FFIEC) creates aggregate and disclosure reports for each metropolitan area (MA) that are available to the public at central data depositories located in each MA.

3. Interviews with local government staff and community representatives.

4. A review of source documents, including the most recent AI, conducted in 1996, the 2004-2009 Consolidated Plan, the 2008 Texas CHR Annual Report, and the CAPER.

5. Perhaps the most important area of analysis is the impact of dislocation caused by the several devastating hurricanes and storms over the past 10-15 years in the Region covered by various HUD programs.

To begin an examination of current Fair Housing policies and strategies, this report will look at past accomplishments and look at policies and strategies from other Texas communities to provide a basis of comparison between what the Orange County Consortium Fair Housing Plan proposes to do and further steps it can and should take to affirmatively further Fair Housing.

## BACKGROUND: ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING 1996

The major focus of the recommended remedial activities in 1996 centered on the education of the various segments of the housing professions and of citizens of the community. To the extent that many violations of the federal fair housing laws could be prevented if fair housing issues were more visible in the community and if real estate professionals were more familiar with what actions constitute fair housing violations, widely targeted education seems to provide a realistic starting point for addressing that pressing community concern. Public service message campaigns explaining tenant and homebuyer rights, industry seminars detailing how specific types of activities violate fair housing law, and homebuyer, fair housing fairs, and credit counseling classes were all needed to bring public awareness affair housing issues to a level that effectively forces compliance with fair housing law. To address issues involving particular impediments to fair housing choice, specific recommendations had been put forward. Among these were the investigation of local need for an updated fair housing ordinance for the City of Orange and the possible creation of a local fair housing agency. The development of a local fair housing agency would have been dependent upon the volume of fair housing complaints filed from within the City of Orange and fiscal considerations involved with the development of the agency. If the City enacted a new local fair housing ordinance and established a local fair housing agency, the City would coordinate with HUD to determine appropriate and necessary functions of such an agency.

## ACTIVITIES TO ADDRESS IMPEDIMENTS—1996 EXECUTIVE SUMMARY

### A. REAL ESTATE IMPEDIMENTS

**Impediment:** De-valuing of real estate through appraisals and real estate comparables.

**Issues:** Mortgage lending institutions rely upon the appraisal industry to assess the value of properties that are brought to them for financing. Value is based, in part, upon the value of other recent property sales within the neighborhood that the subject property is located. These other properties are known as "comparables." When the comparables are of a low value, the value of the subject property is lowered. The problem is aggravated when appraisers lack familiarity with or have negative attitudes about the subject area, fail to consider positive neighborhood indicators, such as revitalization plans, city policies, or other plans for the area, allow bias toward neighborhood conditions, events or environment to cloud their judgment about the value of the home, or fail to identify comparables that best represent the current state of that particular market. Occasionally, appraisers inadvertently use federal dispositions, homes sold at below market rates by federal agencies, as comparables. This adds to the depressing effect by considering the results of distress sales to be indicators of market direction.

**Impacts:** Low appraisals leave homebuyers without the necessary collateral to support previously agreed upon purchase prices. The general devaluation of neighborhoods that results from faulty appraisal techniques contributes to a general depression of the housing market, encouraging income and ethnic segregation. As property values suffer, homeowners look to other neighborhoods where property values are stable and their investment can be maintained. Falling values discourage investment in neighborhoods, either through home purchases or rehabilitation of properties suffering from neglect.

**Impediment:** Real estate sales "steering".

**Issues:** Steering occurs when real estate professionals, whether purposefully or inadvertently, direct minority homebuyers to minority neighborhoods, failing to provide them the opportunity to view homes in non-minority or racially mixed neighborhoods as well. All homebuyers should have the opportunity to examine homes in any neighborhood of the city, regardless of the ethnic composition of that neighborhood. Similar actions are taken by agents representing rental companies. Prospective tenants are directed to apartment complexes, or single family rental property, according to their ethnicity and the ethnic composition of the subject property or neighborhood.

**Impacts:** On the surface, steering removes from homebuyers, and tenants, the ability to make a considered decision based on knowledge of all factors involved in the selection of a home. If a family has been denied access to information about neighborhoods that might of been of interest to them, they have fewer choices than they might otherwise have had. On a more structural level, steering forces racial segregation by denying access to neighborhoods to those families that realtors consider to be outsiders.

**Impediment:** Lack of home buyer education and counseling program

**Issues:** Many low income households are not familiar with the process of buying a home, the importance of credit ratings, or maintenance issues involved in the purchase of a home. To households unfamiliar with real estate markets, contracts, fair housing law, loan applications, and other aspects of buying a home, the process itself can be intimidating. Credit problems are the single most frequently cited reason that mortgages, across all income groups, are denied. Homebuyers often enter into ownership without the realization that properties need to be maintained, sometimes at great expense. These factors leave potential homebuyers unprepared for the process or their responsibilities.

**Impacts:** Lack of homebuyer education leaves potential homebuyers on their own to attempt to understand the home-buying process. Many are unprepared for such an undertaking. Failure to understand the process leads to failure to complete a purchase transaction, leaving the potential homebuyer stuck with the necessity of continuing to rent. Or, if they are successful in the purchase transaction, they are subject to loss of their investment if repairs necessary for continued habitation are beyond their ability to finance. Unexpected costs often lead to the loss of the home to foreclosure. Others do not apply for home mortgages, believing they would fail to qualify, and thereby eliminate their opportunity to be properly evaluated or to have corrective actions prescribed that could remedy their problems. Credit counseling opens the way for more potential homebuyers to successfully complete the mortgage process.

**Impediment:** Rehabilitation cost and inability to meet current city building code standards.

**Issues:** Older housing stock was built according to building standards enforced at the time. Over the course of decades, building technology has improved and these improvements have been incorporated into current building code standards. When a homeowner decides to make substantial improvements to their home, such as a room addition or other changes requiring building permits, the City looks at the home to assure that current building code standards are met. If the home has systems that are below current standards, the homeowner is expected to make improvements to bring the systems up to date. Given the expense of such improvements, many homeowners are not financially able to make all the improvements necessary to pass the building inspections associated with their improvement project.

**Impacts:** The costs associated with bringing old systems up to current building code standards has the effect of discouraging homeowners from making major improvements to their properties. At the extreme, potential homebuyers are dissuaded from purchasing the homes all together. The failure to improve properties leads to a general decline in the physical condition of older neighborhoods, in turn leading to disinvestment, abandonment, and demolition.

**Impediment:** Age and condition of housing stock due to building code standards and material quality prior to 1965

**Issues:** The housing stock in older neighborhoods, as mentioned above, was built in an era when building code standards and material quality were much different that those commonly in use today. As a result, many homes in older neighborhoods have aged poorly, some to the point of nearing complete collapse. Many were painted, at some point, with lead-based paint, adding an element of risk to the well-being of young children, even those living in well maintained homes.

**Impacts:** The impact of the inferior building material quality and less stringent building code standards on current housing conditions can be witnessed in many older neighborhoods. The homes have a multitude of problems, ranging from leaky roofs to destabilized foundations which throw the entire house out of plumb. These neighborhoods typically filter down through income groups, finally being ceded to the lowest income level. These residents have few resources with which to address the problems. The homes eventually fall into major disrepair, eventually requiring removal. In the meantime, these homes become increasingly hazardous to resident and neighbors.

**Impediment:** Builder profit vs. consumer demand for housing.

**Issues:** Focus group participants emphasized that there is a severe shortage of both single family and multifamily housing units that are affordable to young and lower income families. Unfortunately, the high cost of new home construction, combined with the low profit margins associated with affordable home sales, discourage builders from providing new affordable housing for lower income groups, either within existing neighborhoods or in new developments. They opt instead to pursue the more lucrative middle and upper income markets for development.

**Impacts:** The inability of market forces to provide the incentive for builders to work on new affordable housing for lower income groups has the effect of narrowing housing choice for prospective homebuyers. Lower income group's only option is existing housing stock in older neighborhoods, primarily in the center City. The situation leads to income segregation and, by extension, racial segregation.

## B. PUBLIC POLICY IMPEDIMENTS

**Impediment:** Outdated local fair housing legislation and no comprehensive fair housing enforcement program

**Issues:** An outdated local fair housing legislation sets the tone for numerous problems with fair housing choice within a jurisdiction. With no current base of knowledge from which to operate, landlords, realtors, and others involved with real estate transactions are not likely to understand issues relating to fair housing choice. Likewise, consumers, typically the least informed group since real estate purchases occur so seldom in one's life, are not aware of their rights. The lack of a fair housing enforcement program operating on the local level forces the aggrieved consumer to file complaints to the state or federal governments. The net impact is to discourage complaints.

**Impacts:** The result of these missing pieces of fair housing enforcement is a generally ill educated public, unaware of their rights to fair housing choice and easy prey to unscrupulous real estate professionals, or uneducated real estate novices who think that the only effect of their actions is to protect their own property. With little knowledge of their rights, potential buyers or tenants do not realize when advantage is taken.

**Impediment:** Inadequate leveraging of private resources for housing with federal funds Issues: The supply of federal funds dedicated to the provision of affordable housing is limited. As housing issues receive more attention in public debate, the demand for affordable housing funds increases. Given the extent of revitalization needed in some of Orange's neighborhoods and the need for new affordable housing in other areas of the city, the City must work to expand the impact of the federal funding available by increased leveraging of resources from lending institutions, developers, corporate entities, and other sources.

**Impacts:** Inadequately leveraging of private resources places sole reliance on the funding available from the federal government. These funds are in short supply and face possible reductions in current budget negotiations. Federal funds alone are not sufficient to counter the problems facing poorer neighborhoods and other areas of concern. Significant reliance on federal funding will not provide adequate resources to develop programs that have more than a limited impact on neighborhoods, failing to provide the needed impetus to reverse decline.

**Impediment:** Lack of City Leadership in the area of Fair Housing

**Issues:** To date, the City of Orange has had very limited involvement in addressing concerns for fair housing issues. There exists no direct intervention or public policy at the local level in the form of an up-to-date fair housing ordinance, a fair housing office, or investigation/resolution of complaints. Currently, all complaints brought to the City's attention are referred to the U.S. Department of Housing and Urban Development.

**Impacts:** The City's commitment to fair housing sets the tone for the attitudes of landlords, lenders, realtors, and citizens throughout the city. Failure to update local policy and administer leadership locally in addressing fair housing concerns more directly in Orange could lead to further racial segregation, concentration of the poor into deteriorating neighborhoods, and an atmosphere in the real estate industry that advances, rather than discourages, violation of Federal Fair Housing Law.

**Impediment:** Lack of public awareness of fair housing Issues; inadequate training/awareness programs.

**Issues:** The lack of local policy and programs to address fair housing issues relegates public awareness of such issues to the Federal government. Most of the resources directed toward fair housing issues in Orange are applied to enforcement. Insufficient attention is given to making the public aware of their rights as buyers or renters. As a result, very few people know about fair housing law and their rights under the law.

**Impacts:** Lack of knowledge of fair housing laws allow those engaged in the real estate profession free reign to continue activities that the laws forbid. U.S. Department of Housing and Urban Development records show that a limited number of fair housing complaints are being filed by persons who reside in Orange. Further education of the public would likely increase the number of complaints filed, as citizens became aware of their rights. As more public attention is paid to fair housing issues, fewer persons within the real estate profession would risk taking actions that could lead to the filing of complaints.

**Impediment:** Adequacy of community-based organizations to deal with housing issues.

**Issues:** As is common with many cities across the south, Orange's community-based housing organizations are not well established. Most are in the early stages of organizational development, and with limited resources are just beginning to have an impact in their neighborhoods. Much assistance is needed to increase the number of organizations involved and to turn these organizations into centers of productivity that will make large and lasting changes in Orange.

**Impacts:** Lack of capacity of community-based organizations to address housing issues leaves responsibility for neighborhood revitalization largely with the City of Orange. Community participation through the community-based organizations is needed to assure that the needs of the community are voiced and eventually met, and that local capacity is adequate to meet the needs of the community.

**Impediment:** Adequacy or limitation of funds to address issues such as housing, code enforcement, enhanced city services, law enforcement, etc.

**Issues:** Few sources exist for funding preservation activities needed in declining neighborhoods. Housing rehabilitation, new construction, code enforcement, street repair, and law enforcement are all activities that require an increased level of funding in order to have a significant impact on the community. While funds are available from the federal government, the needs of the community far exceed the resources available.

**Impacts:** Lack of adequate funding sources places limitations on the provision of services needed to address issues vital to the preservation and restoration of neighborhoods. While the spirit of renewal provides a optimism about the viability of these neighborhoods, funding shortages blunt efforts to effect change.

**Impediment:** Demolition of substandard housing in the absence of a strong replacement housing program.

**Issues:** Demolition activities are necessary to clear substandard housing found in deteriorating neighborhoods. Without concurrent replacement housing programs, demolition activities leave neighborhoods littered with vacant lots that attract other types of trouble for the neighborhoods. Replacement housing programs work to move homes from other areas onto the vacant lots, or by the construction of new affordable housing. If replacement is completed when the old home is removed there is little time for the vacant lot to become a burden on the neighborhood.

**Impacts:** As neighborhoods fall into disrepair, more and more homes drop below the level of repair needed to maintain habitability. These homes become hazards to the neighborhoods and need to be removed. Demolition of these homes leaves vacant lots that bring problems of their own. Abandoned lots require maintenance to keep weed and litter down, prevent unwanted dumping, and discourage their use as local hangouts.

## C. NEIGHBORHOOD CONDITIONS AS IMPEDIMENTS

**Impediment:** High cost of rehabilitating units that have never met current code standards

**Issues:** Older housing stock was built according to building standards enforced at the time. Over the course of decades, building technology has improved and these improvements have been incorporated into current building code standards. When a homeowner decides to make substantial improvements to their home, such as a room addition or other changes requiring building permits, the City looks at the home to assure that current building code standards are met. If the home has systems that are below current standards, the homeowner is expected to make improvements to bring the systems up to date. Given the expense of such improvements, many homeowners are not financially able to make all the improvements necessary to pass the building inspections associated with their improvement project.

**Impacts:** The costs associated with bringing old systems up to current building code standards has the effect of discouraging homeowners from making major improvements to their properties. At the extreme, potential homebuyers are dissuaded from purchasing the homes all together. The failure to improve properties leads to a general decline in the physical condition of older neighborhoods, in turn leading to disinvestment, abandonment, and demolition.

**Impediment:** Inadequate code enforcement, deteriorated conditions such as high weeds, junk/outside storage, abandoned substandard buildings.

**Issues:** Over a period of many years, owner neglect has allowed certain areas of the city to be neglected and deteriorate. Code enforcement efforts have proved inadequate to halt such decline. Residents were allowed to let their properties decline with little regulatory prodding to provide even a minimum of maintenance. Over the course of years, the homes declined beyond the point of being salvageable.

**Impacts:** Inadequate code enforcement contributes to the deterioration of neighborhoods by allowing detrimental conditions that develop to remain unabated. Homes decline in habitability without an impetus to improve. Junk and weeds overtake vacant lots. Abandoned buildings attract vagrants and become fire and safety hazards. Over time neighborhood viability is lost.

## D. Banking, Finance, and Insurance Related Impediments

**Impediment:** Discrimination in lending practices

**Issues:** A look at the Home Mortgage Disclosure Act data indicates that there is a large difference in lending outcomes between White and minority households. In many instances, the lowest income White households, as a group, have a better chance of being accepted for a loan than the highest income African-American households. While there is no direct evidence of discrimination in lending practices, the pattern found in the outcomes brings the practices into question.

**Impacts:** Discrimination in lending practices creates an atmosphere where minority households are relegated to rental housing, older, less expensive homes, and racial and income segregation. The failure of a minority family to secure a home improvement loan reduces that chances that a neighborhood can take care of itself and provide the home maintenance necessary for stable neighborhoods.

**Impediment:** Traditional "redlining"

**Issues:** Redlining is a practice where mortgage and insurance companies refuse to do business within the boundaries of certain areas considered to be undesirable. This act is typically racially discriminatory since the areas in question are usually minority areas.

**Impacts:** Redlining prevents the influx of money into a neighborhood that could help deter deterioration. Without new investment in an area, older residents see families moving out, the neighborhood becoming run-down and are less likely to work to maintain their own property. Eventually, redlining contributed to the loss of neighborhood stability and viability.

**Impediment:** Insurance companies that refuse to insure low cost properties

Issues: Focus group participants gave reports that some area insurance companies refuse to insure properties valued at under $30,000. The reasons given were that these homes are typically in poorer neighborhoods where criminal activities are rampant, making these homes poor risks for insurance.

**Impacts:** The inability of homebuyers to secure insurance for lower priced homes again brings the fairness of insurance company's practices into question. Again, lower priced homes are typically located in minority areas, reinforcing the appearance of discrimination and redlining.

**Impediment:** High cost of insurance for certain areas

**Issues:** As with refusing insurance for homes priced below $30,000, insurance companies penalize certain lower income neighborhoods by charging higher rates than in other neighborhoods. Reports indicate that some homeowners in lower income areas must pay rates higher than those on much higher priced homes in other areas.

**Impacts:** Higher insurance rates discourage the purchase of homes in lower income areas. The eventual outcome of these practices will likely be total abandonment of neighborhoods considered too risky by insurance companies.

## E. SOCIOECONOMIC IMPEDIMENTS

**Impediment:** Lack of income

**Issues:** For many households, lack of income is a major factor preventing their exercise of housing choice. Many areas are priced above any reasonable rate for these households. Their choice tends to be limited to the areas with the oldest housing stock, in the worst part of town, and in the poorest conditions. Factors such as family size, education and job skill levels, and unemployment are major contributors to the plight of these households.

**Impacts:** Households experiencing severe lack of income typically wind-up in the poorest areas of town (since housing tends to be segregated by income class), where the housing stock is in poor condition, criminal activity is likely to be high, and opportunities for improvement are low. Children from these households grow up in an environment that likely dooms them to replicate their parents' living standards, continuing the cycle of poverty for generations to come.

**Impediment:** Lack of supply of decent, safe and sanitary housing

**Issues:** As neighborhoods age, the housing stock deteriorates and much of the worst properties are removed by demolition. Since there is not much of a profit margin on building new, lower income housing, there has been little new construction to replace the homes that have been taken out. As a result, the quantity of housing in lower income, neighborhoods has decreased. Much of what remains is in poor shape and of questionable habitability.

**Impacts:** Scarcity of decent, safe and sanitary housing puts pressure on housing markets as demand exceeds supply. As housing is removed, there is nothing being added to take its place. Eventually, low income households will be left with little to choose from, leaving landlords with property the ability to increase rents on barely habitable houses.

**Impediment:** Ability of borrowers to create/obtain the assets necessary for closing **Issues:** Lower income borrowers often lack the ability to save the funds necessary to cover the down-payment and closing costs associated with buying a home. While borrowing a part of the funds from family is an acceptable means of meeting the requirements, most borrowers do not have family with the adequate assets from which to borrow.

**Impacts:** With the difficulty of having the assets necessary for closing, few low income households are able to purchase homes. These families are relegated to rental housing until they can amass the funds and pass all the qualification tests for a mortgage.

**Impediment:** Unit size and number of children

**Issues:** Given that lower income families are more likely to rent than to own, it is important that the rental stock have sufficient units to house larger families comfortably. Current housing statistics indicate that a large portion of multifamily housing units have one or two bedrooms. These units are not large enough to house families of 4 or more.

**Impacts:** Overcrowded conditions create an environment where children need to get out of the house in order to have space to play. In an increasingly hostile environment, this puts children at risk and exposes them to neighborhood influences that not might be in their best interests.

**Impediment:** Cost Burden (housing cost - vs. - income available)

**Issues:** Households are considered cost burdened if their expenses for housing (including utility costs) exceed 30% of their income. In lower income areas and for the elderly, housing expenses routinely exceed 30% and often rise above 50% of income.

**Impacts:** Cost burdens stretch household budgets to the breaking point. High housing costs drain households resources needed for other staples such as food and transportation. Concentrations of households with high cost burdens, as is typical in poor neighborhoods, create pockets of poverty that put downward pressure on the local economy.

**Impediment:** Cost of housing

**Issues:** In many areas of the city and the ORHC service area, housing costs are too high for lower income households to consider as viable housing choices. Neighborhoods are designed for larger homes, designating minimum lot sizes or minimum prices. Developers and residents of these neighborhoods are typically happy not to have to deal with low income housing issues. Efforts to provide lower income rental properties in these areas are often met with fierce resistance.

**Impacts:** The high cost of housing in some areas of the city, limits housing choice for low income households creating a situation where the poor become concentrated in small areas of the City. These areas are typically not convenient to job markets, shopping, or other amenities that higher income neighborhoods take for granted.

### STUDY OF IMPEDIMENTS TO FAIR HOUSING

This Analysis will look at current conditions, fair housing complaints filed in the ORHC during the past ten years, public and private sector influence on fair housing issues, and finally conclusions and recommendations for fair housing matters in the ORHC.

## Section II: Demographic and Economic Overview

This section profiles the City of Orange's and the ORHC's demographic and housing trends by examining and mapping data from the 1990 decennial Census, 2000 decennial Census, American Community Survey 2007 and other relevant data. After describing demographic characteristics and trends, the section provides an analysis of the area's housing market and a household's ability to purchase a home. The section concludes with a synopsis of housing problems experienced by residents, such as cost burden, physical defects and overcrowding.

The following chart provides an overview of the City of Orange's and the ORHC service area's demographic and housing profile in 1990, 2000 and 2005. The population within the city declined by 4.2 percent between 1990 and 2000 to reach 18,529 (from 19,340 in 1990), and fell again by 2007 to 18,038 (-2.6 percent decline). This occurred against a backdrop of strong growth throughout the ORHC (21.5 percent increase from 1990 to 2000, and an additional 2.0 percent to 2007).

At the same time, the number of households declined by 0.6 percent from 1990 to 2000, and by another 52.0 percent by 2007. The faster

**TABLE 1: Overall Profile: 1990, 2000 and 2006**

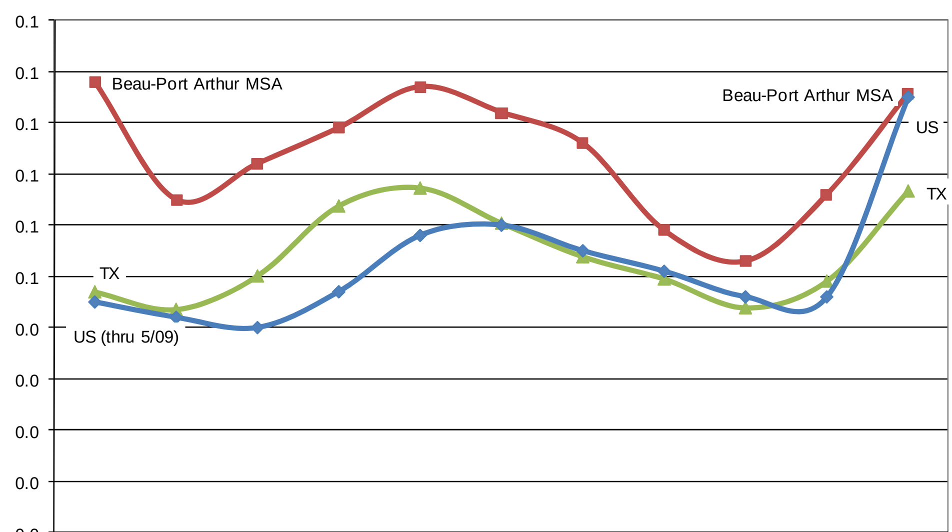
| | 1990 | | 2000 | | 2005 estimate | |
|---|---|---|---|---|---|---|
| | Orange | ORHC | Orange | ORHC | Orange | ORHC |
| Population | 19,340 | 193,437 | 18,529 | 235,078 | 18,038 | 239,669 |
| Percent 65 or Older | 14.0% | 11.2% | 15.3% | 11.1% | 14.7% | 12.9% |
| Households | 7,303 | 69,034 | 7,261 | 80,443 | 3,488 | 84,025 |
| Housing Units | 8,453 | 78,275 | 8,309 | 89,343 | 4,054 | 180,788 |
| Percent of Vacant Units | 13.3% | 11.8% | 12.4% | 10.1% | 13.8% | 15.8% |
| Homeownership Rate | 61.5% | 77.3% | 58.9% | 79.4% | 64.6% | 68.0% |
| Source: Census 1990 and 2000, calculated from data extracted from Summary File 3, Tables H6 and H7; 2005 ACS Special Product for the Gulf Coast Area, Tables 1, 3 and 4. | | | | | | |

decline in households than in population supports the increase in household size (from 2.29 in 1990 to 2.56 in 2005).

From 1990 to 2000, the percent of persons 65 and older in the City of Orange increased from 14.7 to 15.3 percent, and declined to 14.0 percent in 2007. The median age of the population has been steadily rising from 34.2 years in 1990 to 35.5 years in 2000, and was estimated to be 38.0 in 2007.

## FIGURE 1

**Unemployment Rate History**




| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Beau-Port Arthur MSA | 8.8% | 6.5% | 7.2% | 7.9% | 8.7% | 8.2% | 7.6% | 5.9% | 5.3% | 6.6% | 8.6% |
| TX | 4.7% | 4.4% | 5.0% | 6.4% | 6.7% | 6.0% | 5.4% | 5.0% | 4.4% | 4.9% | 6.7% |
| US (thru 5/09) | 4.5% | 4.2% | 4.0% | 4.7% | 5.8% | 6.0% | 5.5% | 5.1% | 4.6% | 4.6% | 8.5% |

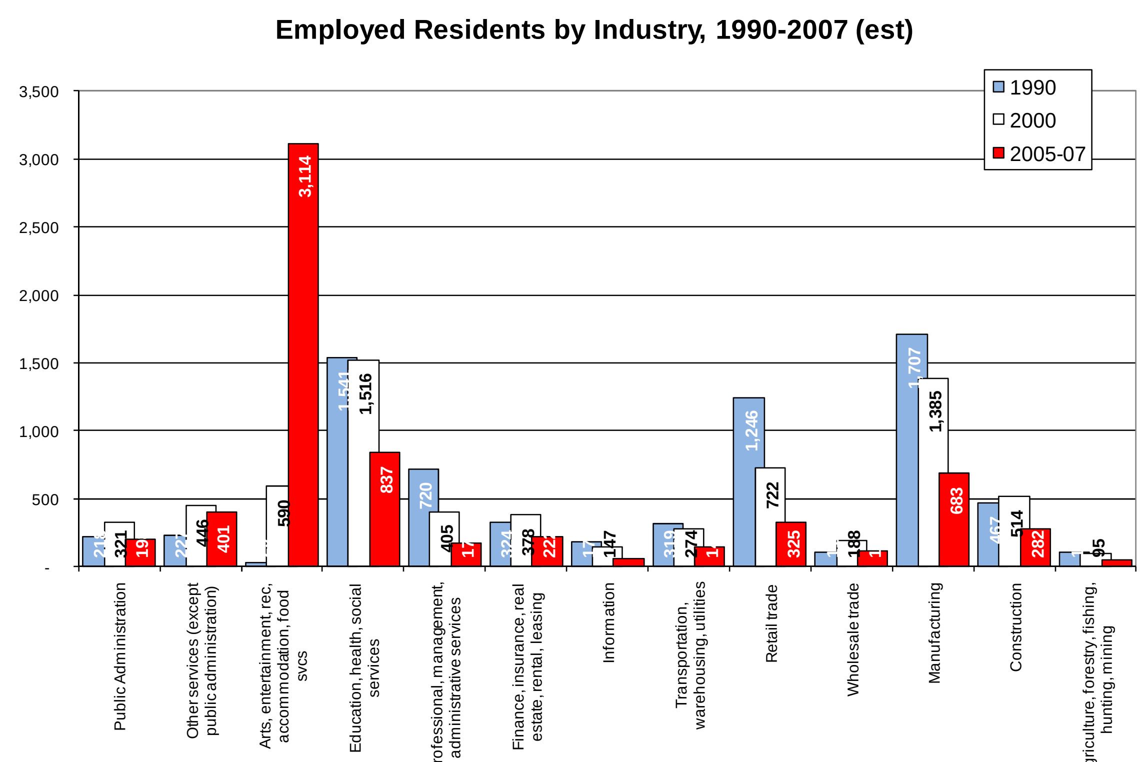
Source: Decennial Census (1990, 2000), 2005-7 ACS 3-year estimates, Bureau of Labor Statistics

The 1990 Census reported a labor force of 7,809 persons in the City of Orange. In 2000, Census data reported a labor force of 7,938 and an unemployment rate of 8.2 percent (down from 10.6 in 1990). American Community Survey 2007 data estimate 7,830 persons in the labor force, and the Bureau Labor Statistics data show a 2007 unemployment rate of 5.3 percent in the MSA. Calculations based on the 2007 ACS data, however, place the local unemployment rate at 12.8.

By comparison, in 2000, the unemployment rate for the state of Texas was 4.4 percent, while the national rate was 4.0. More recent data show the 2007 unemployment rate for the state of Texas continued to hold at 4.8 percent, as compared to a national rate of 4.6 percent.[1]

American Community Survey 2007 data showed that the largest numbers of residents within the City of Orange were employed in the

**FIGURE 2**



Source: Decennial Census 1990, 2000; ACS 2000-2007

[1] Bureau of Labor Statistics, Unemployment Rates for Metropolitan Areas, accessed 3/14/08.

arts, entertainment, recreation, accommodations and food services industry (47.3 percent), followed distantly by education, health and social services (12.7 percent) and manufacturing (10.4 percent), which was ranked first in 1990 (23.7 percent) and second in 2000 (19.8 percent) behind education, health and social services. The graph below shows the distribution of The City of Orange employed residents by industry in 1990, 2000 and 2007.

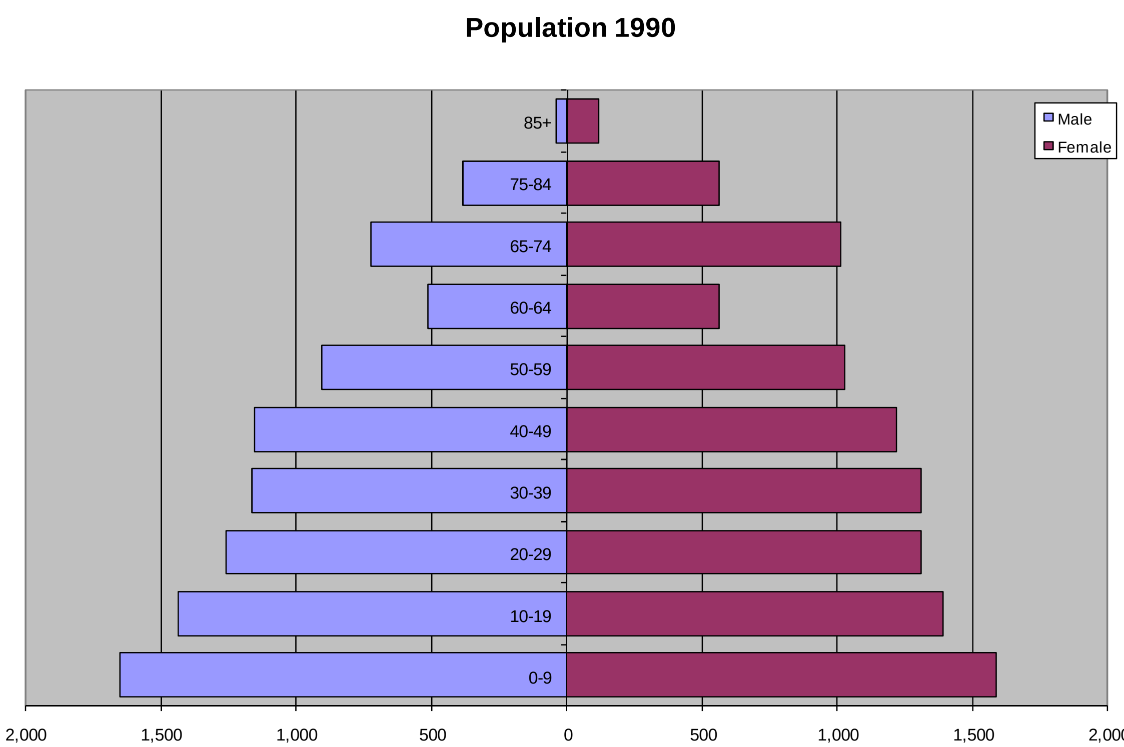
## DEMOGRAPHIC PROFILE

### POPULATION

The population of The City of Orange declined by 4.2 percent between 1990 and 2000 (from 19,340 to 18,529), while the population in the ORHC region increased by 21.5 percent. The following population pyramids display the change in the city's age distribution during this time period.

As illustrated by the first pyramid, the most populated cohort in 1990 was children aged 0-9 years (16.8 percent), followed closely by those aged 10-19 (14.6 percent) and 20-29 (13.3 percent), when these three groups together comprised 44.7 percent of the population.

**FIGURE 3**

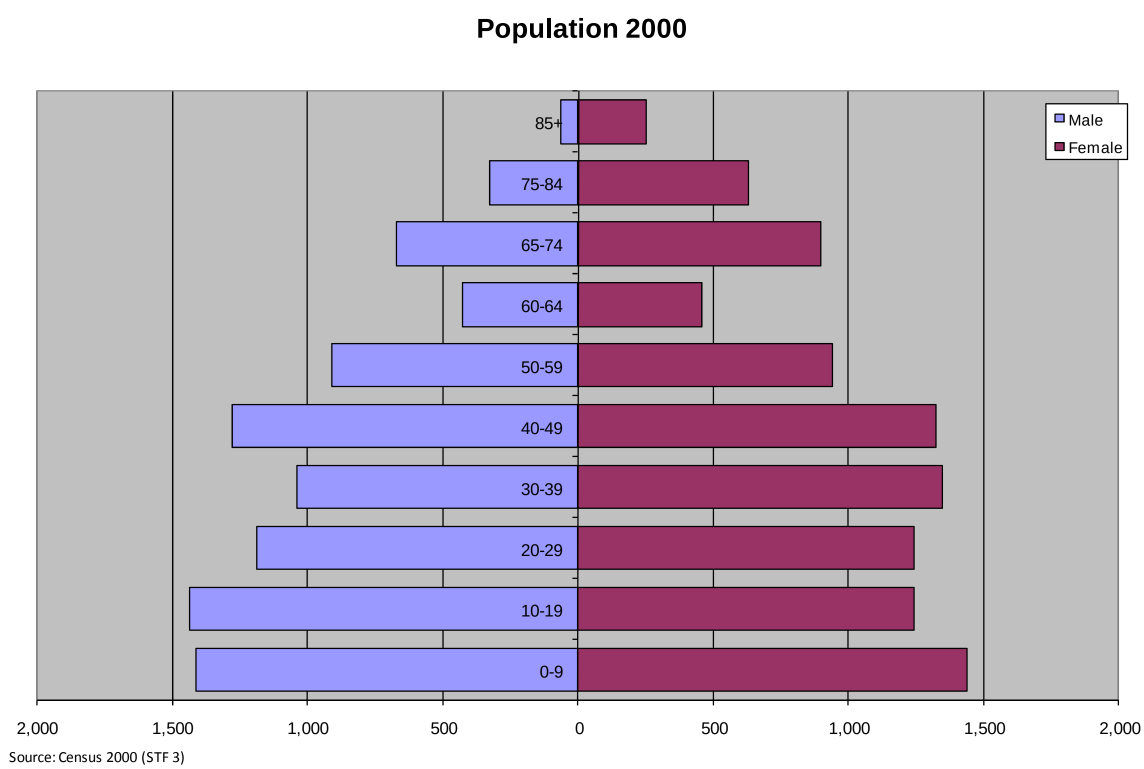



Source: Census 1990 (STF 3)

The 2000 pyramid illustrates a slight shift in age distribution. By 2000, those aged 0-9 still represented the largest cohort, but in a slightly smaller proportion than this group did ten years earlier (15.4 percent). Those aged 10-19 in 2000 represented 14.5 percent—a slight decline from their 14.5 percent position in the previous decade. Those aged 40-49 now comprised the third largest cohort, but in a significantly higher rate to ten years previously (14.0 percent as compared to 12.3 in 1990). Together, these three cohorts now made up 43.9 percent of the total population.

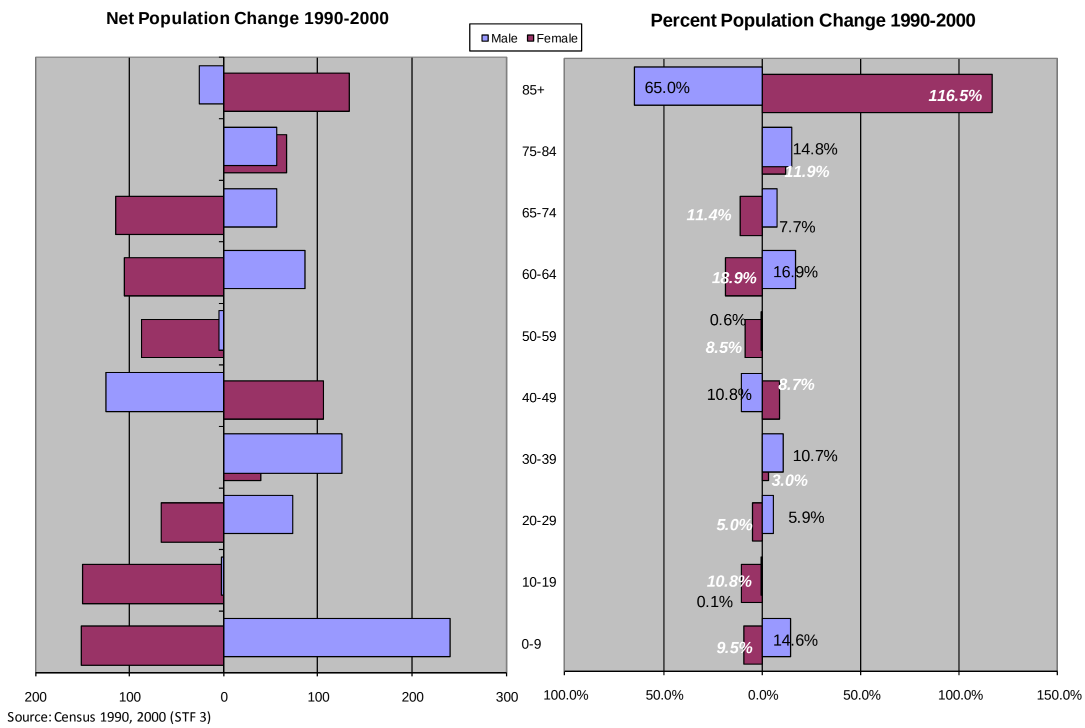
The fastest growth from 1990 to 2000 was experienced among those aged 40-49, growing by 1.8 points to 14.0 percent, while the cohort represented by ages 0-9 lost the greatest population, dropping by 1.4 points. The cohorts represented by ages 10 to 19, 20 to 29, 60 to 64 and 65 to 74 also lost representation in the population, but none of these lost more than one point.

**FIGURE 4**



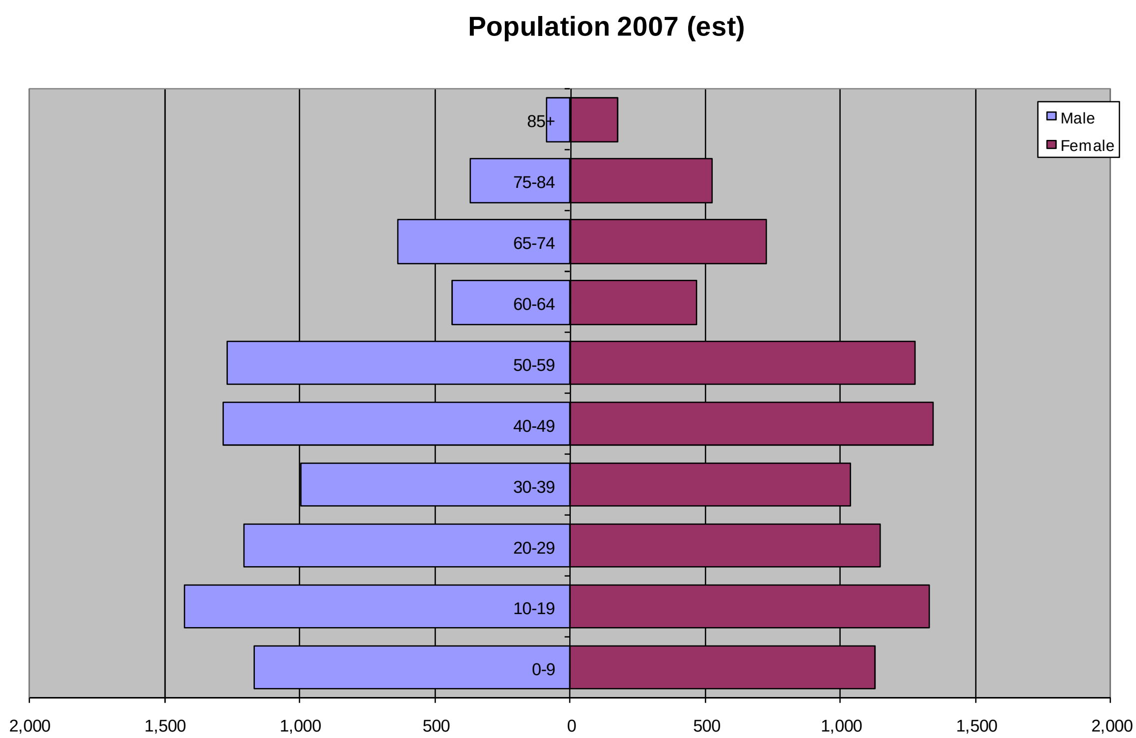

These changes are illustrated in the graph below, which shows the net and percent changes by cohort from 1990 to 2000. Blue bars on the left represent increase of male population, while red bars on the right represent increases among females. When the bars are reversed, this illustrates a loss in the population.

**FIGURE 4**




American Community Survey 2007 data estimate the largest cohort to be among those aged 10-19, now at 15.3 percent of the population. A decade earlier, these same individuals (then aged 0-9) comprised the largest cohort, although at a slightly higher rate (15.4). Furthermore, this age group is nearly one point greater in proportion to the population than this same group was ten years before.

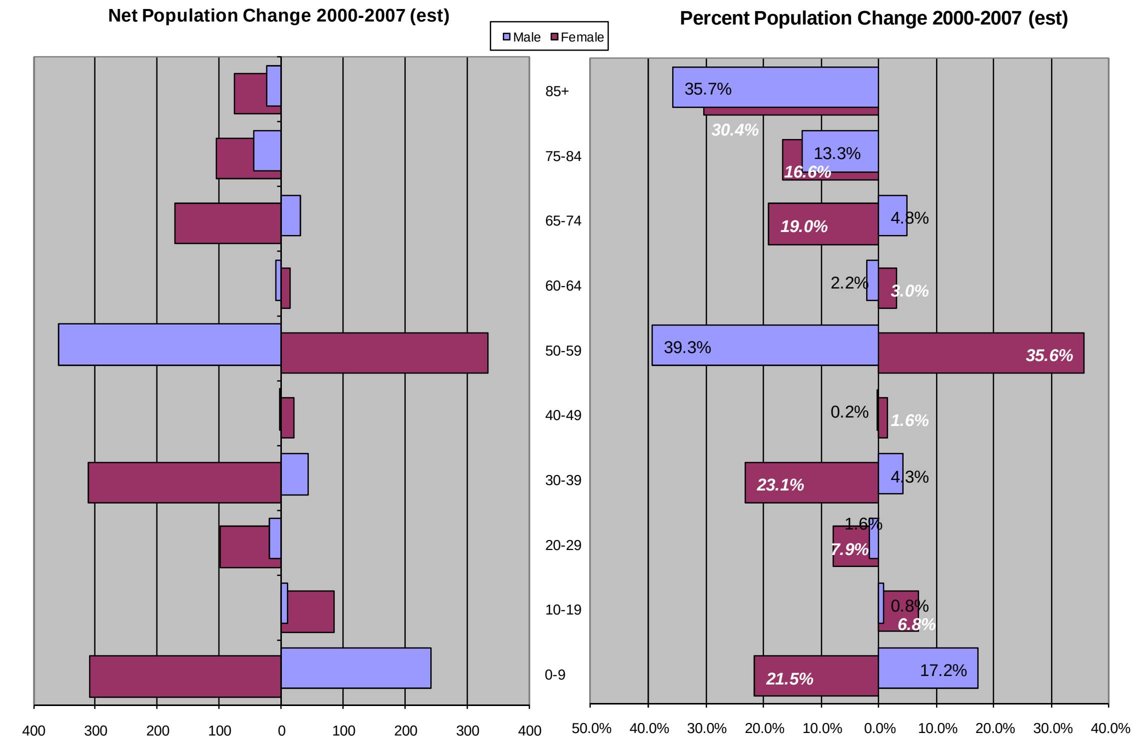
# FIGURE 5




Source: Texas State Data Center and Office of the State Demographer

The greatest point loss in population was among those aged 0-9 (-2.64 points). The greatest point gain was among persons aged 50-59, which increased by 4.1 points to become the third largest cohort in 2007 (14.1 percent). Where the three largest cohorts in 2000 comprised 43.9 percent of the population in both 2000 and 2007, in 2000 this was comprised of individuals aged 0 to 19 and 40 to 49; whereas in 2007, the three largest groups were those aged 10 to 19 and 40 to 59). This supports the increasing median age of the population over the study period. At the same time, nearly all other age groups experienced population loss.

## FIGURE 6




Source: Census 1990, 2000 (STF 3); Texas State Data Center and Office of the State Demographer

## Race/Ethnicity

In 2000, The City of Orange's population was 59.7 percent White, 36.8 percent Black, 0.2 percent American Indian/Alaska Native, 1.2 percent Asian, 0.1 percent Pacific Islander, 0.6 percent some other race, and 1.6 percent two or more races. The Hispanic population comprised 2.6 percent of the city's total population.

2007 American Community Survey estimates report a slight shift in population composition, indicating the population to be 72.5 percent White, 22.0 percent Black, 0.5 percent American Indian/Alaska Native, 3.1 percent Asian, 0.1 percent Pacific Islander, 0.9 percent Other and 0.8 percent two or more races. The Hispanic population had declined to 1.4 percent.

The map below illustrates the distribution of the black population in the City of Orange in 2000. The highest concentration is indicated south of Interstate 110 east of the railroad line, where the black population comprises more than 80 percent of each block group. To the west of the railroad line, the black population makes up from 60 to 80 percent of the population in block group 0209.00-1, shaded orange in the map.

**FIGURE 7**

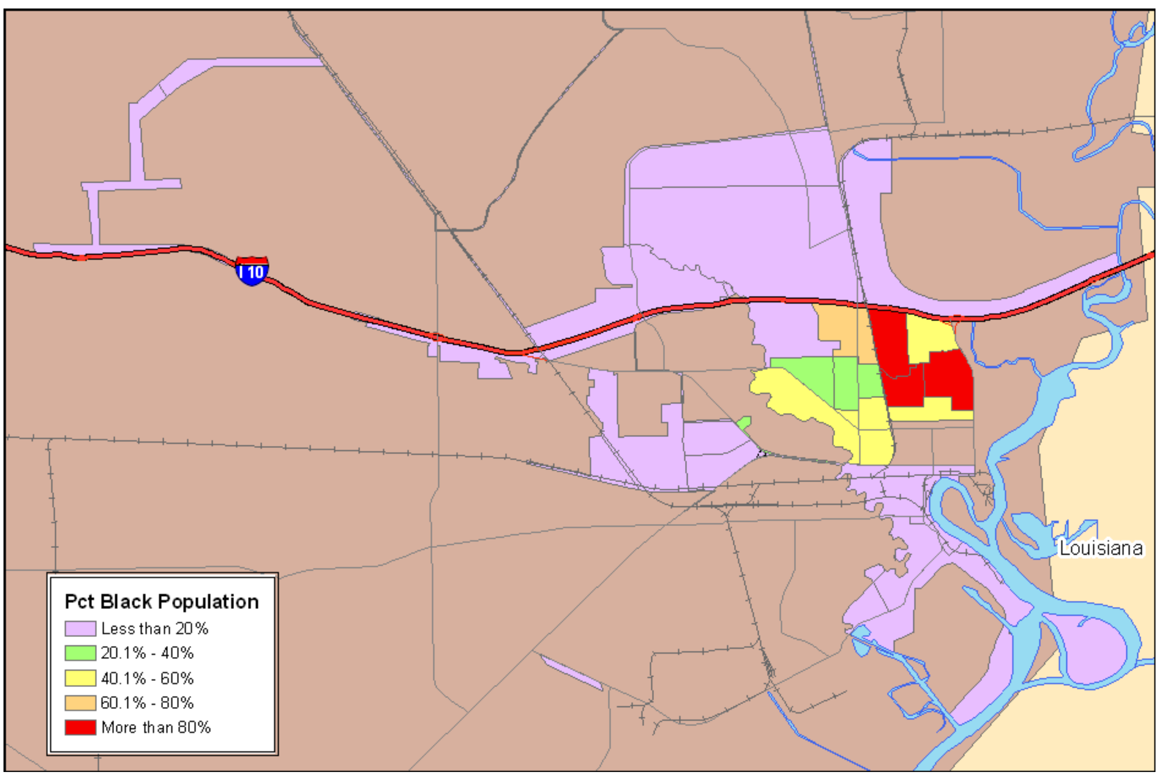
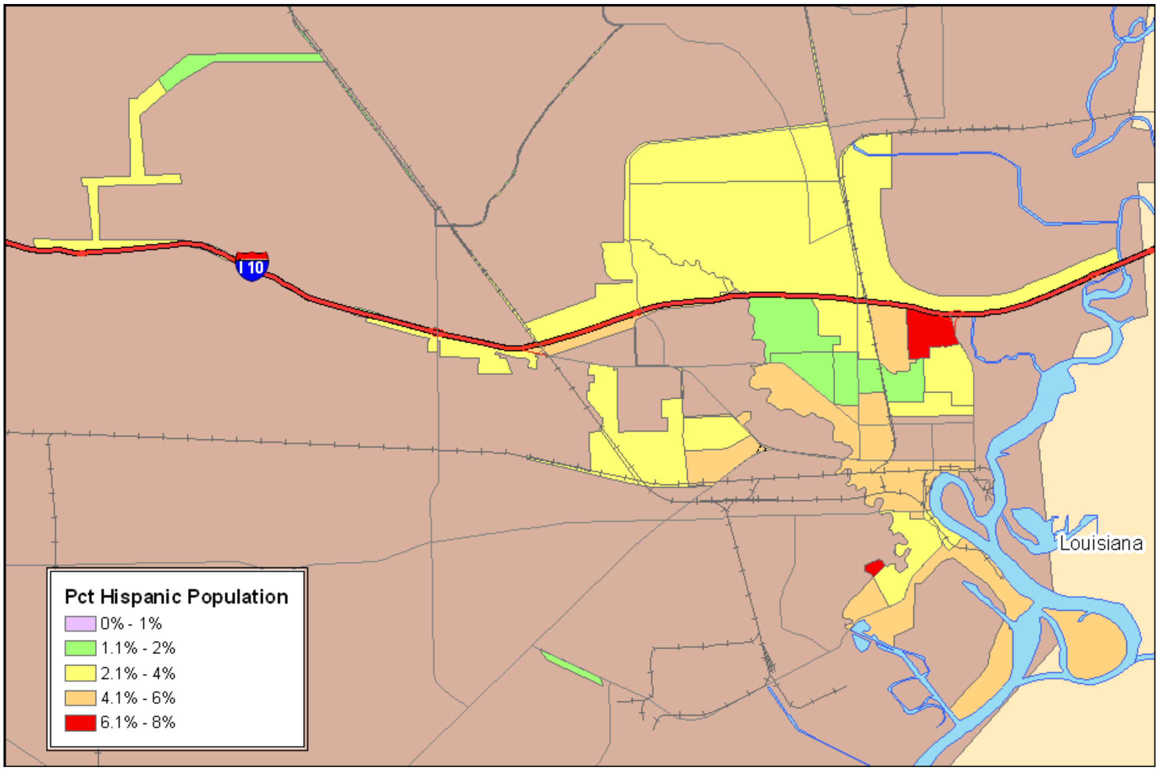


**FIGURE 8**




Orange's Hispanic population in 2000 was rather evenly distributed at between 2 and 4 percent throughout the city north of Interstate 110. Denser concentrations (from 6 to 8 percent) appear within block groups 0202.00-2 (south of Interstate 110) and 0205.00-2 (south in the city). Concentrations of between 4 and 6 percent reside in most other block groups south of the interstate.

## Household Characteristics

In 2000, families were the most prevalent type of household, comprising 69.1 percent of all households. Of these, 65.7 percent were small (2 to 4 persons) family households. According to 2007 American Community Survey estimates, family households were still most prevalent in Orange, making up 67.0 percent of all households.

The table below shows the total number of households by type in the City of Orange in 2000 and 2007. Households with persons 65 years or

**TABLE 2**

| Households by Type | 1990 | | 2005 | | 2007 | |
|---|---|---|---|---|---|---|
| Household Type | Number | % of Total | Number | % of Total | Number | % of Total |
| Total Households | 7,303 | 100.0% | 7,261 | 100.0% | 3,488 | 100.0% |
| Family Households | 5,412 | 74.1% | 5,017 | 69.1% | 2,337 | 67.0% |
| Non-Family Households | 1,891 | 25.9% | 2,244 | 30.9% | 1,184 | 34.0% |
| Large Families (5 or More) | N/A | N/A | 667 | 13.3% | N/A | N/A |
| Small Families (2 to 4) | N/A | N/A | 3,295 | 65.7% | N/A | N/A |
| 65 and older (families & non-families) | N/A | N/A | 1,481 | 29.5% | N/A | N/A |

older accounted for 15.3 percent of all households in 2000, and dropped to an estimated 14.7 in 2007.

While the number of households declined from 7,303 to 3,488 over the seventeen-year period, the corresponding decline in household size (from 2.29 to 2.56 between 2000 and 2007) lends support to the conclusion that single individuals are increasingly forming households.

Income Profile

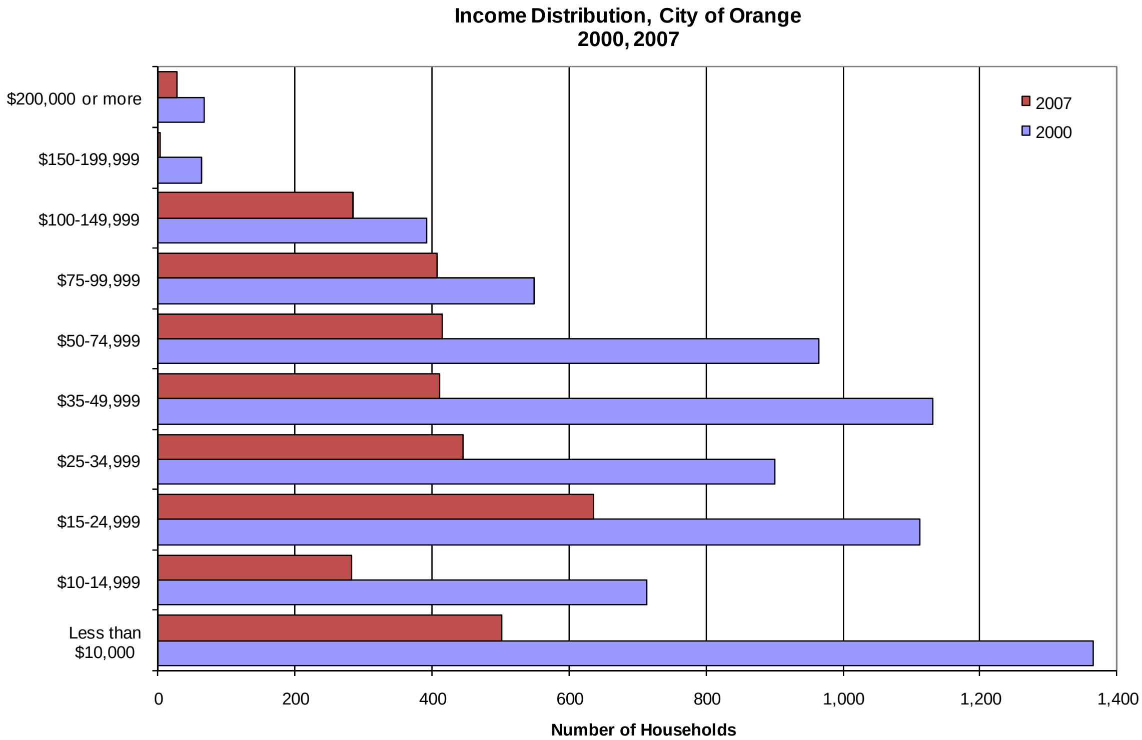
The City of Orange's median income in 2000 was $29,519, which is 23.0 percent lower than the ORHC-wide median income of $38,336. In 2000, the income bracket with the highest number of households in the City of Orange was less than $10,000, with 18.8 percent of the population earning in this range. The second highest earning level was $35,000 to $49,999, with 15.6 percent of households at this level (by a slim margin, 15.3 percent of the population earned between $15,000 and $24,999).

By 2007, the median income was estimated to have risen to $31,240—a 5.8 percent increase. At the same time, the median income in the ORHC area was estimated to be $40,441, representing a 5.5 percent increase in the ORHC median income. The effect of the nearly equal increases resulted in the Orange median income to be 22.8 percent that of the ORHC area in 2007.

ACS 2007 estimates indicate that the highest percent of households earned between $15,000 and $24,999. Those earning less than

$10,000 represented the second most frequent income category, declining to 14.7 percent from 2000.

**FIGURE 9**




Source: Census 2000 (STF 3), Census 2005 ACS Special Product for the Gulf Coast Area

**FIGURE 10**

The map above geographically displays economic stratification in the City of Orange, comparing each block group's median income to that of the entire City. Block groups with 2000 median incomes from 80 percent to just below the city median are found in south of Interstate 110.

According to HUD, the current (2007) median income for a family of four in the City of Orange is $43,450. The table below provides 2007 income limits by family size.[2]

**TABLE 3**

**Income Limits 2007**

| Family Size | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| Income Limit | $30,400 | $34,750 | $39,100 | $43,450 | $46,950 | $50,400 |

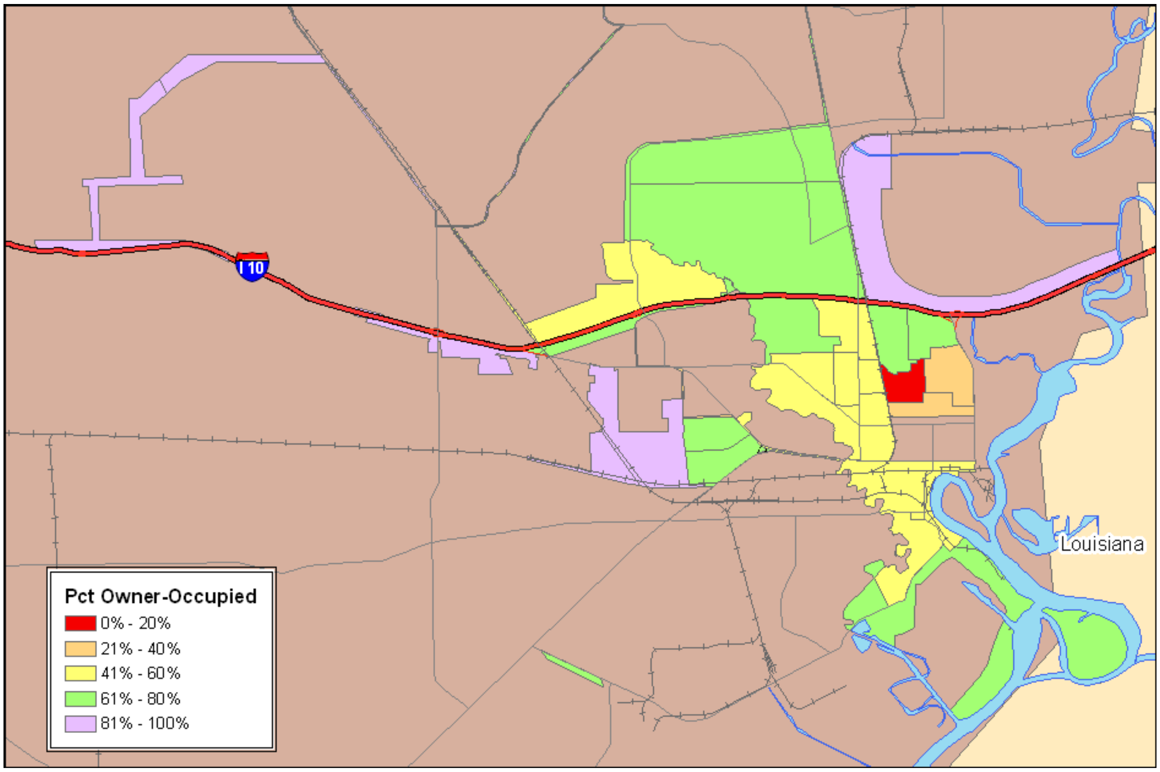
Tenure

Tenure is calculated as tenant or owner occupancy as a proportion of occupied housing units. In 1990, the City's homeownership rate was 61.5 percent, which was almost 16 points below the ORHC rate, and somewhat lower than the national rate of 66.2 percent. The rate dropped to 58.9 in 2000, while the ORHC rate rose to 79.4 percent. While the ORHC rate was estimated to have dropped to 68.0 percent in 2007, homeownership in Orange rose to an estimated 64.6 in 2007—once again near the estimated 2007 national average of 66.9 percent.

[2] U.S. Department of Housing & Urban Development: Annual Income Limits for the CD Program, March 2007

The map below shows the distribution of the 4,284 homeowners throughout The City of Orange in 2000.

**FIGURE 11**




While it is no surprise that block groups with high income levels also have high rates of homeownership, it is somewhat unexpected to discover that the block group with the highest income (0213.00-2, just north of Interstate 110) has a fairly mid-range level of homeownership. Other block groups exhibit surprisingly inconsistent patterns with regards to income and homeownership. In particular are the following:

0202.00-4 and 0202.00-5, located south of the Interstate and east of the railroad tracks, these block group are among the lowest in income (below 50 percent), yet have homeownership rates of more than 20 percent.

0209.00-1, located south of the Interstate and west of the railroad line and adjacent to both, this block group has a median income of between 50 and 80 percent of the city's median, yet a homeownership rate of a healthy 40 to 60 percent.

## OVERVIEW OF HOUSING SUPPLY

In 2000, there were 8,309 housing units in City of Orange, a net decrease of -1.7 percent from that in 1990.[3] The housing stock declined by an additional -51.2 percent between 2000 and 2007 to an estimated 4,054 housing units. Storm loss reports estimate that 4,139 housing units were lost during the hurricanes between 2000 and 2007.

Despite the decrease in the housing stock, homeownership continues to rise. The rate dropped from 61.5 percent in 1990 to 58.9 in 2000 and an estimated 64.6 percent in 2007. While close in some years, the homeownership rates have been consistently below the national average (which rose to 66.9 in 2007).

[3] Census 1990, Summary File 3, HO27: Tenure By Year Structure was Built (Housing Units) and Census 2000, Summary File 3, HO27: Tenure By Year Structure was Built (Housing Units),

| TABLE 4 | | | | | | |
|---|---|---|---|---|---|---|
| **Housing Units by Tenure** | | | | | | |
| Units | 2000 | | 2005 | | Change | |
| | Number | Percent | Number | Percent | Number | Percent |
| Owner-Occupied | 9,917 | 35.1% | 11,874 | 32.6% | 1,957 | 24.2% |
| Renter Occupied | 15,387 | 54.4% | 20,559 | 56.5% | 5,172 | 63.9% |
| Vacant | 2,972 | 10.5% | 3,936 | 10.8% | 964 | 11.9% |
| Total | 28,276 | 100.0% | 36,369 | 100.0% | 8,093 | 100.0% |

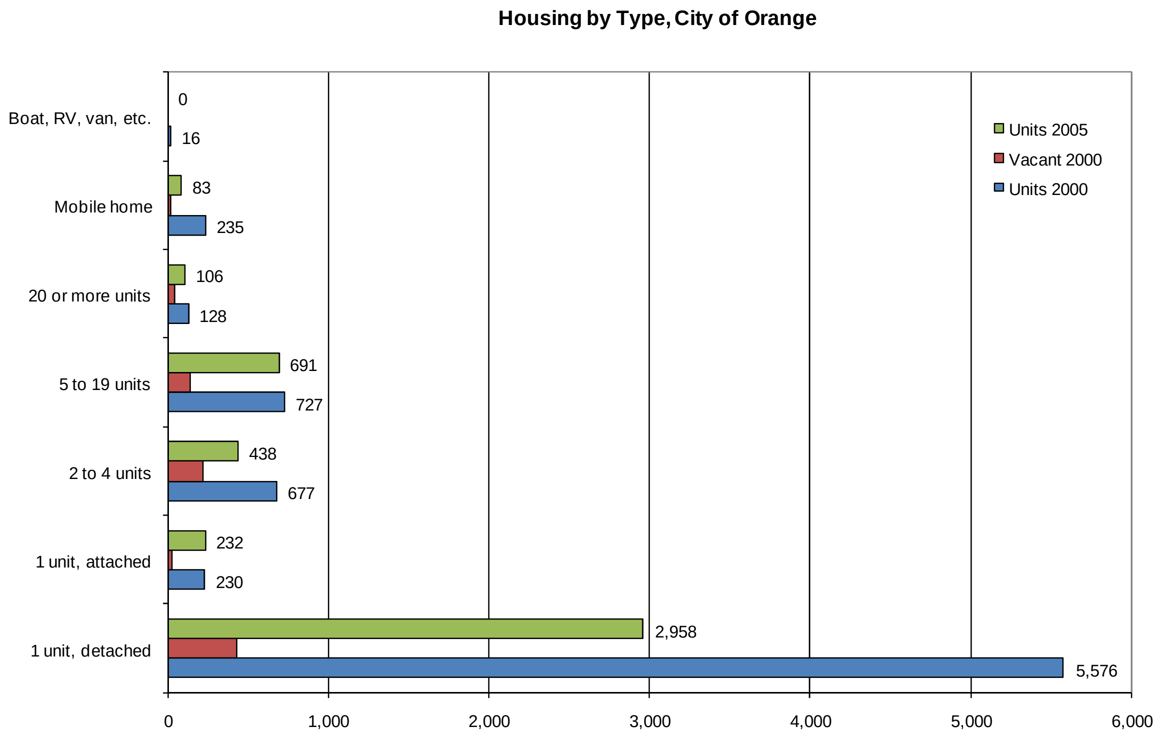
In 2000, single-family detached housing was the most prevalent type among Orange's housing stock. The graph below provides an overview of the housing types in the City. In total, single family detached housing represented 67.1 percent of all housing in the City. The majority of multi-family housing—that is, housing in 4 or more units per structure—was located in buildings that contain 3 or 4 units (26.6 percent). Mobile homes represented 8.9 percent of all housing.[4]

In 2005[5], it is estimated that the 2,958 single-family housing units represented 65.6 percent of the housing stock. Most multi-family housing was located in buildings that contain 5 to 9 units per structure (7.9 percent), followed closely by that located in buildings containing 10 to 19 units (7.4 percent). The graph below illustrates housing distribution in 2000 and 2005, and vacancies by unit types for 2000.

[4] Census 2000, Summary File 3, H32: Tenure By Units in Structure

[5] 2005 ACS Special Product for the Gulf Coast Area

## FIGURE 12

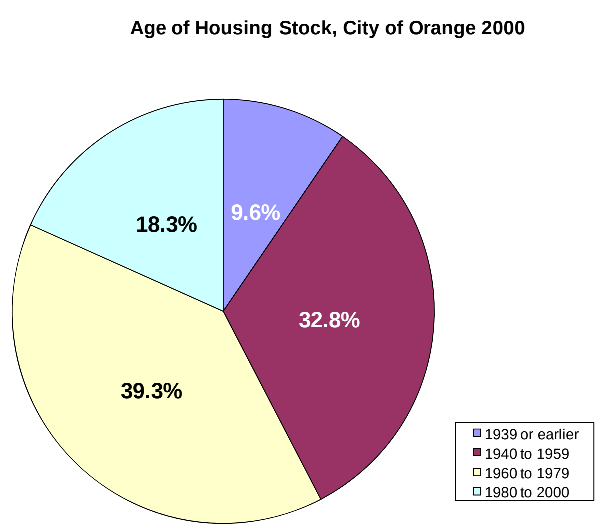



Source: Census 2000 (STF 3)

## Age and Condition

Based on the 2000 census, 42.4 percent of the total housing stock in the City of Orange was built in 1959 or earlier, and was, therefore, over 50 years old at that time. These data also indicate

## FIGURE 12

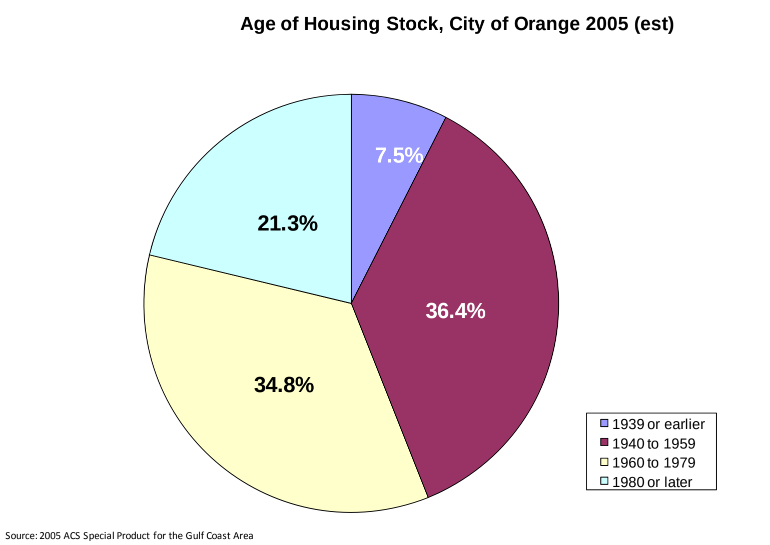



Source: Census 2000 (STF 3)

that 78.7 percent of the housing stock was built prior to 1980, making lead-based paint a potential hazard.

2005 American Community Survey estimates indicate that 44.0 percent of the City's housing stock was built prior to 1959, suggesting that some newer housing stock was lost in the five year interim. Additionally, the percent of housing stock built prior to 1980 increased 81.7 percent, further suggesting the loss of newer stock.

**FIGURE 13**

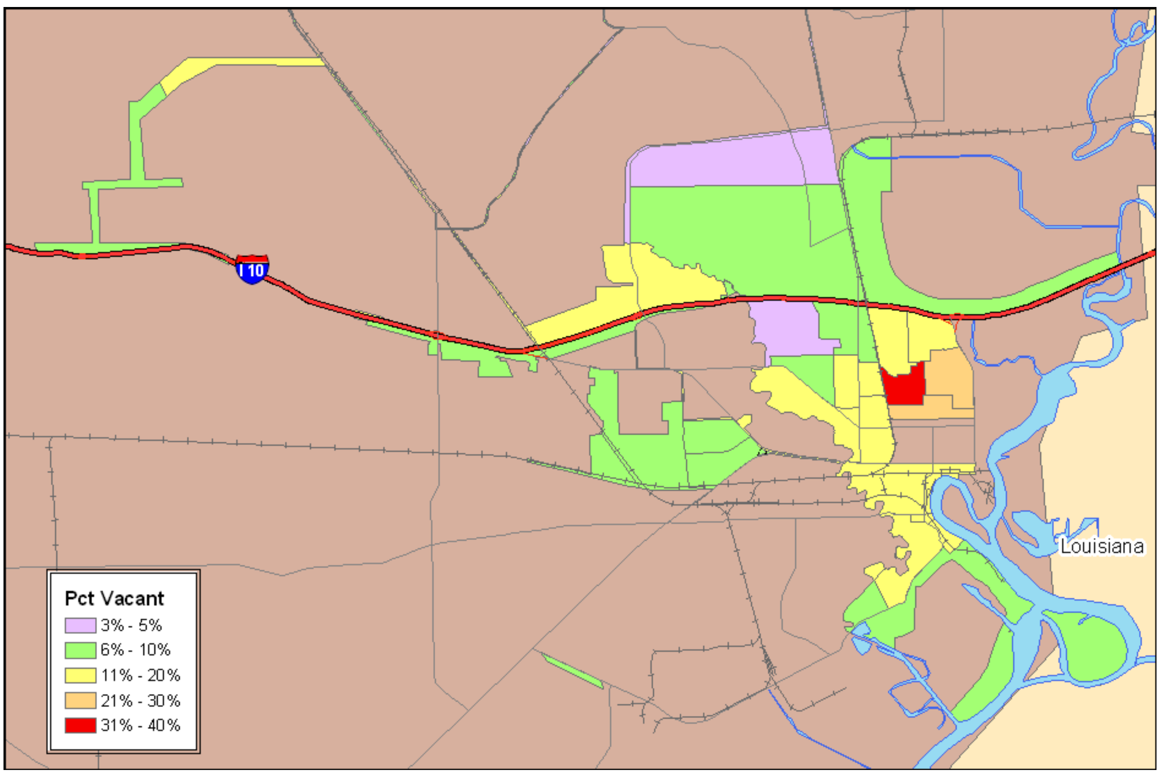



When compared to the national average of 56 percent, Orange's housing stock is considerably older than most and will need substantial financial investments in major structural systems to remain sound and livable. For low-income owners, these repairs are frequently unaffordable, and deferred maintenance hastens the deterioration of their units. Often low-income rental housing does not generate enough revenue to make improvements without raising the rent.

Vacant Units

Vacancy is a proportion of unoccupied units to all housing units. The map below shows the distribution of vacancies throughout the City of Orange. The highest vacancy rate is found in block group 0202.00-3, described above as having among the highest black population, the lowest median income and the lowest homeownership rate.

**FIGURE 14**



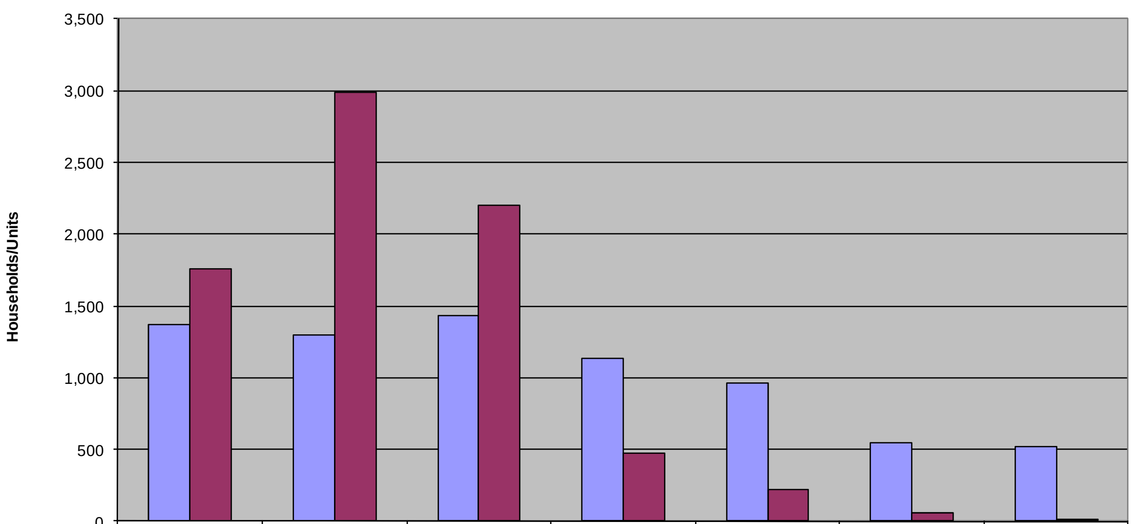

Housing Demand versus Supply

The following two graphs compare the housing demand versus the housing supply in the City of Orange as of 2000. The first displays the total number of households distributed among their affordable home ranges (both rental and owned units). In this graph, the term *demand* represents the numbers of households at each income level shown ($0-$9,999, $10,000-$19,999, etc.). The term *supply* represents all housing units—that is, rented and owned, occupied and vacant—valued at appropriate affordability for each income level.

In 2000 there were 1,366 households that earned less than $10,000. Assuming that an affordable home value is roughly three times a household's annual income, this income group can afford a home valued at no more than $29,999. In 2000 in the City of Orange, there were 1,755 homes valued in this range. This represents a surplus of

**FIGURE 15**

**Households by Purchasing Power Range versus**
***All* Units by Income Range* (2000)**
**City of Orange**




| | 0-$9,999 | $10,000-$19,999 | $20,000-$34,999 | $35,000-$49,999 | $50,000-$74,999 | $75,000-$99,999 | $100,000+ |
|---|---|---|---|---|---|---|---|
| Demand | 1,366 | 1,296 | 1,431 | 1,131 | 965 | 549 | 523 |
| Supply | 1,755 | 2,989 | 2,198 | 475 | 226 | 56 | 13 |

**Purchasing Power by Income Range**

Source: Census 2000 (STF 3)

* for all households

housing for households at this income level.

Conversely, there is a lower supply than demand at the highest income levels, which may indicate that wealthier households might have sought higher-cost housing had there been a ready supply available.

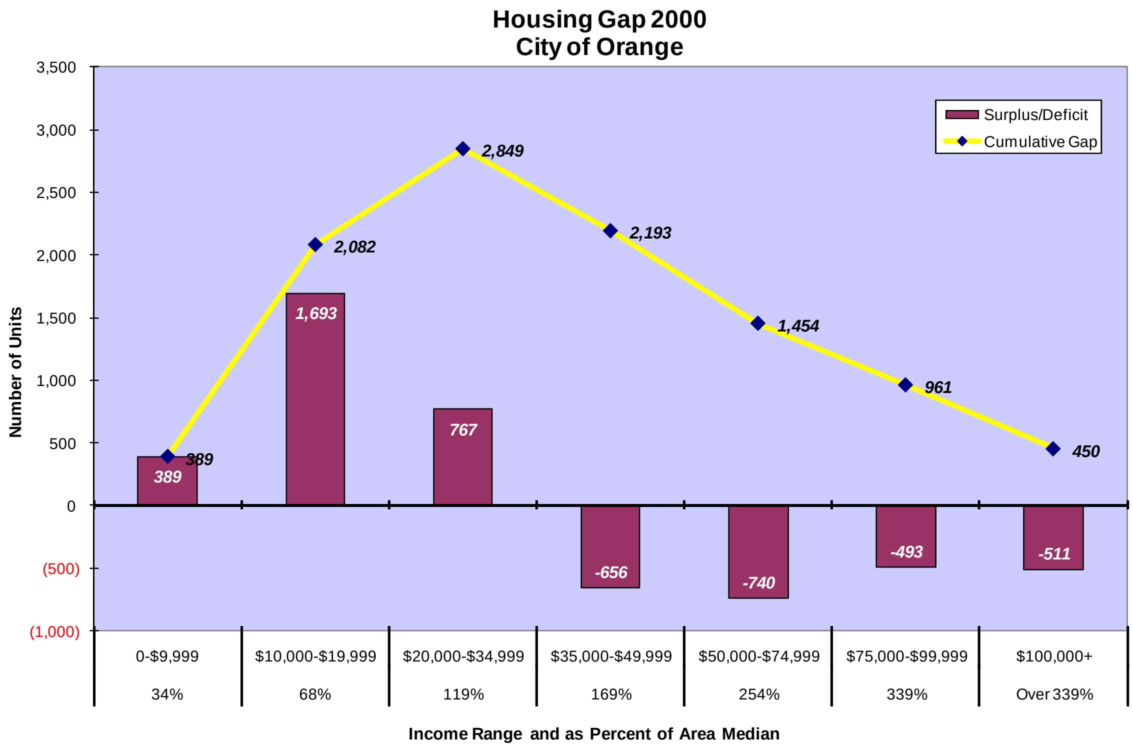
Without such a supply, higher-income households purchase homes below their affordability levels, causing them to compete for housing with those at lower incomes.

The graph above shows the gap between the supply and demand of housing units at each income level. For example, the demand of 1,366 units and supply of 1,755 (above) creates a gap of 389 units (see graph below and table above). In other words, there were 389 more housing units available to households earning up to $9,999 annually than there were households seeking housing in their affordability range.

At the next level, the demand of 1,296 units and supply of 2,989 creates a gap of 1,693 units in excess of demand. Combing these with the surplus of 389 units from the previous income level creates a net surplus of housing units for that does not adversely impact any household earning less than $35,000.

A review of the cumulative housing supply and demand (yellow line) shows that in 2000 there was ample housing for all households, and cumulative surplus of 450 units (as of the 2000 Census). This surplus indicates that there are sufficient units for all households that acceptliving in housing at or below their affordability levels.

## FIGURE 16

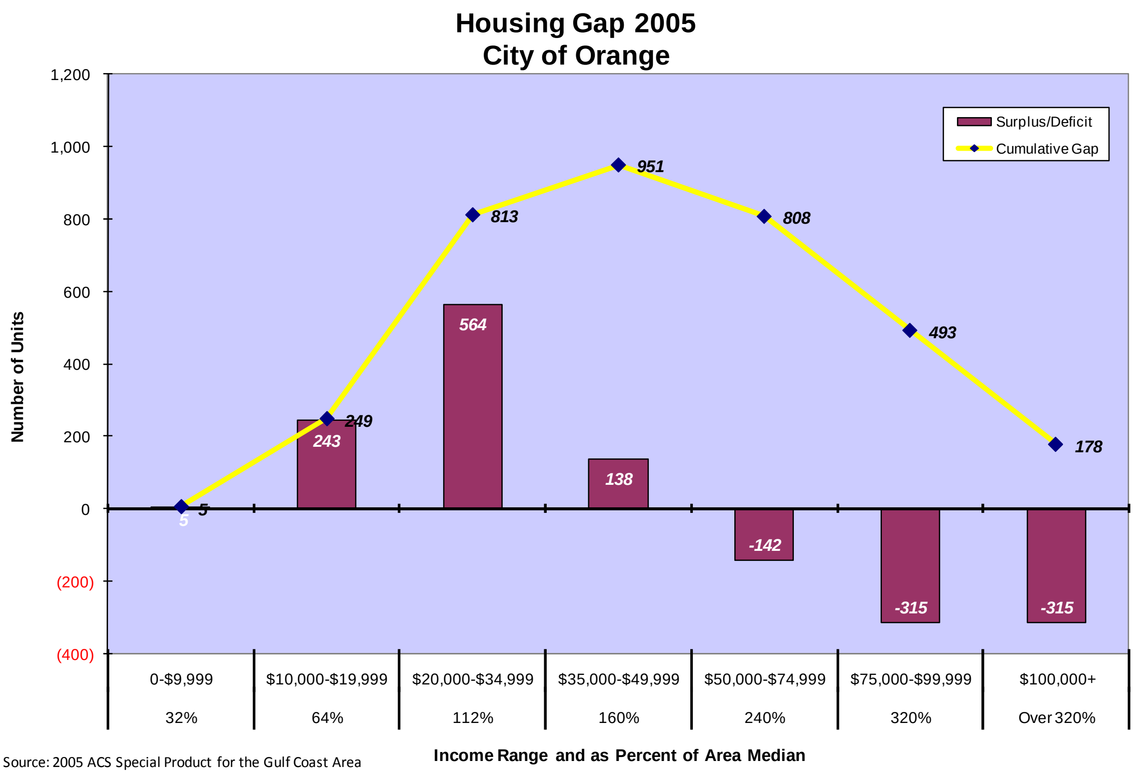



Source: Census 2000 (STF 3)

Estimates from the 2005 American Community Survey suggest the shifts as illustrated in the following graphs. Housing availability appears to have improved across the middle-income levels, falling short of demand only at the higher levels.

The demand for 502 units and supply of 507 at the lowest level reveals a gap of 5 units—considerably smaller than the gap in 2000. Important to note is that a home priced at less than $10,000 in 2000 was available to households earning up to 34 percent of the area's median income. By 2005, this home was available to those earning up to just 32 percent of the area's median income. Because the price of the home is held constant against a rising median income, the affordability measure decreases.

**FIGURE 17**




Source: 2005 ACS Special Product for the Gulf Coast Area

At the next price point, the demand for 602 units and supply of 845 units indicates a continued surplus of housing for those with incomes below 64 percent of the area's median. The low demand and high supply continues to adequately meet housing needs for those who earn up to 240 percent of the area's median income (up to $75,000). Ultimately, Orange has an estimated net surplus of 178 housing units. The low availability of stock for the highest earners illustrates that these households compete with lower earners for housing priced near and well above the median.

## Housing Affordability

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

In the City of Orange, the current median cost for a home is $129,900[6]. Presuming a down payment of 5 percent ($6,495) and an interest rate of 6.0 percent, an estimated monthly payment (PITI) of $740 makes the home affordable to a household earning $31,733 (or 101.6 percent of the area's median income).

According to the National Low-Income Housing Coalition's "Out of Reach" database, in 2007, the City of Orange's median gross rent for a two-bedroom unit was $724. As 30 percent of annual income, this rent would be affordable to a household earning $38,940, or 92.6 percent of the area's median income. Three-bedroom rental housing was reported to cost $917. Affording this rent requires an annual income of $36,680, and is affordable to households earning 117.4 percent or more of the area's median income. In general, rental housing in the City of Orange is highly affordable for those who earn an income near the city's median.

The first table on the following page illustrates the income needed to afford a home of the 2009 median home value in the City of Orange,

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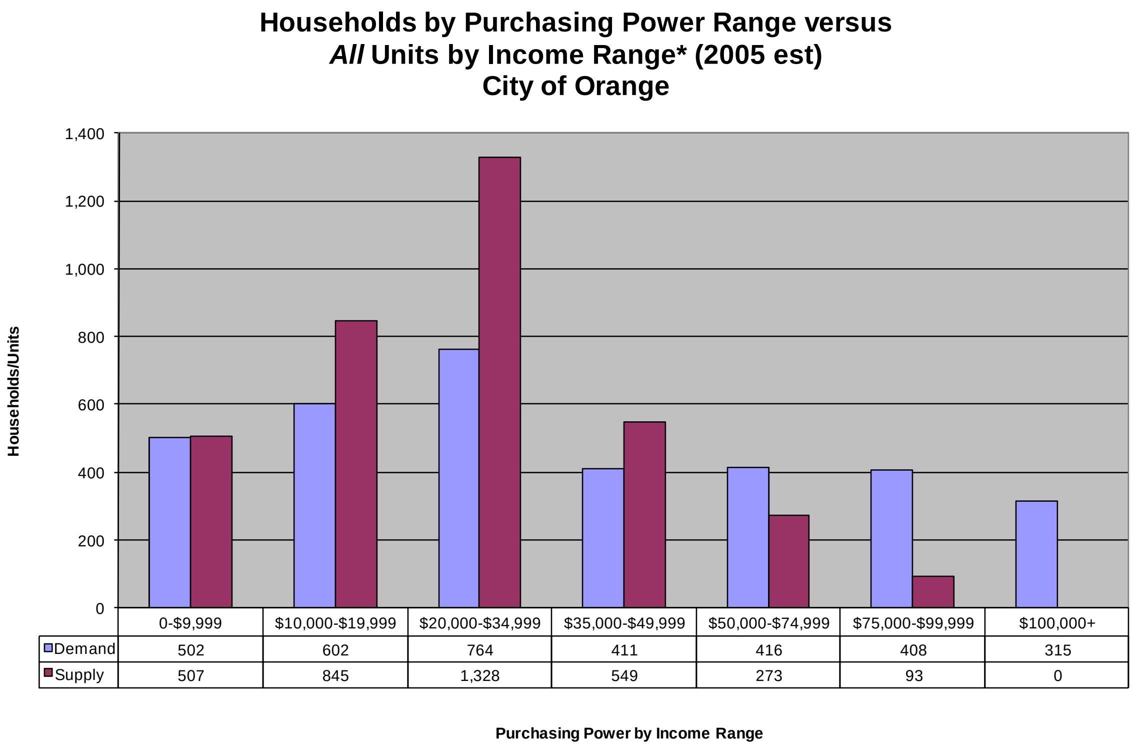
[6] Retrieved from www.realtor.com, accessed 8/7/09.

based on interest rates of 6.0 and 6.5 percent with a 5-percent down payment. The second table illustrates the price of a home that households paying the 2009 Fair Market Rent (FMR) for two- and three-bedroom units can afford, if they were to own rather than to rent. These charts assume an affordable rental housing cost to be 30

**FIGURE 12**




| | 0-$9,999 | $10,000-$19,999 | $20,000-$34,999 | $35,000-$49,999 | $50,000-$74,999 | $75,000-$99,999 | $100,000+ |
|---|---|---|---|---|---|---|---|
| Demand | 502 | 602 | 764 | 411 | 416 | 408 | 315 |
| Supply | 507 | 845 | 1,328 | 549 | 273 | 93 | 0 |

Source: 2005 ACS Special Product for the Gulf Coast Area

* for all households

percent of a household's monthly income and an affordable ownership cost to be 28 percent.

Assuming a 28 percent affordability index, the results of the analysis show that a median-priced home in 2009 is affordable to a household earning between $31,733 and $33,478 (or from 101.6 to 107.2 percent of the AMI). This assumes that the household can provide a down payment of 5 percent.

This analysis further examines the affordability of rental housing in the City of Orange in comparison to the cost of homeownership. A household paying the 2009 fair market rent (FMR) for a 2-bedroom rental unit with no funds available for a down payment can afford a home between 82 and 87 percent of the 2009 median home value in the City of Orange; that is, a home priced between $106,677 and $112,544. A household paying the 2009 fair market rent (FMR) for a 3-bedroom rental unit with no funds available for a down payment can afford a home between 104 and 110 percent of the 2009 median home value in The City of Orange; that is, a home priced between $135,208 and $142,644. A current search of homes for sale revealed the lowest priced home in the City of Orange to be $17,900, with 177 homes priced below $129,900.

**TABLE 5**

Homeowner and Rental Housing Affordability

| | |
|---|---|
| Area Median Income | $ 31,239.78 |
| Affordable Monthly Housing Cost | 28% monthly income |

Homeowner Housing

Annual Wage (and % AMI) and Down Payment Needed to Buy Various Priced Homes (at 6.0% interest rate)

| | Sales Price | Down Payment | Mortgage Amount | Monthly Mortgage at 5.75% interest | Total Monthly Cost** | Required Annual Income | Percent of AMI |
|---|---|---|---|---|---|---|---|
| Median Value of Owner-Occupied Unit, 2009* | $129,900 | $6,495 | $123,405 | $740 | $770 | $31,733 | 101.6% |

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

| | Sales Price | Down Payment | Mortgage Amount | Monthly Mortgage at 6.25% interest | Total Monthly Cost** | Required Annual Income | Percent of AMI |
|---|---|---|---|---|---|---|---|
| Median Value of Owner-Occupied Unit, 2009* | $129,900 | $6,495 | $123,405 | $781 | $812 | $33,478 | 107.2% |

* Median Home Value source: retrieved from www.realtor.com on 8/7/09

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

**TABLE 6:**

Rental Housing

Comparable Monthly Rent and Mortgage/Tax/Insurance Payments

| | Monthly Housing Expense | Comparable Monthly Mortgage | Affordable Purchase Price 5.75% interest rate | Affordable Purchase Price 6.25% interest rate | Required Annual Income | Percent of AMI |
|---|---|---|---|---|---|---|
| 2009 FMR (2-bedroom) | $724 | $675 | $112,544 | $106,677 | $28,940 | 92.6% |
| 2009 FMR (3-bedroom) | $917 | $856 | $142,644 | $135,208 | $36,680 | 117.4% |

## Housing Problems

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

If a household pays more than 30 percent of its gross monthly income for housing, it is considered *cost burdened*. HUD considers households that pay more than 50 percent of their income on housing costs to be *severely cost burdened*.

If a household occupies a unit that lacks a complete kitchen or bathroom, the unit has a *physical defect*.

If a household contains more members than the unit has rooms, the unit is *overcrowded*.

Based on HUD's definition, 37.5 percent of The City of Orange renters (1,130) were cost-burdened in 2000, including 20.4 percent (614) who were severely cost-burdened. Considerably fewer homeowners with a mortgage experience this housing problem: 17.4 percent (748) were cost-burdened, including 5.6 percent (241) who were severely cost burdened.

According to the 2000 Census, 125 households (1.5 percent) lacked adequate plumbing facilities, while 1.9 percent of all households (159) lacked complete kitchen facilities. More current data are not available from the 2005 American Community Survey.

In 2000, 434 (6.0 percent) of the City of Orange households were overcrowded. These were comprised of 111 owner-occupied households, or 2.6 percent of all owner-occupied households. Considerably more tenant-occupied households were overcrowded: 323 or 10.8 percent of all renters.

American Community Survey estimates reported substantial improvement by 2005, indicating that overall, 1.9 households were overcrowded (77), but these are not separated out by renters and homeowners.

## RECOMMENDATIONS

Take measures to reduce racial and ethnic concentration by assuring that a variety of housing options are available throughout the city.

Ascertain that low homeownership rates around the City are a reflection of a geographic area's function (i.e., commercial areas) and not a reflection (i.e., commercial areas) and not a reflection of the race, ethnicity or income levels of its residents

# Section III: Fair Housing Status, 2009

According to the City of Orange/Orange Consortium 2004-2009 Consolidated Plan, in 2000, the City's estimated population was 18,643 residents and the Consortium 211,794. Although the City's population has been dropping, the Consortium's growth rate remains steady and population increasing modestly that by 2007 was originally estimated to be 239,669. However, the Texas State Data Center estimated the population of the Consortium at 215,216 on January 1, 2008, primarily due to migration following the several hurricanes/storms that afflicted the Region.

As indicated in Section II (Demographic and Economic Overview) recent data show the 2007 unemployment rate for the Beaumont-Port Arthur, TX Metropolitan Statistical Area (MSA) to be 8.3 percent.[7] According to the 2005 ACS Special Product for the Gulf Coast Area, there was an estimated 64,695 persons identified as having incomes below the poverty level in 2005, representing 17.0 percent of the ORHC area's population. Among adults, this is comprised of 13.3 percent of adults aged 18 to 64, and 11.5 percent of those over age 65. In the Consortium Counties, 29.0 percent of children (those under age 18) are in poverty.

There are 56,429 households in poverty that are described as female-headed families where there is no husband present. These comprise 54.4 of all households in poverty. While this does indicate a high number of single-parent households with young children, this figure also captures households comprised of cohabiting couples, as well as elderly parents living with unmarried adult children.

[7] Bureau of Labor Statistics, Unemployment Rates for Metropolitan Areas, accessed 7/7/06.

Unlawful discrimination is one of the most blatant impediments to fair housing, and it is therefore important to make efforts to measure the extent to which unlawful discrimination occurs in the housing market. Analyzing complaints brought by those who believe they have been illegally discriminated against can shed light on the barriers to housing choice and accessibility. Though the number of complaints can not provide a complete picture of the level of discrimination, it can provide a snapshot of some of the barriers that may exist. The 1996 Analysis of Impediments for the City of Orange/Orange Consortium Region can also shed some light on the community's perceptions of the fair housing environment.

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

## COMPLAINTS OF UNLAWFUL DISCRIMINATION

During 1996, a consulting firm was commissioned to conduct an analysis of fair housing choice for the City of Orange/Orange Consortium, as well as the cities in the balance of the Beaumont/Port Arthur MSA. HUD defines this procedure as a "comprehensive review of policies, practices and procedures that effect the location, availability and accessibility of housing and the current residential patterns and conditions." In order to accomplish this task we have examined existing studies and literature, conducted an historical analysis, reviewed the public policies from a fair housing perspective, analyzed the effectiveness of existing fair housing activities and examined barriers to fair housing choice for each protected class.

## PROGRESS IN DEALING WITH IMPEDIMENTS OVER THE LAST TEN YEARS

The Consortium's 1996 Impediments to Fair Housing were divided into five sections, namely Real Estate Sales/Rental, Public Policy, Neighborhood Conditions, Banking/Finance, Real Estate Insurance, and Socio-economic. Progress was recorded in each of the areas, however, due to limited financial resources the Consortium will continue to work on the original categories.

### A. Real Estate Impediments

The City and ORHC have sponsored forums each year with neighboring communities for appraisers, bankers, real estate agents, and housing advocates, to discuss and develop self-policing policies that provide guidelines for appraisal activities in the area, review procedures, and administrative actions by the various Board of Realtors when violations occur involving their members.

<u>Progress</u>

The practice of holding industry wide training and forums has been a constant over the past 15 years. Since the real estate industry has changed drastically during the period due to the economy and weather, this practice must continue.

## B. Public Policy Impediments

Since the State of Texas has a fair housing agency acceptable to HUD, the Consortium plans to continue its process of redesigning current housing programs to require higher levels of participation from outside financial sources on all Consortium funded housing initiatives. The Consortium will continue to consider a revitalization plan for older neighborhoods to include programs designed to improve the existing housing stock, reduce criminal activity, repair and improve infrastructure, develop new housing to replace homes that have been removed, improve social services, and work to attract new businesses and jobs into the area. The Consortium will continue to work with interested community leaders and development. professionals to find solutions to problems of revitalization and the removal of development impediments.

Progress

Although annual CDBG and HOME funds have been scarce until 2008 ARRA NSP and CDBG-R, as well as, disaster relief as a result of Hurricanes Rita and Ike, the City of Orange continue to move forward in neighborhood strategy areas such as found in Census areas 202 and 203, as well as the ORHC jurisdictions.

## C. Neighborhood Condition Impediments

The Consortium continues to examine building codes to determine which rehabilitation activities often make improvements unaffordable especially in neighborhood areas of concentrated decline.

Progress

On an annual basis, the City currently spends 100% of CDBG funding in the Strategy areas and works closely with the State of Texas, ORHC and CHDO to maximize use of public funds while achieving maximum leverage of private funds to help achieve fair housing throughout.

### D. Banking, Finance, and Insurance Related Impediments

The Consortium continues to monitor the Home Mortgage Disclosure Act data to track progress that area lenders are making in equalizing home lending practices.

Progress

Due to current economic conditions in 2008-2009, the monitoring of HMDA data continues to be an important piece of program to insure protected class citizens have an equal opportunity as to fair housing opportunities.

### E. Socioeconomic Impediments

The Consortium needs to continue work to expand job opportunities through the provision of incentives for local corporations seeking expansion opportunities to reduce unemployment and expand the base of higher income jobs. Consortium communities should continue to work to rebuild housing through the replacement of demolished homes with infill or relocated housing, new development projects, and other activities aimed at expanding the supply of affordable housing. The Consortium should continue to work to provide an income mix in the communities to lessen income segregation and to provide an income base to expand economic activities in the area. Finally, the Consortium should continue to work with nonprofit organizations and developers to create project eligible for Low Income Housing Tax Credit funding.

Progress

The ORHC continues work to expand job opportunities through the provision of incentives for local corporations seeking expansion opportunities to reduce unemployment and expand the base of higher income jobs. Consortium communities have continued to work to rebuild housing through the replacement of demolished homes with infill or relocated housing, new multi-family rental development projects, and other activities aimed at expanding the supply of affordable housing. The Consortium will continue to work to provide an income mix in the communities to lessen income segregation and to provide an income base to expand economic activities in the area. Finally, the Consortium will continue to work with nonprofit organizations and developers to create project eligible for Low Income Housing Tax Credit funding.

## CONCLUSIONS AND FINDINGS

The HUD Annual Report of Fair Housing (**The State of Fair Housing----** Copies of the study may be obtained at http://www.huduser.org). , indicates "that in FY 2005, the Fair Housing Assistance Program (FHAP) agencies, nationally received roughly the same number of complaints as they did in FY 2004, for a combined 9,254 complaints, with FHAP agencies investigating over 70 percent of those. HUD and FHAP agencies had witnessed a 13 percent increase in housing discrimination complaints in FY 2004, ending that fiscal year with 9,187 complaints. HUD and FHAP agencies most often received complaints alleging disability discrimination, which for the first time surpassed race discrimination as the most common allegation in complaints. Disability discrimination complaints accounted for about 41 percent of the complaints filed with HUD and FHAP agencies. In the ORHC, about one-third involve race, one-third involve disability and the balance represent all other State and Federal protected classes.

Although disability was the most common basis for discrimination in complaints filed with HUD and FHAP agencies such as the Texas Workforce Commission, Civil Rights Division, a HUD study suggests that those complaints represent only a small fraction of incidents of disability discrimination in the housing market. In July 2005, HUD issued the fourth phase of its Housing Discrimination Study—Discrimination Against Persons with Disabilities: Barriers At Every Step. The study examined the Chicago area rental market and found that hearing- impaired persons, using a telephone-operator relay to search for rental housing, experienced consistent adverse treatment 49.5 percent of the time. The study also found that mobility-impaired persons using wheelchairs experienced consistent adverse treatment 32.3 percent of the time when they visited rental properties.

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

In addition to presenting information on the level of racial, ethnic, or disability discrimination, recent HUD studies show that discrimination is often subtle. Much of the consistent adverse treatment reported in the aforementioned studies was uncovered using paired-testing—a method by which two persons, differing only on a single characteristic that is being tested (e.g., race), independently inquire about an advertised housing unit. Each of the testers independently records his or her experience, and any difference in treatment is often only apparent when an analyst compares the resulting information. Thus, the disparity between the number of complaints filed with HUD and FHAP agencies and the frequency of discrimination found in housing discrimination studies indicates that victims are often unaware that they have been discriminated against and suggests that discrimination is greatly underreported.

In January 2005, HUD established the Office of Systemic Investigations (OSI) to investigate discriminatory practices that are not reported by individuals. OSI uses methods such as paired-testing to investigate housing providers or other entities that it suspects of engaging in unlawful discrimination.

**"Discrimination Against Persons with Disabilities: Testing Guidance for Practitioners"**

In July 2005, HUD published Discrimination Against Persons with Disabilities: Testing Guidance for Practitioners as an aid for fair housing and disability-rights advocates, civil rights enforcement agencies, and others interested in testing for disability-based discrimination. The guidebook resulted from testing in the HUD-commissioned study entitled Discrimination Against Persons with Disabilities: Barriers at Every Step.

The guidebook describes the advantages and challenges of conducting telephone and in-person testing for discrimination against persons with disabilities. TTY testing was found to be an inexpensive effective testing strategy because it can be completed quickly, it does not require testers to travel, and it can span a wide geographic area. Moreover, relay operators provide customers with a verbatim report on each telephone call, providing an independent narrative of what occurred in the disabled portion of the test. However, because telephone calls are generally brief, these tests do not offer the opportunity to capture as much information about differential treatment as in-person tests.

The report also addresses two particular challenges faced by persons with disabilities when conducting in-person tests—transportation and access to the property and/or unit. Deaf or hard-of-hearing testers were not able to access housing that contained an intercom/buzzer entry system and blind testers sometimes had difficulty finding the front door or gaining access to rental properties or management offices. Therefore, the report concluded that it might make sense to send testers to their assignments with someone who could help them gain entrance, but who would not accompany them during tests.

Another significant challenge for disability testing is determining whether the property is accessible enough so that persons with mobility impairments can test it. Before using a property as a test site, Barriers at Every Step used a drive-by survey to determine whether it was accessible. The report also suggested that proxy testers be used to test properties that are not accessible.

With proper planning and support, persons with disabilities were able to effectively serve as testers. The most common types of assistance provided for testers with disabilities were transportation to and from the test site, training materials in other formats, such as Braille, and assistance from project staff in completing the test report forms. Cognitively disabled testers sometimes needed companions to accompany them during the test to help them remember and record the test experiences.

HUD intends for the study and report to serve as a guide for conducting disability discrimination testing. As such, they should be used in conjunction with other testing approaches that may be appropriate for the discriminatory practice being investigated. Copies of the report are available at http://www.huduser.org."

## HUD Fair Housing Enforcement Activity

HUD investigates complaints of housing discrimination based on race, color, religion, national origin, sex, disability, or familial status. At no cost, HUD will investigate the complaint and attempt to conciliate the matter with both parties. If conciliation fails, HUD will determine whether "reasonable cause" exists to believe that a discriminatory housing practice has occurred. If HUD finds "no reasonable cause," the Department dismisses the complaint. If HUD finds reasonable cause, the Department will issue a charge of discrimination and schedule a hearing before a HUD administrative law judge (ALJ). Either party may elect to proceed in federal court. In that case, the Department of Justice will pursue the case on behalf of the complainant. The decisions of the ALJ and the federal district court are subject to review by the U.S. Court of Appeals. As of April, 2009 the following cases are being investigated by HUD Headquarters:

**TABLE 7**

### HUD Charges 2009

**Basis of Discrimination**

**Color | Disability | Familial Status | National Origin | Race | Religion | Retaliation | Sex**

**Previous Years: 2004 | 2005|2006|2007|2008|2009**

**WARNING:** The attached documents may contain graphic and explicit language that may be offensive to some readers.

| Case Name | Case Number | Date Charge Issued | Basis of Charge |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Long Island Housing Services, Inc. v. Sunrise Villas, LLC, Anna Maria Daniels, and Lisa Daniels **Read the charge** | 02-08-0977-8 | 07-21-09 | Disability |
| HUD v. Warren Properties, Inc., Laurie Weaver and Evelyn Graves<br><br>**Read the charge** | 04-08-0483-8 | 03-11-09 | Disability |
| HUD v. BBR, LLC, Equity Homes, Inc., Shange Hartung, d/b/a Hartung Design, Sertoma Condominium Association, a necessary party, and Martin H. McGee Trust, a necessary party.<br><br>**Read the charge** | 08-04-0201-8<br><br>08-04-0202-8 | 03-10-09 | Disability |
| HUD v. Equity Homes, Inc., PBR, LLC, JSA Consulting and Engineering, and Myron R. VanBuskirk, a necessary party.<br><br>**Read the charge** | 08-04-0203-8<br><br>08-04-0204-8 | 03-10-09 | Disability |
| HUD v. Equity Homes, Inc. and Shane Hartung, dba Hartung Design<br><br>**Read the charge** | 08-04-0206-8 | 03-10-09 | Disability |

| | | | |
|---|---|---|---|
| HUD v. 405 East 82nd Street Cooperative, Inc.<br><br>**Read the charge** | 02-08-0760-8 | 1-22-09 | Disability |
| Colon v. Bill, Wetherbee, Clarkin, RE/MAX Five Star, Marti, Trustee, and the Velna Marti Irrevocable Income Trust<br><br>**Read the charge**<br><br>Concepcion, Alvarez, and Argueta v. Marti, Trustee, and the Velna Marti Irrevocable Income Trust **Read the charge** | 01-08-0312-8<br><br>01-09-0209-8 | 07-18-09 | Familial Status |
| Robert N. Leather v. Florence Tollgate Condominium Associates<br><br>**Read the charge** | 02-06-0101-8 | 02-11-09 | Familial Status |
| HUD v. Armando Chavez, et al.<br>**Read the charge** | 06-08-0968-8 | 01-09-09 | Familial Status |
| HUD v. Mary Sue Brooks, etc.**Read the charge** | 04-04-0859-8 | 06-11-09 | Race |

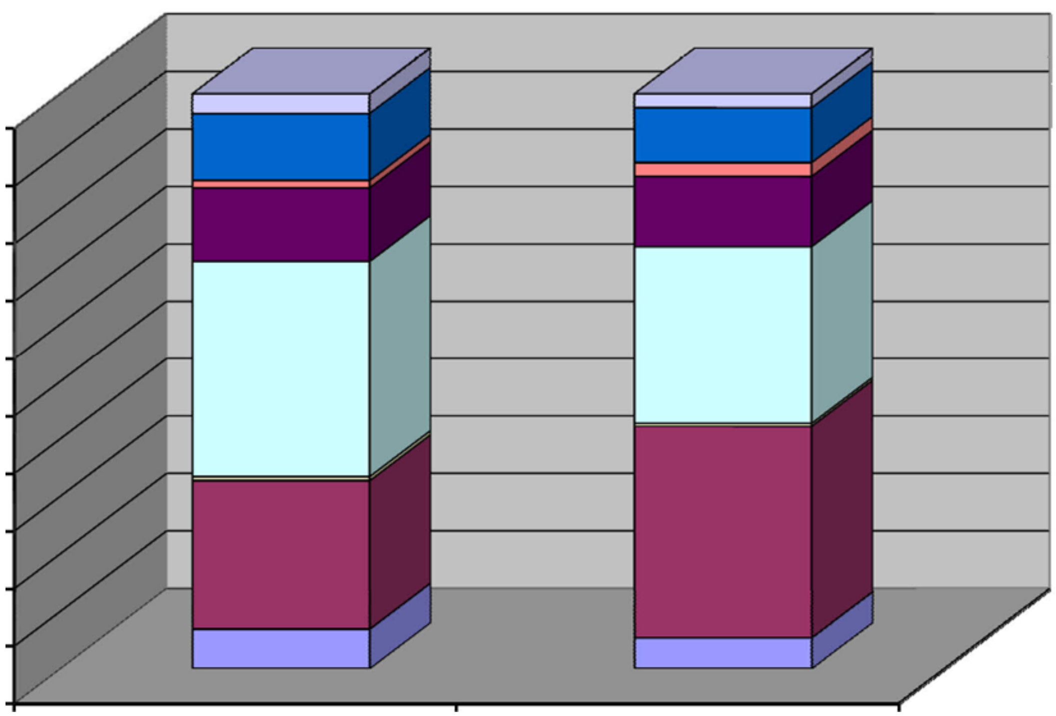
| | | | |
|---|---|---|---|
| HUD v. Pinnacle Homestead Management, Inc., Columbus Arms, Ltd. **Read the charge** | 06-07-0581-8 | 06-02-09 | Race |
| HUD v. Christopher S. Hebert and Indigo Investments, LLC d/b/a Homestead Mobile Home Village, Edward L. Hamilton and Barbara A. Hamilton<br><br>**Read the charge** | 04-06-0723-8 | 04-30-09 | Race/Color |
| HUD v. Pearl Beck and Gregory Bec<br><br>**Read the charge** | 05-07-1320-8 | 04-06-09 | Race |
| HUD v. Wayne County Housing Authority, et al.<br><br>**Read the charge** | 05-08-0787-8 | 01-20-09 | Race |
| Baize v. GuideOne Mutual Insurance Company<br><br>Valenzuela v. GuideOne Mutual Insurance Company Valenzuela v. Young Insurance Agency, Inc.<br><br>Lexington Fair Housing Council, Inc. v. GuideOne Mutual Insurance Company | (00-07-0008-8)<br><br>(04-07-0414-8)<br><br>(04-07-0415-8) | 02-17-09 | Religion |

| | | | |
|---|---|---|---|
| Lexington Fair Housing Council, Inc. v. Robert and Charolottea Lee, d/b/a Lee Insurance Agency<br><br>**Read the charge** | | | |

**FIGURE 18**

**2008 HUD/Texas Workforce Commission Civil Rights Division**

**Title VIII Complaints**



From the top of the above chart, the levels represent complaints based on Retaliation, Family status, Religion, National Origin, Disability, Color, and Sex and each level represents 10%.

The Civil Rights Division (CRD) and statewide housing complaint data by basis of complaint is shown in the Chart above. The majority of housing complaints filed by basis with the CRD and statewide during FY 2008 were based on disability, 30.83% filed with CRD and 37.46% filed statewide. Other complaints filed in significant numbers include race (36.70% with CRD and 25.81 % statewide) and national origin (12.23% with CRD and 12.83% statewide).

CRD and statewide housing case closure data indicates that majority of housing cases closed statewide and with CRD were closed with no cause findings, **51.4** with the CRD **and 45.91** % statewide. However, 26.13% with CRD and **42.55%** statewide were closed with merit resolutions. Merit resolutions are defined as cases with outcomes favorable to charging parties and/or charges with meritorious allegations. Housing merit resolutions include cause findings, successful conciliations, and withdrawals with settlement.

The average processing time for housing complaints resolved by the CRD was **193.4** days.

The number of merit resolutions in employment discrimination cases indicates that Texans are still experiencing employment discrimination and that there is still work to be done. The CRD will continue its employment enforcement efforts and will continue to reach out to employee communities, business communities, and other stakeholders by conducting education and outreach activities. The CRD's education and outreach for FY 2008 will include special focus on prevention of employment discrimination based on sex, age, race, and retaliation and in the areas of discharge, terms and conditions, and harassment issues.

Individuals continue to experience housing discrimination. The CRD will continue its enforcement efforts and will continue to reach out to housing consumers, housing providers, and other housing stakeholders. Special emphasis will be placed on prevention of housing discrimination based on race and disability and in the areas of terms and conditions, non-compliance with design and construction, refusal to rent issues, and reasonable accommodations.

Since 2000, HUD and TWC/CRD received (and cross-filed) for consideration, 69 cases under the Fair Housing Act, as illustrated in list below. During that same period, the Agencies closed 28 cases as Reasonable Cause (22 successful conciliations settled without prejudice) and 26 cases as No Reasonable Cause, 3 cases were withdrawn by the complainants after resolution and in 6 situations the complainants failed to cooperate, therefore the cases were administratively closed as were 6 others.

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

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

**Conciliation**—Parties meet to work out a resolution. Meeting is generally initiated by the equivalent agency (TWC/CRD) or HUD.

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

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

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

**TABLE 8**

**Complaints Received under the Fair Housing Act, as amended,**

**ORHC Title VIII Cases Received FY 2000 through FY 2009**

| Complaint Basis | Number |
|---|---|
| Race | 28 |
| Race Retaliation | 1 |

| | |
|---|---|
| **Race / Family Status** | **1** |
| **Religion / Race** | **1** |
| **Family Status** | **4** |
| **Sex / Family Status** | **2** |
| **Sex** | **2** |
| **National Origin** | **1** |
| **Sex / National Origin** | **1** |
| **Disability / Race** | **6** |
| **Disability / Family Status** | **1** |
| **Disability** | **20** |
| **Harassment** | **1** |
| ——— | |
| **Total Filed** | **69** |

**Outcome**

| | |
|---|---|
| **Cause Findings** | **28** |
| **No Cause Findings** | **26** |
| **Administrative and Other Closures** | **15** |
| ___ | |
| **Total Closed** | **69** |

There were no cases filed based on color.

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

Important Considerations

Ideally, the percentages of loan applications received would mirror the percent of population of each racial group. As described in the demographic section, the 2000 population of the ORHC area is comprised of 84.0 White and 11.3 Black residents. American Community Survey (ACS) estimates report the 2007 population of the ORHC to be 93.2 percent White and 2.1 percent Black residents. However, in the ORHC there is disparity between loan applications received from Blacks and those received from Whites. In 2007 the percent of applications made by white consumers was 75.3 percent—the highest ratio over the five year period (Figure 8). At the same time, the rate of applications from Black consumers has risen from 4.9 percent in 2003 to recent highs of 6.0 in 2006 and 5.9 in 2007. In an area where they may comprise up to 11 percent of the population, these percentages show that black applicants are underrepresented. This should be an area of concern for the ORHC. On the other hand, if ACS estimates are accurate, then applications from black consumers are more than double their composition of the population. This is an area that warrants further review.

When examining the denial rates by the loan type (purchase, refinance, or home improvement), white applicants were denied consistently more often than were black among applicants who reported their race (Figure 10). While there is a significant percentage of applicants whose race was not reported (particularly among those seeking loans to refinance), even if these were all black applicants, the rate of denials for white applicants would still be higher than the others. Significantly, white applicants are denied most frequently for home purchase loans, while those whose race was not given are denied most frequently for refinances. While this may appear to be a positive finding, it may actually be an indication of racial discrimination. In a truly unbiased context, one would expect these values to be much more similar to one another. This is an area that merits some attention.

While it is not difficult to understand that those whose earnings exceed 120 percent of the area’s median would be more likely to secure loan approval, the graph below illustrates the great disparities that exist among income levels. In no year over the last five years have more than 16 percent of applications been approved among any income group other than those earning over 120 percent of the median income.

The results of this analysis would indicate disparities in loan approval rates beyond income levels. Significantly, black applicants and those who did not identify their race consistently have approval rates that are substantially below the mean. One reason for these results may be the skewing of the data due to the very small representation of black consumers making application (less than 6 percent per year, on average). This may also apply to the apparent success for Hispanic applicants (less than 4 percent per year, on average). Nonetheless, this finding suggests some vigilance may be in order among players in the lending industry.

How To File A Housing Discrimination Complaint

There are three ways to file a complaint alleging housing discrimination with the Texas Workforce Commission Civil Rights Division.

- You may file your complaint by coming to the Division office located at 1117 Trinity St., Room 144-T in Austin, Texas, or
- You may call the Division office (512 463-2642), between the hours of 8:00 AM and 5:00 PM.
- You may also write the Division at

Texas Workforce Commission
Civil Rights Division
1117 Trinity Street, Rm. 144-T
Austin, Texas 78701

You will be assigned an Investigator. The Investigator will discuss with you what is required to file a complaint, how the complaint will be investigated, and assist you in preparing the complaint.

Also, you may file a complaint with the U.S. Department of Housing and Urban Development (HUD). HUD may be contacted at U.S. Department of Housing and Urban Development, Southwest Office of Fair Housing and Equal Opportunity, 801 Cherry Street, P.O. Box 2905, Fort Worth, Texas 76113-2905 or 1-888-560-8913.

# Section IV: Public Sector Analysis

## OVERVIEW

The Public Sector Analysis of the fair housing impediment analysis assesses how the City of Orange's and the ORHC member governmental units building codes, zoning laws, and associated procedures may interfere with the furtherance of federal fair housing legislation. The Public Sector Analysis also provides information on current institutional structure and strategy.

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

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

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

### TRANSPORTATION

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

## NEIGHBORHOOD REVITALIZATION

The City of Orange and the Orange Regional HOME Consortium ("ORHC") carry out federal programs administered by the U.S. Department of Housing and Urban Development. In 2009, the City of Orange and ORHC published their Consolidated Five Year Strategic Plan which addressed housing and community development needs during the period of FY 2009 to 2014. The one-year Action Plan describes the activities to be undertaken during the fiscal year and how the City and ORHC will use federal and local resources to accomplish the stated objectives. The annual plan also describes how other community resources will be utilized to address the needs of the homeless, low to moderate income individuals and families, and other populations

ORHC's service area includes Hardin County, unincorporated Jefferson County, Liberty County, Orange County, and the towns of Liberty, Orange, Silsbee, Sour Lake, Kountze, West Orange, Pinehurst, Dayton, Bridge City, China and Vidor. The ORHC is administered by the Southeast Regional Planning Commission ("SETRPC") under contract to the City of Orange.

## PROPERTY TAX POLICIES

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

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

Property tax assessment discrimination against low-income groups occurs when lower value properties and/or properties in poorer neighborhoods are assessed for property tax purposes at a higher percentage of market value, on average, than other properties in a jurisdiction. Regressive assessments (the tendency to assess lower value properties at a higher percentage of market value than higher value properties) are not uncommon in this country. They result from political pressures, practical problems in assessment administration and the use of certain inappropriate appraisal techniques. Assessments tend to remain relatively rigid at a time when property values are rising in middle income neighborhoods and are declining or remaining at the same level in low-income neighborhoods.

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

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

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

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

Table 1: ORHC Regional Property Tax Rates 2009, represents the base property tax rates for each participating entity in the ORHC, including the City of Orange

**Table 9**

**ORHC Regional Property Tax Rates 2009**

| **Orange County**[8] | **Base** | **Effective**[9] | **Rank**[10] |
|---|---|---|---|
| City of Orange | 0.745000 | 1.287610 | 12 |

8 Texas Comptroller of Public Accounts: (http://www.window.state.tx.us/taxinfo/proptax/07taxrates/cnty181.html)

9 County plus City Rate; does not include ISD taxes or local special taxes

10 From lowest rate to highest rate

| | | | |
|---|---|---|---|
| Orange County | 0.542610 | 0.542610 | 2 |
| West Orange | 0.429390 | 0.975490 | 6 |
| City of Pinehurst | 0.530000 | 1.072610 | 8 |
| City of Vidor | 0.621630 | 1.162400 | 10 |
| Bridge City | 0.503020 | 1.045630 | 7 |
| **Unincorporated Jefferson County**[11] | 0.390000 | 0.390000 | 1 |
| **Liberty County**[12] | 0.560000 | 0.560000 | 3 |
| City of Liberty | 0.560000 | 1.120000 | 9 |
| City of Dayton | 0.634900 | 1.194900 | 11 |
| **Hardin County**[13] | 0.570000 | 0.570000 | 4 |

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[11] Texas Comptroller of Public Accounts: (http://www.window.state.tx.us/taxinfo/proptax/07taxrates/cnty123.html)

[12] Texas Comptroller of Public Accounts: (http://www.window.state.tx.us/taxinfo/proptax/07taxrates/cnty146.html)

[13] Texas Comptroller of Public Accounts: (http://www.window.state.tx.us/taxinfo/proptax/07taxrates/cnty100.html)

| | | | |
|---|---|---|---|
| City of Kountze | 0.450000 | 1.020000 | 6 |
| City of Sour Lake | 0.450000 | 1.020000 | 6 |
| City of Silsbee | 0.318413 | 0.768410 | 5 |
| Median Rate | 0.542610 | 1.020000 | -- |
| Mean Rate | 0.521783 | -- | -- |

Table 9 on shows the deviation between the mean rate and the median rate to be 3.83 percent suggesting property taxes in and of themselves are not an impediment to fair housing in the ORHC service area.

While the City's base tax rate is significantly higher than surrounding communities the City has a large concentration of low income census tracts and a concentration of low income multifamily units, suggesting property taxes are not an impediment to fair housing in the City of Orange.

The state of Texas requires the market approach to appraisals by statute. A sample survey of the jurisdictions in the ORHC showed that vast majority taxed multifamily and single family at the same rate. In addition, appraisals of designated affordable multifamily housing were lower than comparable market rate units.

In summary, neither property tax appraisals nor property taxes themselves appear to be impediments to fair housing in the ORHC service area.

## ZONING AND SITE SELECTION

A view of representative studies concerning the nature of zoning discrimination shows that, as observed by Professor Richard T. Lal, Arizona State University, in his paper The Effect of Exclusionary Zoning on Affordable Housing, "If land-use zoning for the purpose of promoting reason, order and beauty in urban growth management is one side of the coin, so can it be said that exclusion of housing affordable to low and moderate income groups is the other…as practiced, zoning and other land-use regulations can diminish the general availability of good quality, low-cost dwellings…." While zoning may positively impact and control the character of communities, the city and other jurisdictions in ORHC must consider their role in assuring it is not involved in promoting barriers to equal housing.

Table 2: Subdivision Requirements Review, provides an overview of the current subdivision codes focused on key areas which could indicate potential impediments to fair housing. Orange, Bridge City, Hardin County, Liberty County, and Jefferson County have a local residential building code. For those areas which do not have a local code, the International Residential Building Code is the default code for the State of Texas.

**Table 10: Subdivision Requirements Review**

| Jurisdiction | Local Code | Minimum Lot Size | Setback | Zero Lot Line Allowed | Allows MHU's |
|---|---|---|---|---|---|
| Hardin County[14] | Yes | Defined by Water & Sewer Test | Defined by Water & Sewer Test | No | Yes |
| -- Kountze | No | --- | --- | --- | --- |
| -- Silsbee | No | --- | --- | --- | --- |
| -- Sour Lake | No | --- | --- | --- | --- |
| Jefferson County[15] | Yes | 5,000' or Defined by Water & Sewer Test | 20' or Defined by Water & Sewer Test | No | Yes |
| Liberty County[16] | Yes | 50' x 130' | 25' | Yes | Yes |

[14] Hardin Co Subdivision Regulations (http://www.co.hardin.tx.us/ips/export/sites/hardin/downloads/SubdivisionBinder.pdf

[15] Jefferson Co Subdivision Regulations (http://www.co.jefferson.tx.us/eng/documents/Subdivision_Guidebook_20060508.pdf )

| | | | | | |
|---|---|---|---|---|---|
| -- Liberty | No | --- | --- | --- | --- |
| | | | | | |
| Orange, County of | No | --- | --- | --- | --- |
| -- Bridge City[17] | Yes | 5000 sq ft | --- | Yes | Yes |
| --Orange[18] | Yes | 50' x 100' | --- | Yes | Yes |
| --Pinehurst | No | --- | --- | --- | --- |
| --Vidor | No | --- | --- | --- | --- |
| --West Orange | Yes | IRC | IRC | IRC | IRC |

Orange's most recent municipal building code and zoning ordinance were examined and do not present apparent barriers to fair housing choices for protected classes. Bridge City, Hardin County, Jefferson County and Liberty County's most recent municipal building codes and zoning ordinances were examined and do not present apparent barriers to fair

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16 Liberty Co Subdivision Regulations (http://www.co.liberty.tx.us/SubRules.pdf )

17 Bridge City Community Development Department

18 City of Orange Community Development Department

housing choices for protected classes. The remaining jurisdictions are subject by Texas Statute to the International Residential Building Code ("IRC").

Such laws do impact the availability of affordable, accessible, adequate, and available housing for persons protected by fair housing legislation. While the affordability of housing within a city or a region influences a community's attempt to further fair housing, the policies, procedures, and practices of a local government departments and the codes that govern those departments, combined with the decisions of local government boards and councils, impact fair housing goals, sometimes directly but often indirectly. Local government decisions directly influence the housing market within a specific community. To affirmatively further fair housing, governments must address the reality that citizens of protected classes are particularly impacted by housing changes brought about by public policies, procedures, and practices. For example, the zoning designation of property directly affects the cost of housing by dictating what size and type of housing may be built on specific sites. There is a clear nexus between the affordability of housing and the issue of providing fair housing to all.

The ability to provide affordable housing to low-income persons is often enhanced by an entitlement grantee's willingness to assist in defraying the costs of development. Effective approaches include contributing water, sewer or other infrastructure improvements to projects as development subsidies or waiving impact and other fees. These types of approaches help to reduce development costs and increase affordability allowing developers to serve lower-income households. The City of Orange has and continues to support infrastructure projects which have a high impact in Census tracts that are defined as low income. Other ORHC jurisdictions are hampered by the need to apply to the State of Texas for funding for local infrastructure improvements.

## CONSOLIDATED PLAN HOUSING PROGRAMS

Community Development Block Grant Program

The Community Development Block Grant (CDBG) program is used to plan and implement projects that foster revitalization of eligible communities. The primary goal of the program is the development of viable urban communities. Program objectives include the provision of decent housing, a suitable living environment and expanded opportunities principally for low- to moderate-income individuals and families. The City of Orange has been an entitlement city for 34 years and receives its CDBG allocation directly from HUD.

HOME Investment Partnership Program

The HOME Investment Partnership (HOME) program is used to assist in developing affordable housing strategies that address local housing needs. HOME strives to meet both the short-term goal of increasing the supply and availability of affordable housing and the long-term goal of building partnerships between state and local governments and nonprofit housing providers. The City of Orange ("the City") is the lead entity for the Orange Regional Housing Consortium (ORHC) which receives its funding directly from HUD as a HOME participating jurisdiction. The ORHC has been a participating jurisdiction for 5 years.

## Affordable Housing Needs and Activities

The City's community and neighborhood development activities are designed to assist with neighborhood improvement projects, provide public services, help low- to moderate-income residents acquire needed information, knowledge and skills to build their capacity and enhance the provision of public services.

Community Housing Development Organization (CHDO) activities provide funding for the new construction of affordable houses or multifamily units, acquisition-rehabilitation-sale, and down-payment and closing cost assistance for low-income families. ORHC has not had a viable CHDO since Hurricane Rita. Recently, two CHDO's have become active in the ORHC service area and one has submitted an application.

Housing and neighborhood improvement needs and activities are described in the 2009-14 Consolidated Plan.

## Rental Housing

The ORHC has identified new multifamily housing as the primary affordable need in the ORHC service area. The rate of production of new multifamily units has not kept up with the multifamily units demolished in the normal course or multifamily units destroyed due to Hurricanes Rita and Ike. Over the last five years a gap of 84 units of affordable rental units has developed. In addition, the 2009-2014 Consolidated Plan identifies a significant affordability gap for renters at or below 60% of AMI. ORHC's multifamily program supports low income tax credit developments within the ORHC service area targeting families at or below 60% of AMI and at or below 30% of AMI.

Owner-Occupied Housing

Hurricane Rita and Ike Disaster Recovery CDBG funds have been targeted at the rehabilitation and reconstruction of single family housing in the ORHC service area. Once these funds are expended and the multifamily gap has been closed, ORHC will reexamine the single family market. ORHC recognizes the need for additional affordable owner occupied housing but is limited by funds.

## HOUSING / HOUSEHOLD MARKET ANALYSIS

Rental

The Orange/ORHC Consolidated Plan (2009-2014) provides data showing nearly two-thirds of extremely low-income (earning less than 30% of the area's median household income) and almost one-half of very low-income (earning less than 50% of the area's median household income) households in the ORHC service area experienced one or more housing problems. Households with housing problems are those households occupying units that may be without a complete kitchen or bathroom, may contain more than one person per room, or that pay more than 30 percent of their income to cover housing expenses.

Among extremely low-income renters, large related households are more likely to experience one or more housing problems (93.5 percent) than are small related (75.6 percent) or elderly (51.7 percent) households. Small related households are more likely to be cost burdened (71.5

percent), paying 30 percent or more of their income for housing, than any other group of renters. Among all extremely low-income renters, almost two-thirds (63.7 percent) spend 30 percent or more on housing, and 46.5 percent spend 50 percent or more on housing. Almost one-half (47.7 percent) of households that are neither related nor elderly ("All Others") pay more than 50 percent of their income for housing, while 54.0 percent of small related households pay more than 50 percent of the income for rent.

The Consolidated Plan (2009-2014) provides data showing a net loss of 84 multifamily units during the last five years in the ORHC service area, and an affordability gap between what a family can afford to pay in rent and the rents available in the City and ORHC service area. The affordability gap extends to all family groupings below 60% of AMI and is particularly acute for families under 30% of AMI.

*Home Ownership*

The Consolidated Plan (2009-2014) defines four single family affordability indexes. Collectively, the indexes indicate the median building cost in the City and the ORHC service area is $85 a square foot, yielding a market price of $123,250 for a 1,450 square foot, three bedroom two bath single family home. The $123,250 unit is affordable to families at or above 60.4 percent of median income. Approximately 41.6 percent of the current market is affordable to families at or below 60% of median income. However, significant proportions of the available affordable units on the market are either sub-standard or have been hurricane impacted. The typical family at or above 62% of median income will spend less than 35 percent of their annual income to acquire their first home in the City and

ORHC market. While there is clearly a need for additional single family housing, until funds from Hurricane Ike Disaster Recovery are expended it will be difficult to determine how to address the need.

Special Needs Housing (Non-Homeless)

In examining supportive housing for persons with special needs, the City of Orange has considered the needs of the elderly, persons with disabilities (including mental, physical and developmental), alcohol and substance abusers and persons with HIV/AIDS.

Elderly and Frail Elderly

Elderly renter households are overwhelmingly low-income. On the other hand, elderly owner-occupied households have their own set of problems. The cost of maintaining a home rises with age of the house. Homeowner's insurance rates increase almost annually. Yet elderly incomes generally do not rise when adjusted for inflation. Thus, elderly owner households are continually squeezed financially by the need to maintain the property, the rise in insurance rates, and an overall decline in the owner's health. Many elderly persons find it medically beneficial and an emotional comfort to remain in a familiar setting, making decent and affordable housing a major concern for this population. As a result, a strong emphasis is placed on the elderly maintaining an independent, to semi-independent lifestyle, with close, convenient and immediate access to recreational, medical and social service resources.

The types of housing for the elderly and frail elderly vary depending on the special features and/or services needed to meet the needs of older residents. Factors that must be considered in developing housing for the elderly include location, services and amenities, nearness to healthcare, shopping and other services, affordability and ease of upkeep. Various categories of housing for the elderly include the following:

- Independent living housing, which includes elderly apartments, congregate housing, multi-unit assisted housing with services, adult communities, retirement communities and shared housing

- Assisted living, which includes adult care homes and multi-unit assisted housing with services

- Nursing homes

Nearly 52 percent of elderly households in Orange and the ORHC service area spend more than 50 percent of their income on rent.

**Retirement Communities and Independent Living**

Retirement communities and independent living include homes, condominiums, apartments, retirement hotels and cooperative housing arrangements that provide age-segregated, independent living units and offer personal care services, social activities and limited nursing supervision.

FEMA reports Orange County lost 46 intermediate care beds in Hurricane Ike and Liberty County lost six (6) intermediate care beds[19].

Special Needs, HOPWA and Continuum of Care

During the 2009-14 timeframe, the City's Special Needs, HOPWA, and Continuum of Care needs will be closely monitored and supported to the greatest extent possible. Since the City Community Development funds are so limited, every effort will be made to seek public and private assistance throughout the State of Texas. The City will continue to work with the local Continuum of Care to secure funding for the Continuum's priorities. State funded HOPWA assistance will be sought on an annual basis.

## Strategic Plan

The City and ORHC's 2009 – 2014 Consolidated Plan contain the following decent affordable housing strategies:

1. Increased homeownership throughout the City and Region. During the next five years, homeownership in the City as well as throughout the Region should be 50-75 homebuyers completing a counseling/education program and 25-35 low income homebuyers purchased a home

19 FEMA: Hurricane Ike Impact Report, December 2008, pg 7

2. Continued reduction in the number of low-income (below 60% of AMI) renters, homeowners, and homeless that experience housing problems including lead based paint issues and energy conservation needs; targeting 2 rehabilitated rental units and the construction of 50-75 new rental units per year

3. Reduction of the currently unmet need for permanent supportive housing for special needs individuals and families is expected to be completed by the end of 2014

4. Complete the Analysis of Impediments update and continued reduction of the number of incidents of fair housing violations and decrease in disparate treatment of protected class families pursuing private or public housing opportunities.

5. Improvement in the quality of life of low-moderate income, including homeless, families and individuals seeking decent housing opportunities in areas of revitalization that allow improved access to employment centers helping at least five special needs cases each year.

The City and ORHC's 2009 – 2014 Consolidated Plan contain the following suitable living environment strategies:

1. Provide essential services and training to prevent homelessness to at least 250-300 individuals per year

2. Provide essential services and training to 100-125 low-moderate income people who are ready to become self-sufficient members of society per year

3. Provide CE essential service, demolition of 5-7 dilapidated structures per year, and necessary infrastructure/facilities targeting low-moderate income residents in the Cove neighborhood (CT 202 and 203)

Institutional Structure

The City of Orange has a Planning and Community Development Department, which is responsible for CDBG and HOME as well as special programs such as HOPWA, Disaster Recovery CDBG, Neighborhood Stabilization Program, and such other programs as assigned. The Department also contains the codes enforcement division. The Director of Planning and Community Development is responsible to the City Manager, who is responsible to City Council. All contracts originated for federally funded programs require City Council approval.

The Planning and Community Development Department ("the Department") is responsible for the day to day operation of the various programs and for certain required tasks as lead entity of ORHC. The Department's ORHC administrative functions include the Consolidated Annual Performance and Evaluation Report ("CAPER"); approval of all draws; all Integrated Disbursement and Development System (IDIS) entries; contracts with sub-recipients and CHDO's; submission of SETRPC generated environmentals to City Council and HUD; publication of required notices; and monitoring SETRPC on an annual basis. The Department has full administrative responsibility for all other programs.

As lead entity in the HOME program the City contracts with Southeast Texas Regional Planning Commission for administration of the ORHC HOME program. ORHC's HOME program has an Advisory Committee composed of representatives from the various jurisdictions that make up the ORHC[20]. The Advisory Committee sets policy for the program, adopts program descriptions, reviews staff evaluations and consultant underwriting of proposed HOME projects, and makes recommendations to the Orange City Council (as lead entity) on projects to be funded.

SETRPC is responsible for the day to day administration of the ORHC HOME program including marketing; program descriptions; program guidelines; applications; evaluation of proposed projects; technical assistance to potential CHDO's; collecting the required environmental information and submitting to the City; review of draw requests; monitoring of existing projects; monitoring of projects under construction; maintenance of the ORHC Advisory Committee and the ORHC portion of the Consolidated Plan.

Intergovernmental Cooperation

The City of Orange is both a member and the lead entity for the Orange Regional Housing Consortium. Administration of the HOME program is contracted to Southeast Texas Regional Planning Commission ("SETRPC")

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[20] Currently serving are representatives from: City of Orange; City of Sour Lake; Liberty County; unincorporated Jefferson County; two developers (including one non-profit) from the ORHC service area and a citizen representative.

a regional council of governments working in Hardin, Jefferson and Orange counties. ORHC's HOME program has an Advisory Committee composed of representatives from the various jurisdictions that make up the ORHC. The Advisory Committee sets policy for the program, adopts program descriptions, reviews staff evaluations and consultant underwriting of proposed HOME projects.

The local Continuum of Care, of which the City of Orange is a member, is also administered by SETRPC.

Annually, during Fair Housing Week, the cities of Orange, Beaumont and Port Arthur combine resources to hold the Southeast Texas Regional Fair Housing Conference. Additional sponsors in 2009 included: Lone Star Legal Aid; the Beaumont Convention and Visitors Bureau; Hardin County; the City of Bridge City; Entergy Texas, Inc; and Workforce Solutions of Southeast Texas. The 2009 conference included workshops on: Your Housing Rights; Fair Housing for Tenants; Transitioning from Renting to Owning; and Avoiding Foreclosure. Over a hundred people attended the 2009 Conference.

Public Housing Improvements

The Housing Authority of Orange ("HAO") operates a total of 413 units. HAO annually receives Federal funds to modernize and repair public housing units. HAO renovates a number of units annually replacing kitchen cabinets, all countertops, water heaters, and completes bathroom renovations and painting. HAO has a replacement cycle on all appliances[21].

The Dayton Housing Authority ("DHA") operates a total of 100 units. DHA annually receives Federal funds to modernize and repair public housing units. DHA renovates a number of units annually replacing refrigerators, HVAC, and water heaters[22].

DETCOG Regional Housing Authority has a Voucher Homeownership Program that offers 25 Homeownership vouchers annually that can be used in the DETCOG region, including Hardin County[23]

The Port Arthur Housing Authority offers 20 Homeownership vouchers annually that can be used in the Port Arthur Housing Authority service area which includes unincorporated Jefferson County.[24]

Lead-Based Paint Hazard Reduction

Lead poisoning is one of the worst environmental threats to children in the United States. While anyone exposed to high concentrations of lead can become poisoned, the effects are most pronounced among young children.

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21 Housing Authority of Orange Five Year Plan 2006 http://www.hud.gov/offices/pih/pha/approved/pdf/06/tx037v01.pdf

22 Dayton Housing Authority Five Year Plan 2007 http://www.hud.gov/offices/pih/pha/approved/pdf/07/tx168v01.pdf

23 DETCOG Programs: http://www.detcog.org/Programs/RegionalHousingAuthority/Voucher/tabid/404/Default.aspx

24 Cele Quesada, Executive Director, Port Arthur Housing Authority, 409.982.6442

All children are at higher risk to suffer lead poisoning than adults, but children under age six are more vulnerable because their nervous systems are still developing. At high levels, lead poisoning can cause convulsions, coma, and even death. Such severe cases of lead poisoning are now extremely rare, but do still occur. At lower levels, observed adverse health effects from lead poisoning in young children include reduced intelligence, reading and learning disabilities, impaired hearing and slowed growth.

Since the 1970s, restrictions on the use of lead have limited the amount of lead being released into the environment. As a result, national blood lead levels for children under the age of six declined by 75 percent over the 1980s and declined by another 29 percent through the early 1990s. Despite the decline in blood-lead levels over the past decade, recent data show that 900,000 children in the United States still have blood lead levels above 10μg/dL. These levels are unacceptable according to the Centers for Disease Control and Prevention (CDC) which lowered blood lead intervention level for young children from 25 to 10μg/dL (micrograms of lead per deciliter of whole blood) in 1991. Many of these lead-poisoned children live in low-income families and in old homes with heavy concentrations of lead-based paint. The CDC identified the two most important remaining sources of lead hazards to be deteriorated lead-based paint in housing built before 1978 and urban soil and dust contaminated by past emissions of leaded gasoline.

The national goal for blood lead levels among children ages six months to five years is to limit elevations above 15μg/dL to no more than 300,000 per year and to entirely eliminate elevations above 25μg/dL.

## HOUSING WITH LEAD-BASED PAINT HAZARDS

National Trends

According to a report published by the U.S. Department of Housing and Urban Development in September 1995, as many as 64 million homes (83% of the privately owned housing units built before 1980) have lead-based paint somewhere in the building. Twelve million of these homes are occupied by families with children who are six years old or younger. An estimated 49 million privately-owned homes have lead-based paint on their interiors. Although a large majority of pre-1980 homes have lead-based paint, the affected areas are relatively small. The amounts of lead based paint per housing unit vary with the age of the dwelling unit. Pre-1940 units have, on average, about three times as much lead-based paint as units built between 1960 and 1979.

Local Estimates

*City of Orange*

According to the Report on the National Survey of Lead-based Paint in Housing,[25] there are no statistically significant differences in the prevalence of lead-based paint by type of housing, the market value of the home, amount of rent payment, household income or geographic region. The following Table includes data from the 2000 census on the year housing units in the City of Orange were built. By applying the estimated national percentages of housing with lead-based paint

[25] EPA, *National Survey of Lead-based Paint in Housing*, DocNo024EPA,, June, 1995.

somewhere in the building, we can estimate the housing units in the City of Orange with lead-based paint.

| TABLE 11: Estimated Units with Lead-Based Paint<br><br>City of Orange, Texas | | | |
|---|---|---|---|
| Construction Year | Occupied Housing Units built before 1980 | Housing with Lead-Based Paint | |
| | | Units | Percent |
| **Total** | 11,291 | 9,261 | 82% |
| **1960 to 1979** | 6,835 | 5,195 | 76% |
| **1940 to 1959** | 3,620 | 3,330 | 92% |
| **Before 1940** | 836 | 736 | 88% |

Based on these estimates, as many as 11,291 occupied housing units in the City of Orange may contain lead-based paint. Nationally, the presence of lead is even more widespread in public housing; 86 percent of all pre-

1980 public housing family units have lead-based paint somewhere in the building.

Three important measures of the likelihood of lead-based paint poisoning are (in order of relevance) the presence of a child under age 6, living in a structure that was built prior to 1978 (using census year 1980 as a proxy), and low income. By compiling these measures, we can begin to focus on where these affected housing units might be located.

The map below was developed by cumulative measures, comparing each to the City's average. The yellow areas indicate census tracts where more than 8.0 percent of the population is made up of children under age 6. This threshold represents the average percent of children under 6 throughout the City of Orange.

On average, 64.7 percent of the owner-occupied structures in the City were built prior to 1978—the year when lead-based paint was banned. The second measure—shown in orange below—indicates census tracts where the percent of children under age 6 exceeds the 8.0 percent area average, and there is a greater percent of owner-occupied structures built prior to 1978 than the area's average of 64.7 percent, indicating a higher likelihood of risk of lead-based paint poisoning among young children.

Finally, the ten block groups shown in red below indicate a culmination of the previous two measures with the addition of higher-than-average population of low- and moderate-income households. In the City of Orange, this average is 48.7 percent. This analysis suggests that, among homeowners, childhood lead-based paint poisoning is most likely to occur in these ten block groups.

**FIGURE 19**

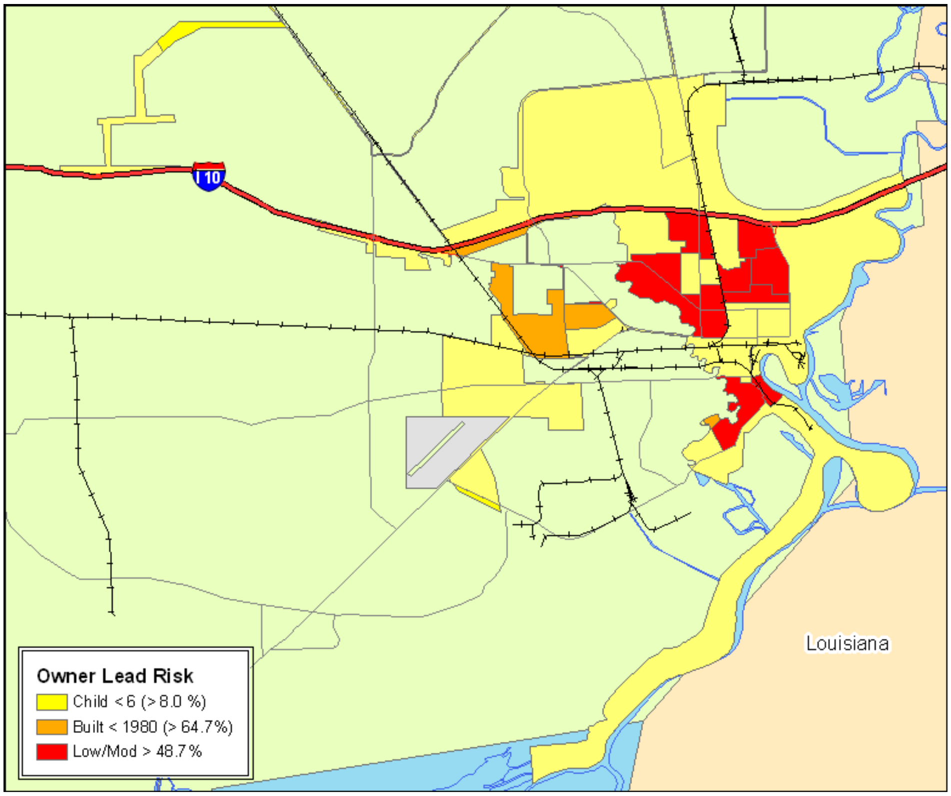
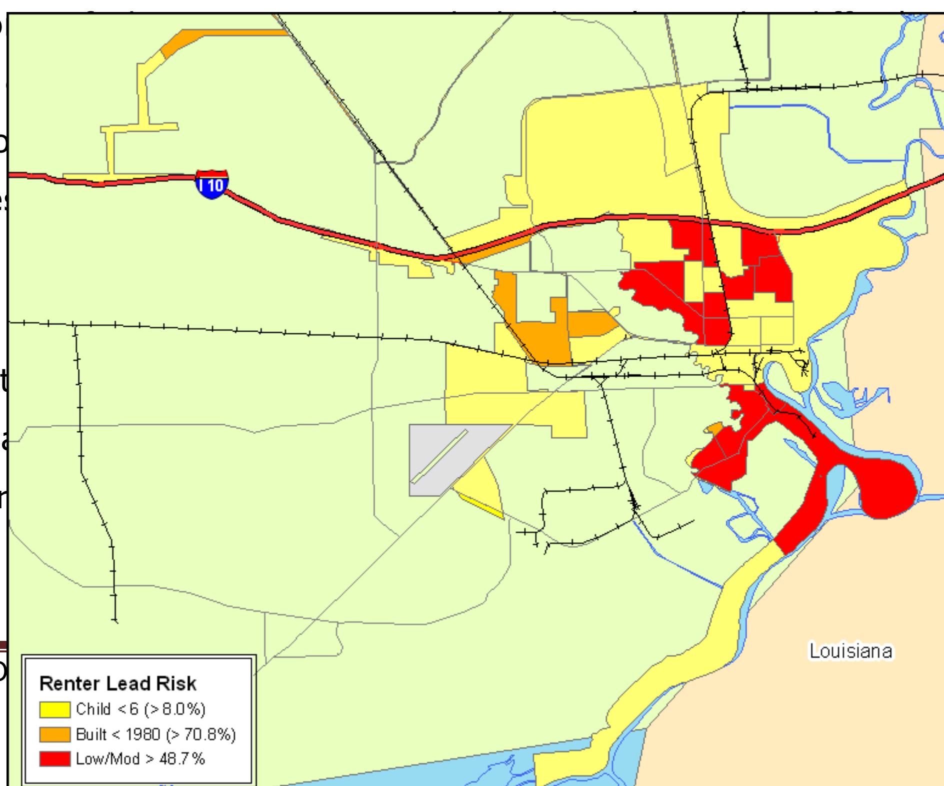



**FIGURE 20**

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However, in The City of Orange, the threshold for renters living in homes built prior to 1980 is 70.8 percent (as compared to 64.7 percent of owners). This threshold means that there may be a high risk of lead-based paint poisoning hazard even in tracts that fall short of this measure, and this risk should not be minimized. Eight block groups (shown in red below) have all three of the significant factors for lead hazards. Seven of these (with the exception of block group 0203.00-3) were also identified as having a high risk of lead hazards in owner-occupied units.

Orange Regional HOME Consortium

The following Table includes data from the 2000 census on the year housing units throughout the ORHC were built. By applying the estimated national percentages of housing with lead-based paint somewhere in the building, we can estimate the number of housing units with lead-based paint.

| **TABLE 12: Estimated Units with Lead-Based Paint**<br><br>City of Orange, Texas | | | |
|---|---|---|---|
| Construction Year | Occupied Housing Units built before 1980 | Housing with Lead-Based Paint | |
| | | Units | Percent |
| **Total** | **69,230** | **56,776** | **82%** |
| **1960 to 1979** | **41,920** | **31,859** | **76%** |
| **1940 to 1959** | **22,107** | **20,338** | **92%** |
| **Before 1940** | **5,203** | **4,579** | **88%** |

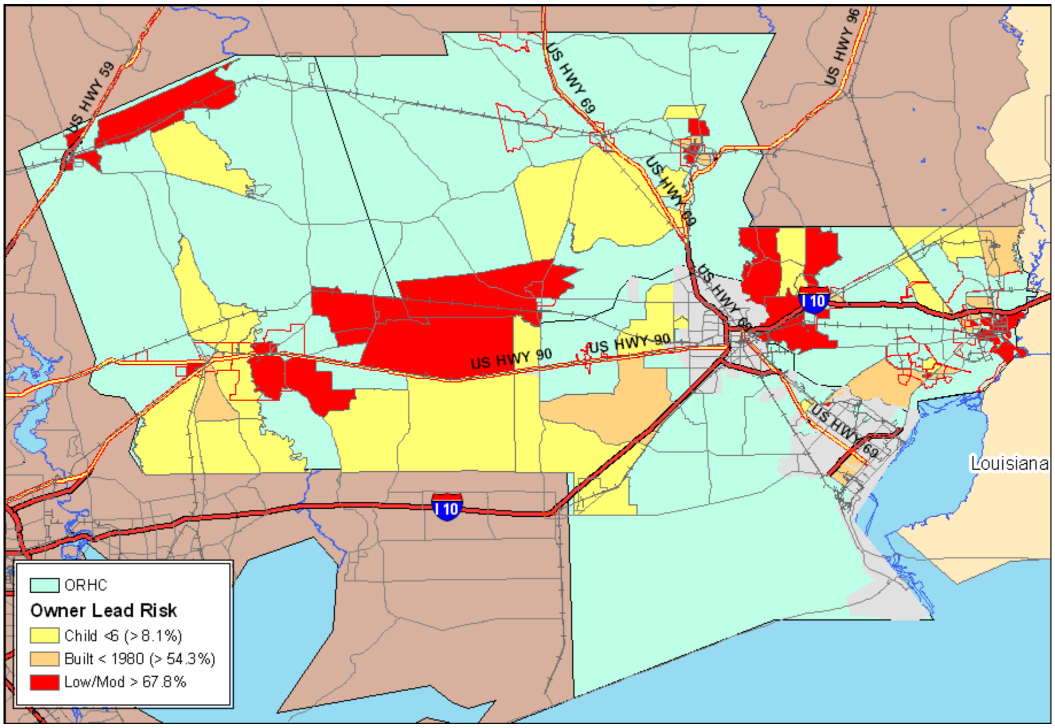
Based on these estimates, as many as 56,776 occupied housing units in the City of Orange may contain lead-based paint. Nationally, the presence of lead is even more widespread in public housing; 86 percent of all pre-1980 public housing family units have lead-based paint somewhere in the building. As within the City, the three key measures of the likelihood of lead-based paint poisoning were compiled to help focus on where these affected housing units might be located.

The map below was developed by cumulative measures, comparing each to the ORHC average. The yellow areas indicate census tracts where more than 8.1 percent of the population is made up of children under age 6. This threshold represents the average percent of children under 6 throughout the ORHC, and is slightly higher than the 8.0 percent within the City of Orange.

On average, 67.8 percent of the owner-occupied structures in the City were built prior to 1978—the year when lead-based paint was banned. The second measure—shown in orange below—indicates census tracts where the percent of children under age 6 exceeds the 8.1 percent area average, and there is a greater percent of owner-occupied structures built prior to 1978 than the area's average of 67.8 percent, indicating a higher likelihood of risk of lead-based paint poisoning among young children.

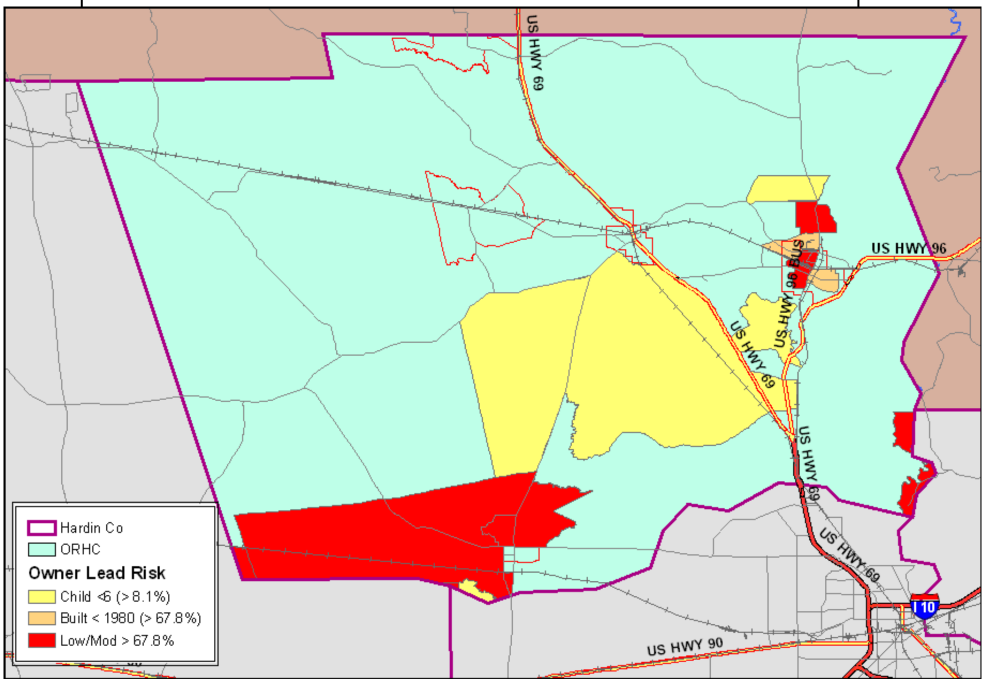
Finally, the 44 block groups shown in red below indicate a culmination of the previous two measures with the addition of higher-than-average population of low- and moderate-income households. In the ORHC, this average is 67.8 percent. This analysis suggests that, among homeowners, childhood lead-based paint poisoning is most likely to occur in these 44 block groups.

**FIGURE 21**



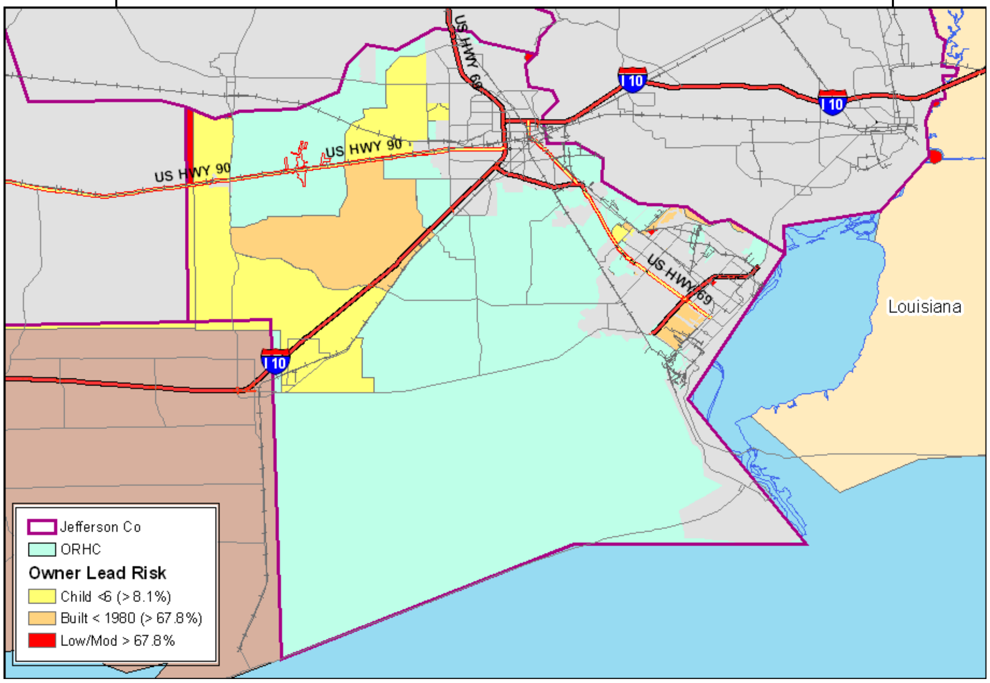

For clarity, these block groups are shown in the maps below by county. Five of these block groups are in Hardin County (0302.00-2, 0308.00-2, 0308.00-3, 0308.00-4, and 0309.00-2), primarily concentrated in and around Silsbee.

**FIGURE 22**



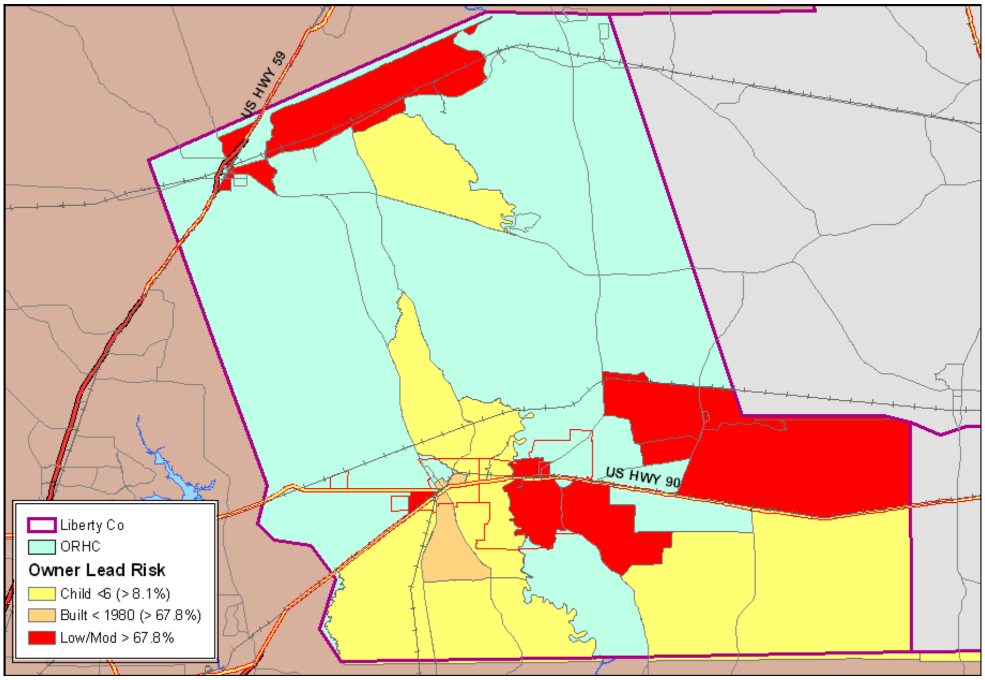

Four high-lead-risk block groups are located in Jefferson County, but two are completely within Groves City (0105.00-2 and 0106.00-2). While most of 0105.00-4 is also located within Groves City, a portion of this block group is outside the municipal boundaries. The same applies to 0111.02-1, which is partially located with Nederland City, with a portion outside the municipal boundaries.

**FIGURE 23**



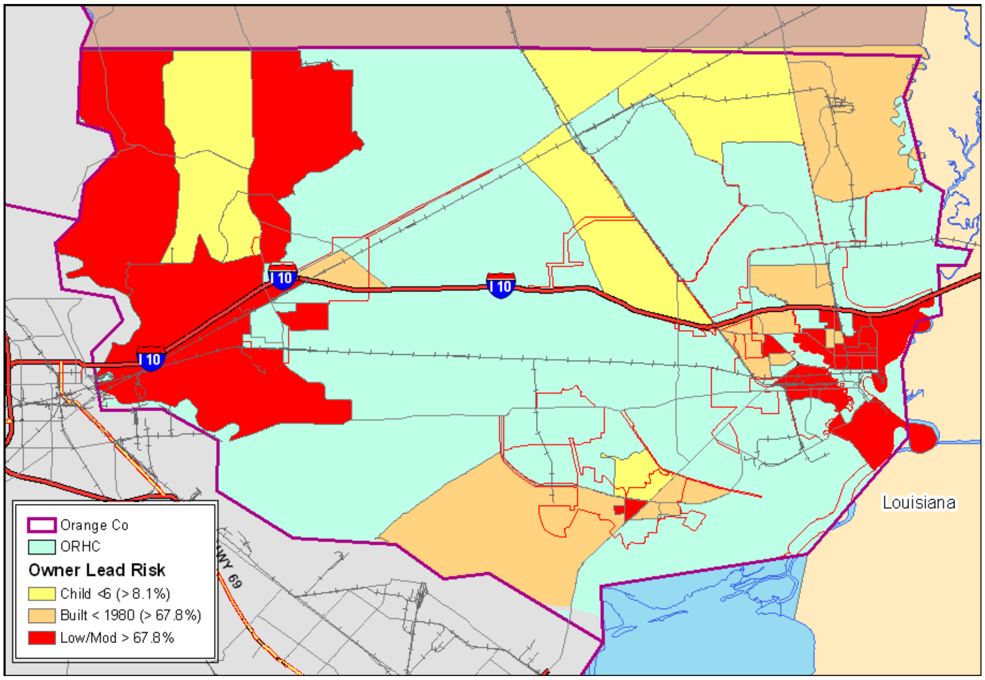

There are 13 high-lead-risk block groups for owners in Liberty County. Four are within Liberty City, one in Dayton, and the others are at the north and southeast edges of the county.

**FIGURE 24**




One high-lead-risk block group for owners is located in Bridge City (0223.00-3), while three in their entirety (0220.00-1, 0219.00-3, 0219.00-1, and parts of two others (0217.00-2, 0215.00-3) are located in Vidor City. The remaining 22 are either located in Orange City or adjacent to its borders.

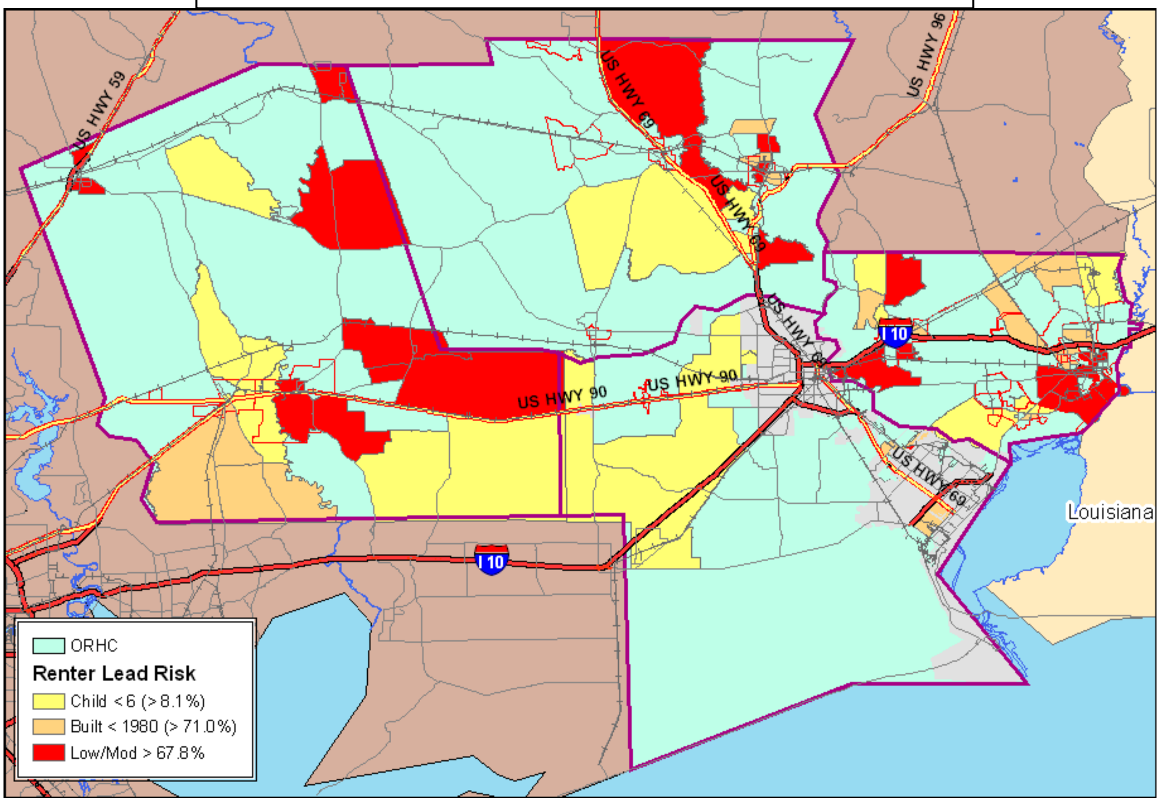
**FIGURE 25**




Renters, who have less control over the conditions of the structures in which they live, may be at greater risk to the effects of lead-based paint. Unfortunately, it is often the presence of a child with Elevated Intervention Blood Lead Levels (EIBLL) that sounds the alarm. The difficulty in lead hazard control for rental properties lies in gaining the owner's consent and cooperation for performing needed work.

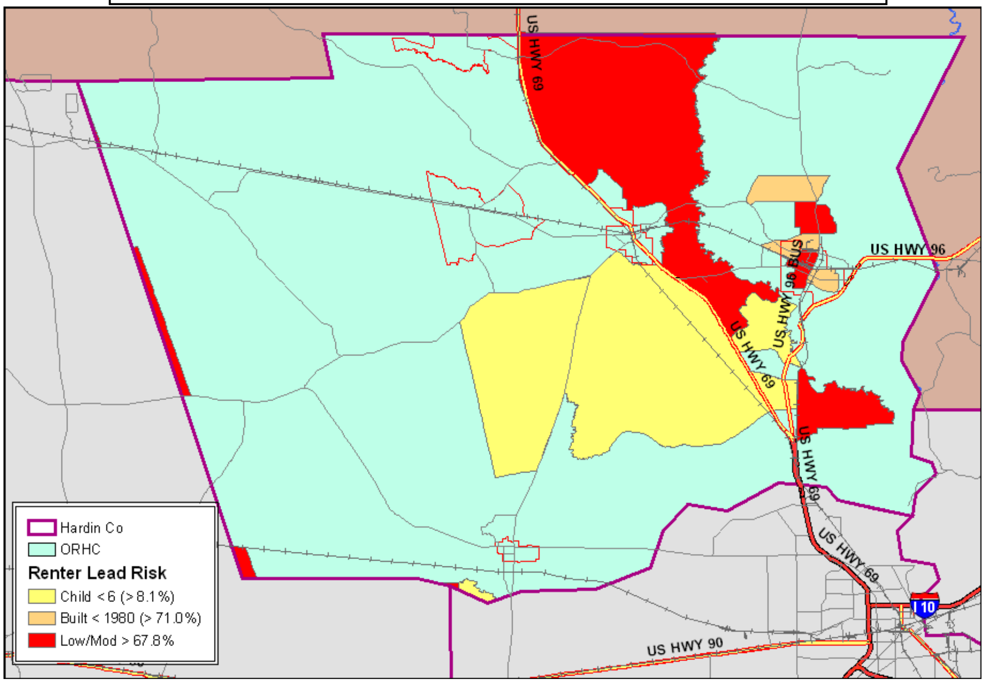
The methodology for targeting lead remediation for tenant-occupied units is the same as for owners. The same thresholds of children under age 6 (greater than 8.1 percent of the population) and low- and moderate-income composition of the tract's population (67.8 percent) apply. However, in the ORHC, the threshold for renters living in homes built prior to 1980 is 71.0 percent (as compared to 67.8 percent of owners). Forty-one block groups (shown in red below) have all three of the significant factors for lead hazards. Thirty-two of these were also identified as having a high risk of lead hazards in owner-occupied units.

**FIGURE 26**



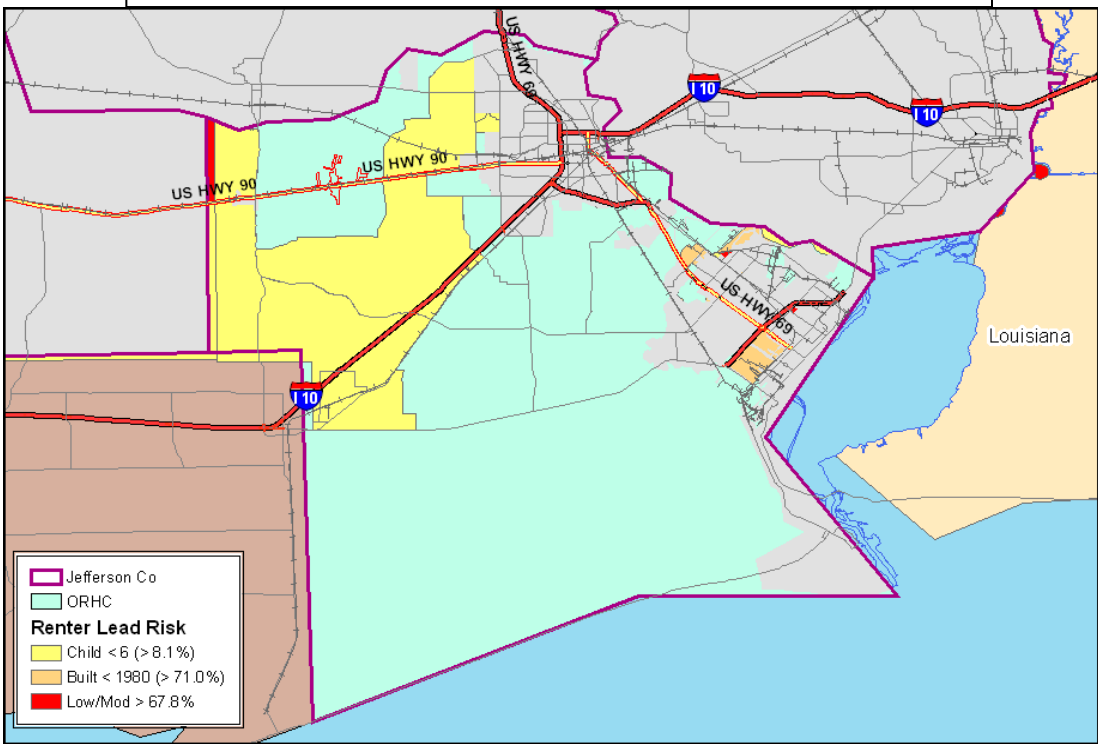

Renter Lead Risk is shown by county below. In addition to the block groups in and around Silsbee (as was the case among owners), renters face significantly higher risk in the north central part of the county.

**FIGURE 27**



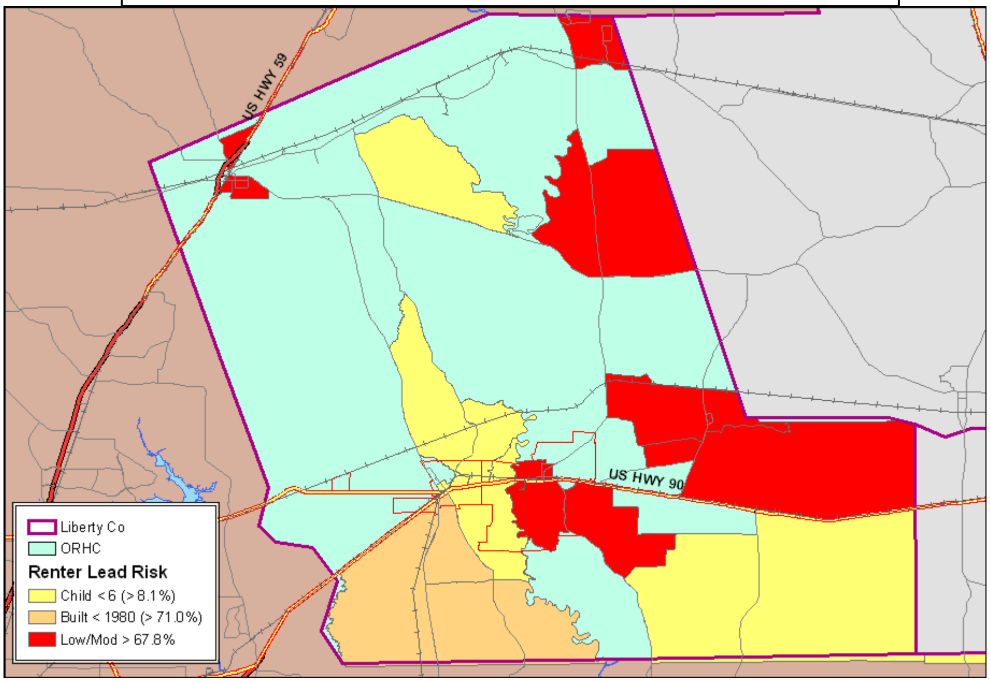

Renters in Jefferson County face very little risk of the hazard of lead-based paint poisoning.

**FIGURE 28**



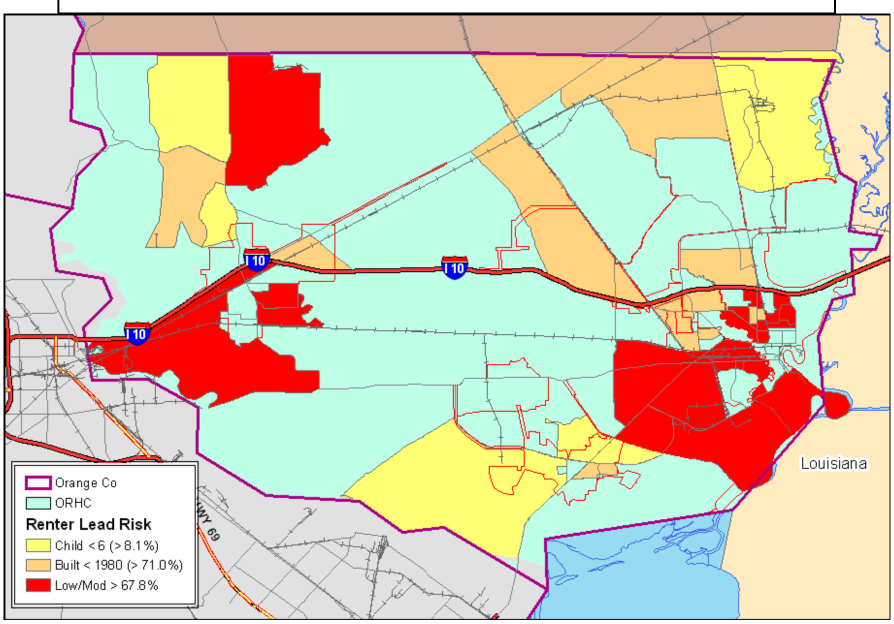

High risk of lead-based paint poisoning is more prevalent among renters in Liberty County than among owners, particularly in the block groups to the east within the county.

**FIGURE 29**




Renters in near the City of Orange have a higher risk of lead-based paint

**FIGURE 30**



poisoning than do owners. While the risk is not as widespread in the west, several block groups pose a risk for all residents—renters and owners.

Data on the number of children tested and those found to have elevated levels of blood-lead levels within the City of Orange and throughout the ORHC appear in the table below. The City has seen an increase in levels in recent years. Consortium-wide, however, there has been a marked improvement over the last five years and the incidence of children with

**TABLE 13**

| Year | Orange City | | | ORHC | | |
|---|---|---|---|---|---|---|
| | Number of Children Tested | >10 µg/dL | Percent | Number of Children Tested | >10 µg/dL | Percent |
| 2004 | 694 | < 5 | 0.7% | 5,090 | 130 | 2.6% |
| 2005 | 715 | 8 | 1.1% | 4,751 | 107 | 2.3% |
| 2006 | 487 | 8 | 1.6% | 4,130 | 80 | 1.9% |
| 2007 | 345 | < 5 | 1.4% | 4,531 | 81 | 1.8% |
| 2008 | 552 | < 5 | 0.9% | 5,509 | 41 | 0.7% |

increased blood lead levels has declined by more than one-third.[26]

While the numbers are quite low, the fact that there are children with elevated blood lead levels speaks to the greater issue of the importance of continued vigilance in eliminating lead hazards.

Lead-Based Paint Hazard Reduction

An important initiative emanating from HUD in the last decade is the reduction of lead-based paint hazards, and many jurisdictions around the country have focused a concerted effort to reach this goal. The federal Residential Lead-Based Paint Hazard Reduction Act of 1992 (Title X of the Housing and Community Development Act of 1992) amends the Lead-Based Paint Poisoning Prevention Act of 1971, which is the law covering lead-based paint in federally funded housing. These laws and subsequent regulations issued by the U.S. Department of Housing and Urban Development (24 CFR Part 35) protect young children from lead-based paint hazards in housing that is financially assisted or being sold by the federal government.

In renovation and property rehabilitation projects involving the City of Orange, the City will assess whether lead-based paint might be present and, if so, follow the guidelines set forth in the Residential Lead-Based Paint Hazard Reduction Act of 1992, Title X of the Housing and Community Development Act of 1992 (Title 24, Part 35 of the Code of Federal Regulations).

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[26] Childhood Lead Poisoning Prevention Program, Environmental and Injury Epidemiology and Toxicology Unit, Texas Department of State Health Services, Austin, TX; report provided 7/1/09.

## Section V: Fair Housing and Orange's Private Sector

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

Access to mortgage credit enables residents to own their homes, and access to home improvement loans allows them to keep older houses in good condition. Access to refinancing loans allows homeowners to make use of the equity in their home for other expenses. Mortgage credit, home improvement loans, and refinancing loans together keep neighborhoods attractive and keep residents vested in their communities.[27]

### LENDERS IN ORANGE

Poor lending performance results in various long-term and far ranging community problems. Of these, disinvestment is probably the most troubling. Disinvestment in Orange by its lenders would reduce housing finance options for borrowers and weaken competition in the mortgage market for low-moderate income neighborhoods. High mortgage costs, less favorable mortgage loan terms, deteriorating neighborhoods, reduced opportunities for home ownership, reduced opportunities for home improvement and the lack of affordable housing are only a few of the consequences of inadequate lending performance. Financial decay in

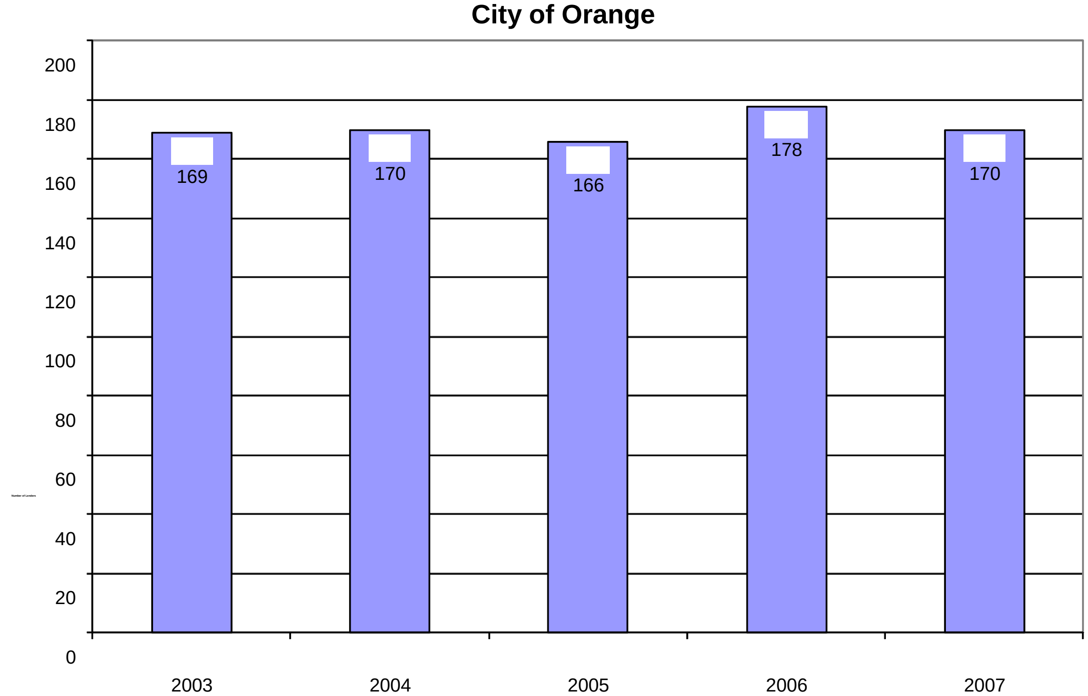
[27] Profile of Lima, Ohio, Federal Reserve Bank of Cleveland, Fall 2000.

the business sector as well as in the private sector is also a result of disinvestment in the form of business relocation, closure, and bankruptcy. Full service local lenders that have traditionally served residents and businesses are one of the main elements that keep neighborhoods stable.

Significant changes are occurring in the lending market not only in Orange but throughout the United States. The number and type of lenders have changed over the last ten years, and it is a common occurrence to read about national lenders buying local lenders. These national lending institutions are becoming increasingly more active locally, as the market share of national corporations is growing yearly.

The newest issue to emerge from the changes in the market is the substantial growth of the sub-prime market and the impact these lenders

**FIGURE 31. Number of Lenders**
**City of Orange**




Source: HMDA, 2003 -2007

have on communities and neighborhoods. More and more we see local commercial banks lose market share to lenders outside the city.

In part, this is attributable to the advent of on-line loan services (such as Lending Tree, e-loan Ditech, and others) who submit applications on the borrower's behalf to several lenders. More favorable terms can often be available from remote lenders than can be found locally. HMDA data also reflect other impacts of the popularity of on-line loans. First, since several prospective lenders may report the same borrower's application, this results in the increase in the number of loan applications, often by three or four times the actual number of loans sought. Secondly, since each borrower may ultimately only choose one loan, the number of applications approved but subsequently denied also increases. These effects are evident in the data.

There were 170 financial institutions with a home or branch office in Orange, and whose data make up the 2007 aggregate report for the Orange MSA. The number of all mortgage lenders in Orange has remained rather steady over the years, increasing by an overall average of 0.2 percent each year since 2003. In 2007, there were 0.6 percent more lenders serving the area than in 2003.

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

TABLE 14

Number of Lenders
Percent Change
2003 to 2007

| | |
|---|---|
| 2003 to 2004 | 0.6% |
| 2004 to 2005 | -2.4% |
| 2005 to 2006 | 7.2% |
| 2006 to 2007 | -4.5% |

The number of all mortgage lenders in Orange showed an overall increase of 0.6 percent from 2003 to 2007. The pattern of lender activity depicted above closely mirrors a similar pattern nationwide that reflects the recent instability of the lending industry.

Table 1 shows the top five lenders in Orange and their 2007 market share for mortgage applications (all types and purposes). As lenders, these institutions wrote 12.2 percent of the residential lending business in Orange in 2007. With all other lenders with locations in the MSA harnessing another 0.7 percent, local lenders realized a local total of 12.9 percent of the city's residential mortgage business in 2007. The remaining 87.1 percent went to lenders who do not have offices or branches in Orange. This means that the residential real estate lending marketplace in Orange is controlled by remote lenders.

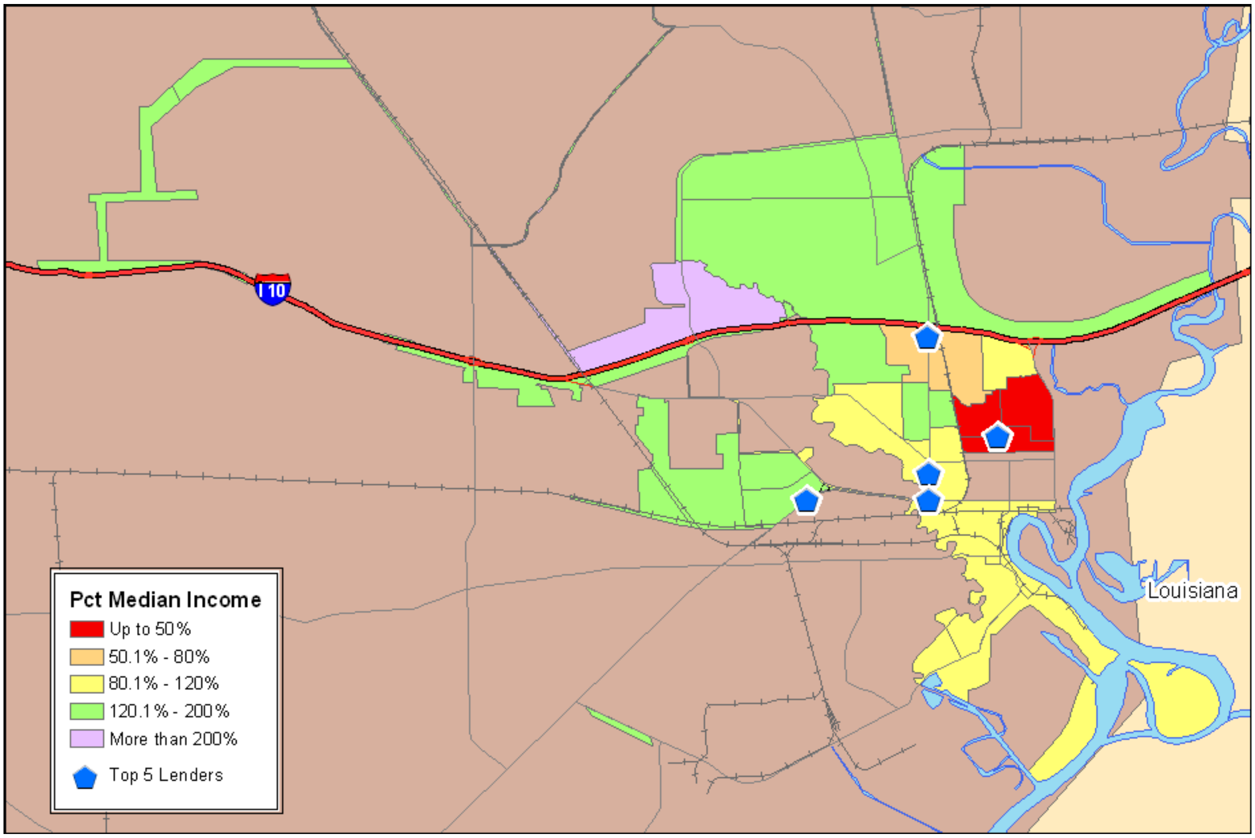
Table 15 Five Largest Lending Institutions

| Institution | Branches/ Offices | % Market Share 2000 |
|---|---|---|
| ORANGE SAVINGS BANK | 1 | 9.0% |
| TEXAS STATE BANK | 1 | 1.3% |
| BRIDGE CITY STATE BANK | 1 | 0.7% |
| CHASE MANHATTAN BANK USA | 1 | 0.6% |
| CITIFINANCIAL | 1 | 0.6% |
| TOTAL | 5 | 12.2% |

Source: HMDA, 2007

The map on the following page illustrates the locations of the five top local lenders in Orange. Sited primarily along 16th Street, they are readily accessible by residents at lower income levels, as well as more affluent borrowers. Orange's highest-volume lenders are scarcer in high-income tracts. However, affluence allows prospective borrowers greater access to other sources of funds, such as might be found through remote or on-line brokers, who accommodate their needs remotely without the need for face-to-face interaction.

FIGURE 32: Lenders in Neighborhoods



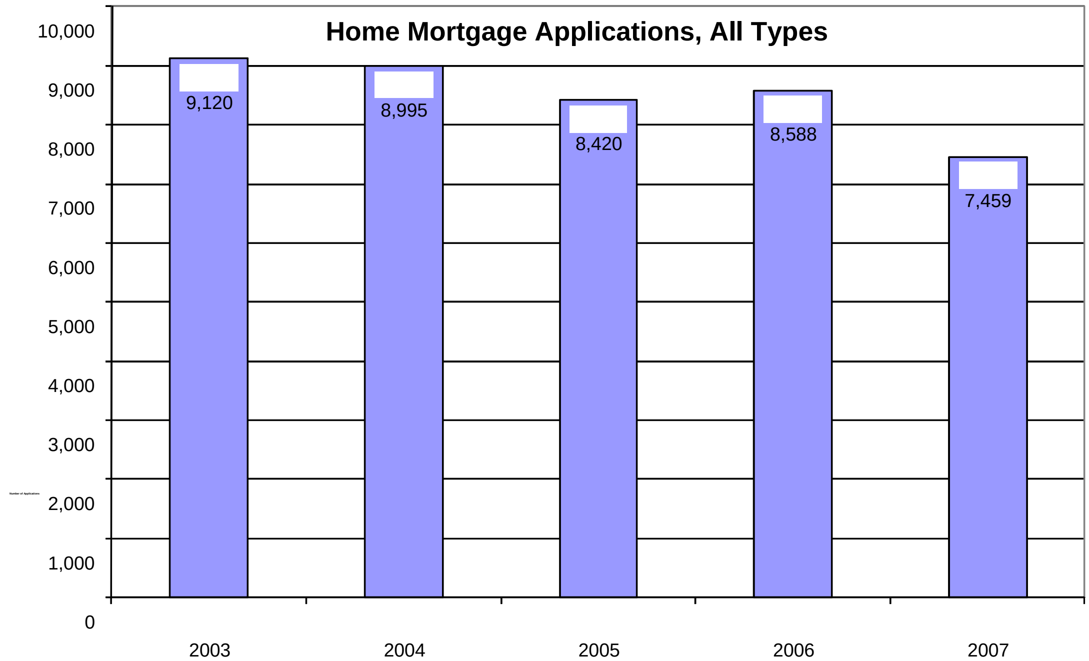

According to HUD's Subprime Lender criteria, 14.7 percent of the lenders active in 2007 lending in Orange were subprime lenders. Generally located outside the state, their services are most often sought electronically through on-line brokers. These lenders are easy to access nationwide, making it convenient to shop for loans; and the local absence of top-tier accessibility can make the subprime market generally more attractive for local borrowers.

## Lending Activity in Orange, 2003-2007

The statistical databases used for this analysis were 2000 decennial census data and the Home Mortgage Disclosure Act (HMDA) data for the years 2003 to 2007, inclusive. HMDA data on loan activity are reported to document home purchase, refinancing, and home improvement loans. The broadest measure of lending activity is total market activity, which covers all three categories of home loans (purchase, refinance, and home improvement). In this report, if the loan purpose is not specified in the text or figures, the reference is to total market activity.

FIGURE 33

**City of Orange**




Source: HMDA, 2003 -2007

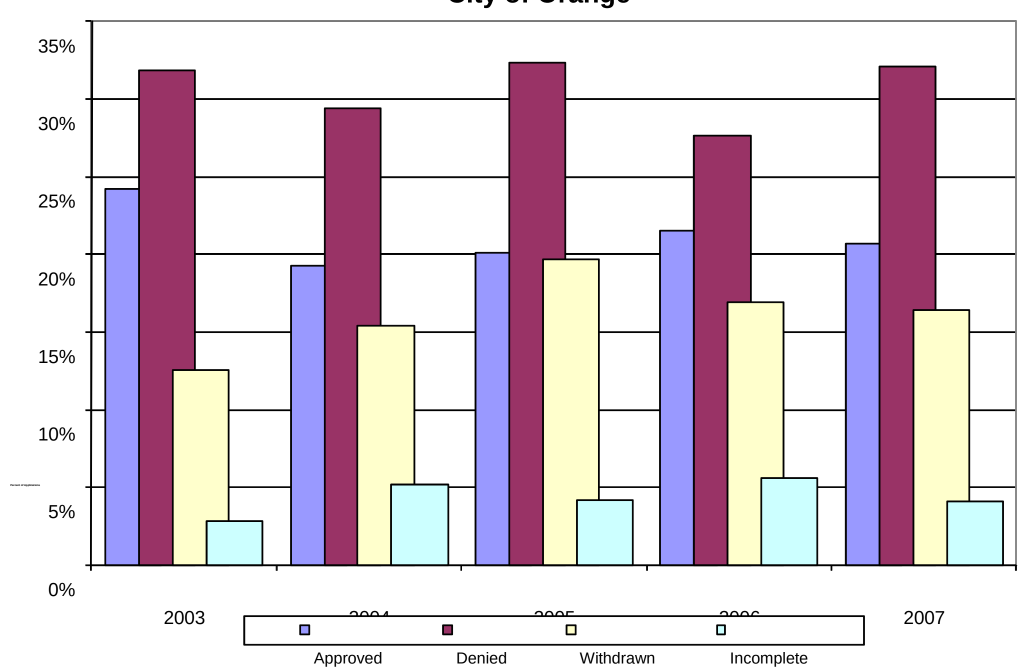
Loan Applications Percent Change 2003 to 2007

| | |
|---|---|
| 2003 to 2004 | -1.4% |
| 2004 to 2005 | -6.4% |
| 2005 to 2006 | 2.0% |
| 2006 to 2007 | -13.1% |

During the strong economic trends of a few years ago, there was a boost in income and employment, which generated a higher demand for homeownership and other mortgage related activities. Mortgage interest rates were quite low and there was a rush to refinance homes and to do home-improvement projects. Not surprisingly, mortgage loan activity in Orange showed strength over this same time period and the total number of applications submitted to lenders in Orange was quite high. In 2004, however, data indicate a 1.4 percent drop in loan application activity. The reason for this particular drop is not clear, but it may be attributed to a change in lending data reporting methods adopted in 2004. Alternatively, this timeframe roughly corresponds with United States military involvement in Iraq. The uncertainty of its outcome may have resulted in residents viewing commitment to a new mortgage a low priority. The striking decline in 2007 signaled the end of favorable interest rates and the threat of an uncertain economy.

The applications represented here are for all loans: conventional, government-backed, refinance, home improvement for owner-occupied,

**FIGURE 34: Actions Taken on Applications**
**All Applications, All Loan Categories**
**City of Orange**



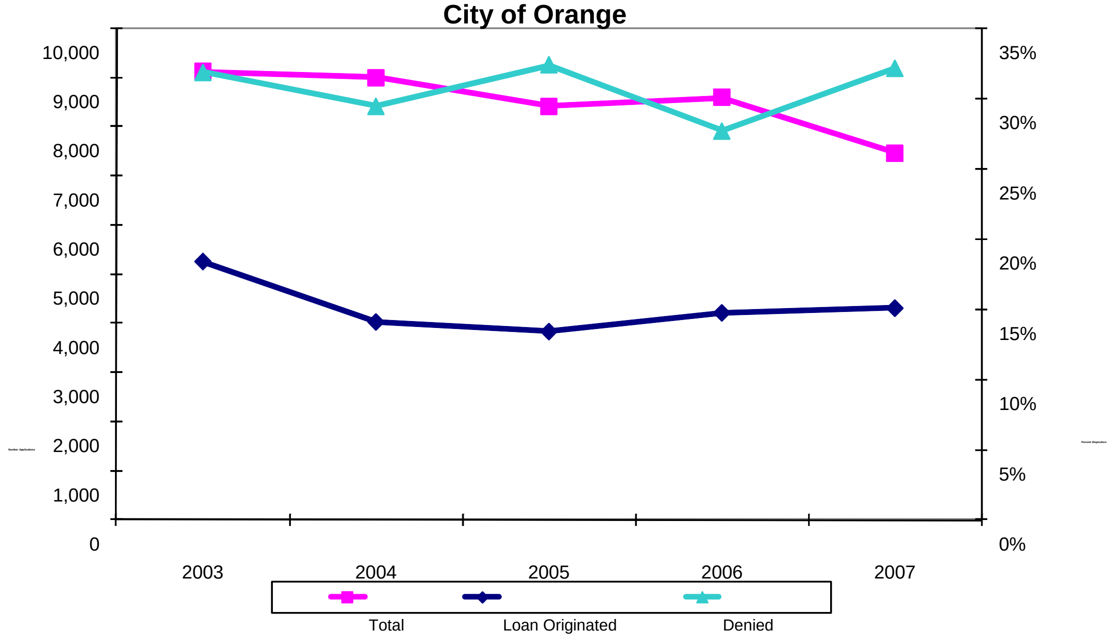

Source: HMDA, 2003 -2007

single-family dwellings.

From 2003 to 2007, approval rates[28] declined (Figure 34), likely in response to general economic conditions nationwide. In 2003, 18.4 percent of all loans were originated (not shown separately), while nearly 6 percent of loans approved were declined by the applicants. Since that time, origination has not exceeded 15 percent, and nearly 7 percent of approved loans were declined. The rate of denials has been fluctuating, from a low of 29.5 percent in 2004 to 32.4 percent in 2005. Withdrawals peaked in 2005 at 19.7 percent, while incomplete applications (interpreted as a sign of a borrower's reluctance to commit finances) peaked at 5.6 percent the following year.

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

**FIGURE 35: Change in Applications Submitted, Originations and Denials City of Orange**

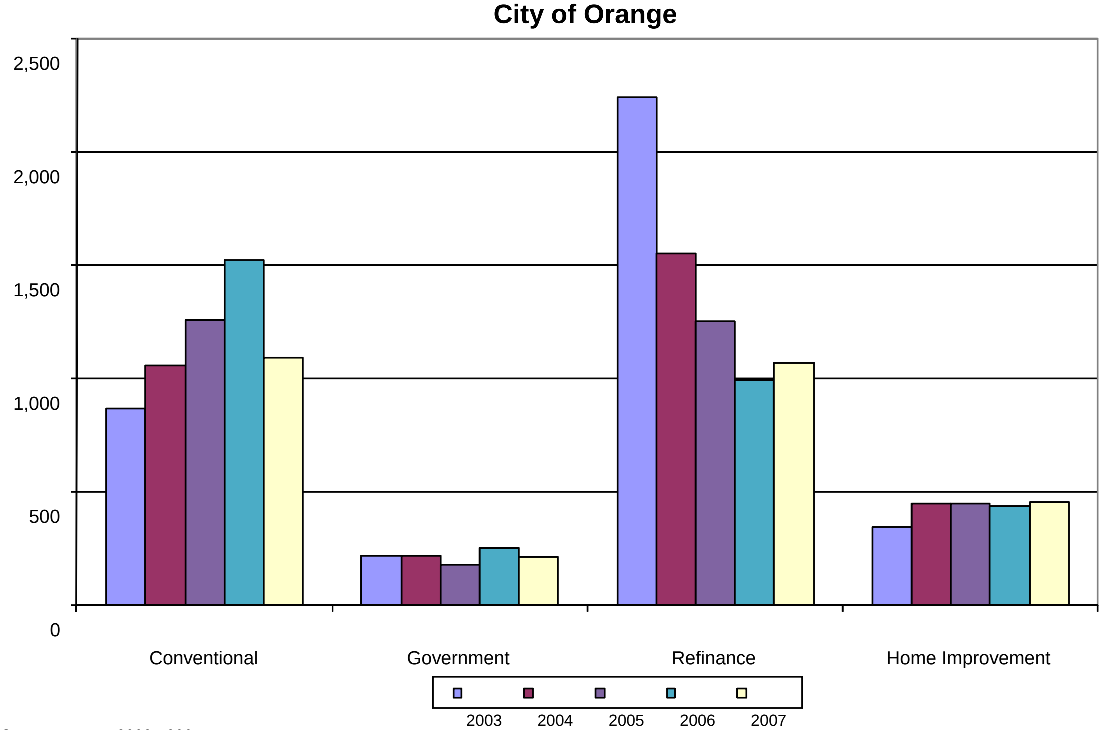



Source: HMDA, 2003 -2007

Figure 35 shows the relationship among percent of applications, originations, and denials for the five-year period in Orange. Against the drop in number of applications in 2005 and 2007 (also see Figure 33, above), rates of originations fell as denials rose. Despite the peak of applications in 2003, originations declined to below 15 percent, but remained steady near that rate in 2006 and 2007. At the same time, denials fluctuated between 27 and nearly 34 percent, rising and falling markedly over the five-year period. In this context, Originations are those loans that culminated in a closing. Loans that were approved but subsequently declined by the borrower have been subtracted from the total number approved (shown above). As anticipated, the number of loans declined by the borrower grew from just over 5 percent to nearly 7 percent from 2004 to 2006 (not shown separately).

One factor that might contribute to a change in the rate of loan originations is the difference in the types of loans applicants seek. A review of applications by type (Figure 5) reveals that refinancing was the most sought-after loan type in 2003 and 2004. Refinancing is commonly thought of as a way for homeowners to access cash. Undoubtedly, the large increases in applications in 2003 and 2004 are indications of homeowners taking advantage of the low interest rates of those years. In subsequent years, applications for refinances dropped off to nearly equal conventional loans for purchases. While conventional loan applications rose steadily throughout the period, the sudden decline in 2007 to nearly 9,000 applications reiterates efforts of homebuyers' seeking to take advantage of low interest rates, as well as a probable increase in the use of on-line lending brokers to seek out loans until cautions about an

**FIGURE 36 Applications by Type**
**City of Orange**



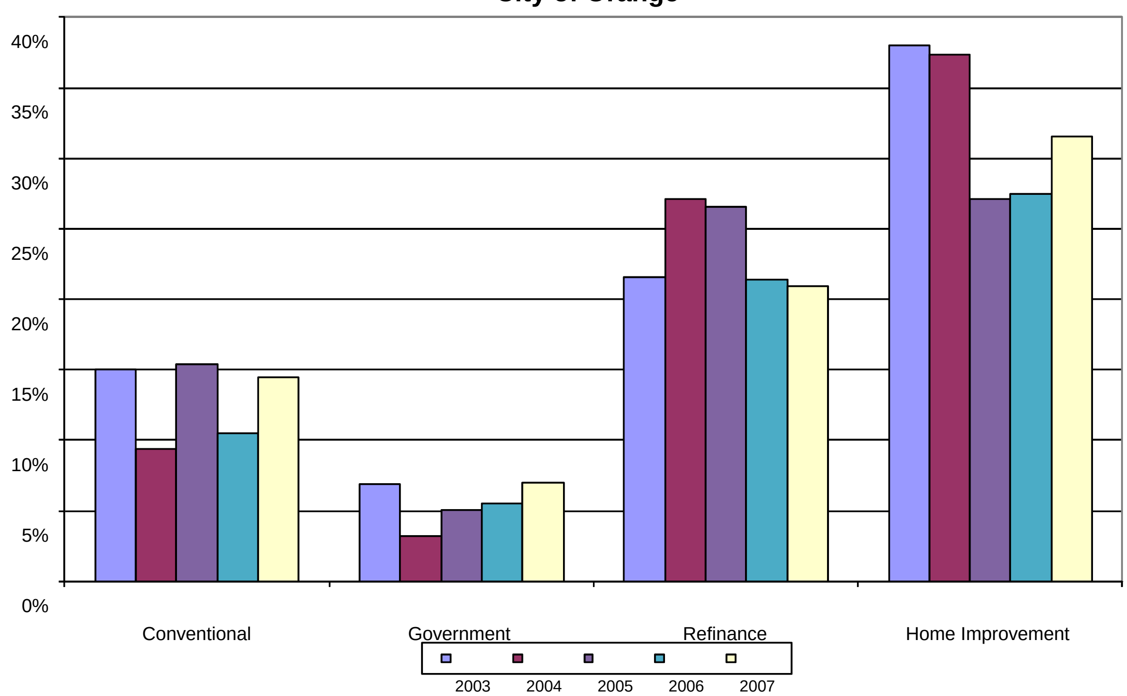

Source: HMDA, 2003 -2007

unstable economy stopped the flow. Home improvement loan applications, in general are the least sought-after product. In Orange, these remained quite steady over the period. Government loans represented from 5.7 percent of all loans (in 2005) to 7.9 percent the following year.

Conventional home purchase loans are a strong indicator of how many families are able to purchase single-family housing in the city. The denial rate for these loans fluctuated between 9.4 percent (in 2004) and 15.4 percent (in 2006), which was its highest point in recent years (Figure 6). Government loans maintain their position as lowest in rate of denials, but peaked in 2007 at 7.0 percent.

Applicants for both refinance and home improvement loans already have

**FIGURE 37 Denial Rates by Type of Loan**
**City of Orange**




Source: HMDA, 2003 -2007

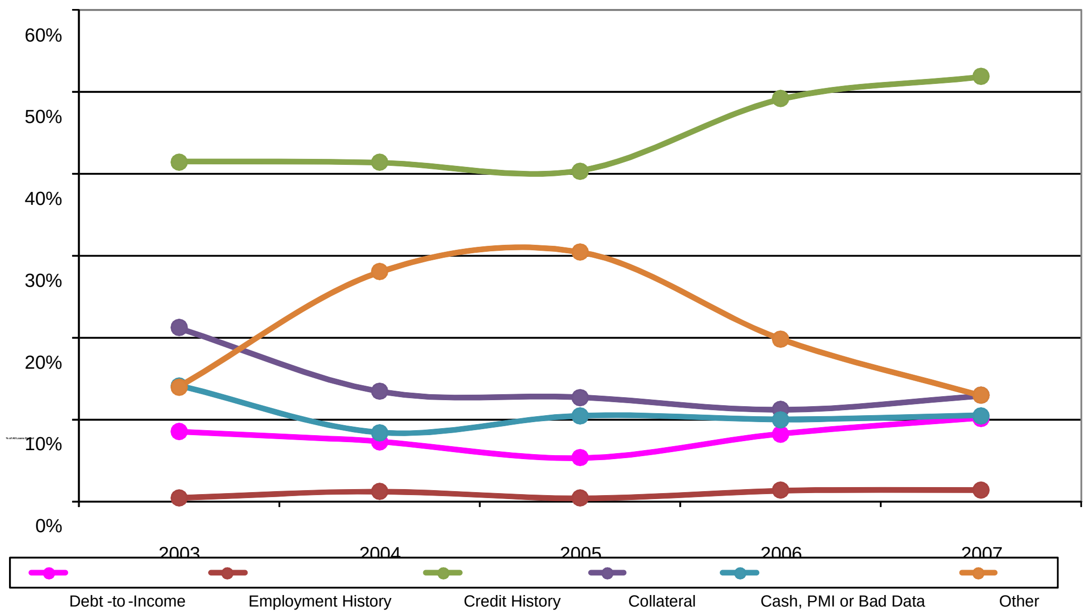
equity in their homes and have histories as borrowers. For these reasons, securing additional financing ought to be easier. In general, there are two reasons why homeowners apply for refinance loans. One involves borrowing funds in the amount of the existing mortgage at a lower interest rate so that the homeowner's monthly mortgage payment is lower. Certainly, this type ofla:s favorable, since the homeowner will be spending less income on the home's mortgage and, theoretically at least, more money in the local economy. The second type is one in which the homeowner extracts accumulated equity in order to afford a large-ticket expense, such as a wedding or a new vehicle, or to consolidate accumulated smaller debts. This type of refinance can be viewed less favorably, since the owner is disinvesting in the property by withdrawing accumulated wealth. From a lender's point of view, this reduction in the owner's equity represents a higher risk for the lender. After a peak in 2004, the rate of denials for refinance applications returned below its 2003 level and has been steadily decreasing.

Historically home improvement loan applications appear to have had the highest rate of denials, but this may be due to the fact that lenders use the home improvement category to report both second mortgages and equity-based lines of credit. Although home improvement loans may be a means for financially ailing homeowners to generate funds for needed repairs, in Orange, denial rates were exceptionally high in 2003 and 2004 (38.0 and 37.4, respectively). An important consideration in this area is the fact that more than 20 percent of Orange's housing stock is more than 50 years old. Reinvestment in the form of home improvement is crucial to maintaining the supply of comfortable—and ultimately sellable—homes. Without improvements, homeowners are unable to command a fair market value once they decide to sell. Rising denial rates on these types of loans may reflect changing policies in the lending industry, so this is an area that may warrant some attention in Orange when it occurs.

The associated disinvestment can have an undesirable effect on the community when it occurs in great numbers.

When loans are denied, lenders record the reasons for these decisions. Figure 38 shows the percent of denials by reason for the period from 2003 to 2007 for all loans of all types. Overall, the most common reason for denying loans continues to be the applicant's Credit History. Although this rate declined slightly in 2005, it rose to 51.9 percent among reasons for denial in 2007. The second most common reason for denial is "Other"

**FIGURE 38 Reasons for Denial of Applications**
**City of Orange**




Source: HMDA, 2003 -2007

reasons[29], which showed a marked decline as reason for denial from 2005 to 2007, when it stood at 12.9 percent (below its 2003 level of 14.0) after a peak of 30.6 percent in 2005. However, the apparent thirteen-to-

[29] This category was redefined in 2004 and now includes reasons that were independently specified in prior years. Consequently, denials for "Other" reasons increased for all applicants in 2004.

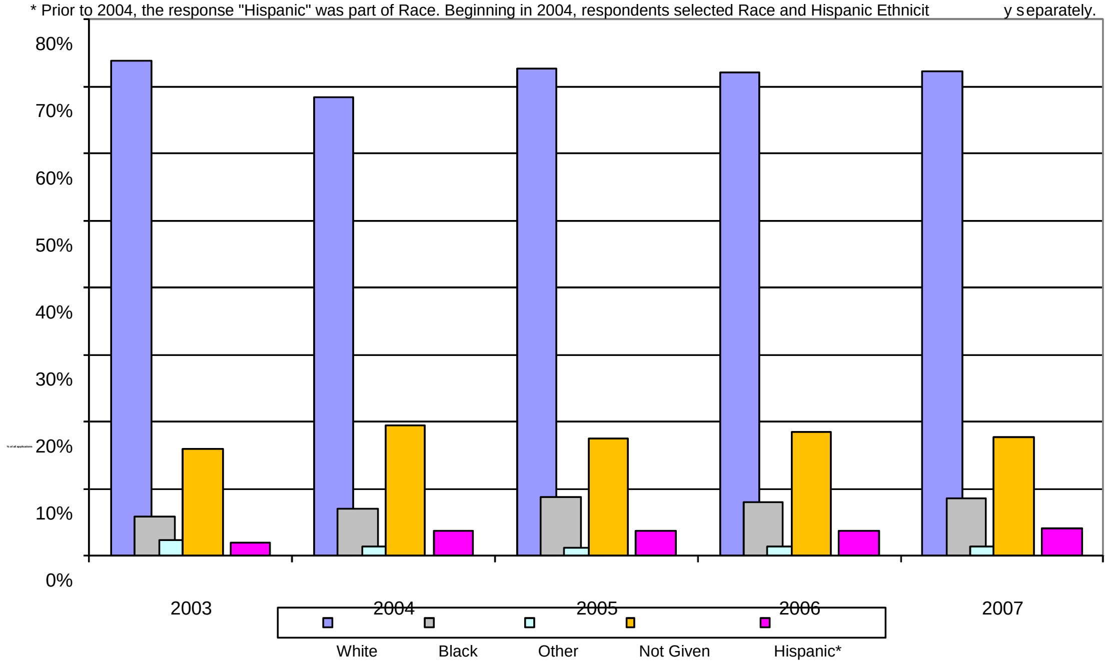
fourteen point increase appears to be consistent among markets nationwide and is a function of recent changes in HMDA reporting criteria or analysis methodology.

Debt-to-Income ratio (10.2 percent in 2007), Sufficient Collateral (12.9 percent) and Insufficient Cash, Private Mortgage Insurance denied or Bad Data (10.5 percent) generally remained rather consistent, with the exception of a high rate of applications denied on the basis of Sufficient Collateral in 2003. However, part of the difference appears to have been absorbed by a redefinition of "Other Reasons" in subsequent years.

Employment history continues to be the least common reason for denials, and despite small fluctuations, still accounted for between 0.5 and 1.5

**FIGURE 39 Applications by Race and Ethnicity**
**City of Orange**

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



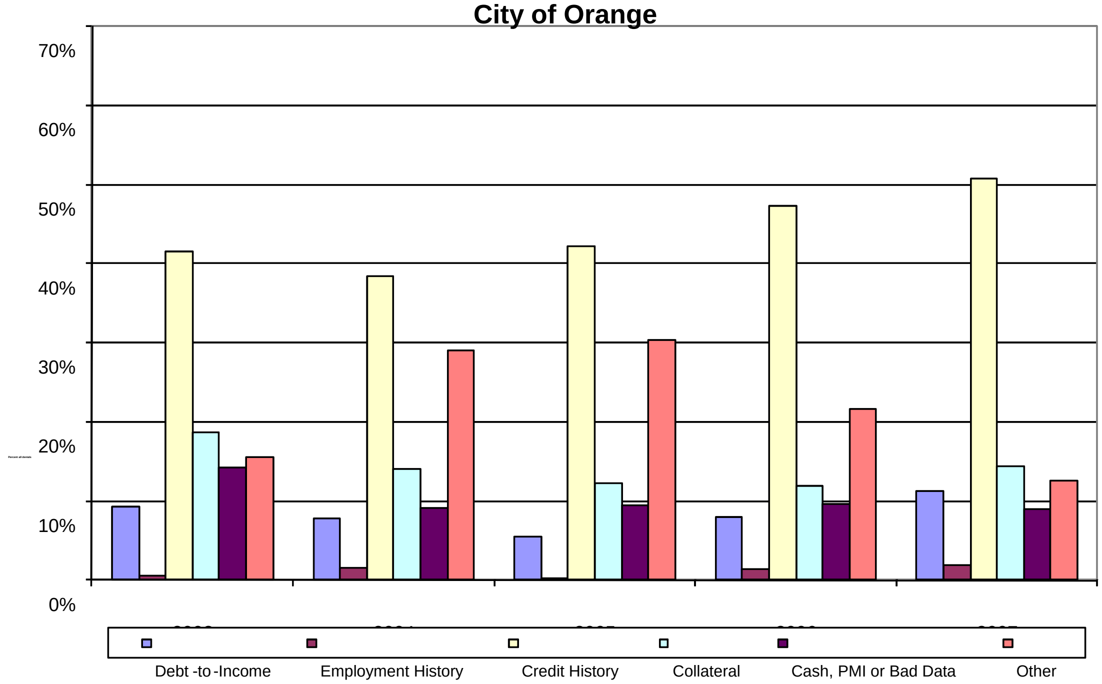

Source: HMDA, 2003 -2007

percent of denials in any year.

Orange: Analysis by Race and Ethnicity

Ideally, the percentages of loan applications received would mirror the percent of population of each racial group. As described in the demographic section, the 2000 population of Orange is comprised of 59.7 percent White and 36.8 percent Black residents. However, in Orange there is disparity between loan applications received from Black and White applicants. In 2007 the percent of applications made by white consumers was 72.3 percent, slightly below a high of 73.9 percent in 2003 (Figure 8). At the same time, the rate of applications from Black consumers has risen from 5.9 percent in 2003 to recent highs of 8.7 in 2005 and 2007. Still, in an area where they comprise over 36 percent of

**FIGURE 40 Reason for Denial of Application**
**White Applicants**
**City of Orange**




Source: HMDA, 2003 -2007

the population, these percentages show that black applicants are clearly underrepresented. This fact should be an area of concern for the city of Orange.

When examining reasons for denial among only white applicants, unacceptable credit history maintains its position as the most common (Figure 40). A clear increase is apparent from 2004 (38.4 percent) to 2007 (50.8 percent). “Other” has consistently been the second most common reason since 2004, rising to over 30 percent in 2005, but declining to its lowest point of 12.6 percent in 2007.

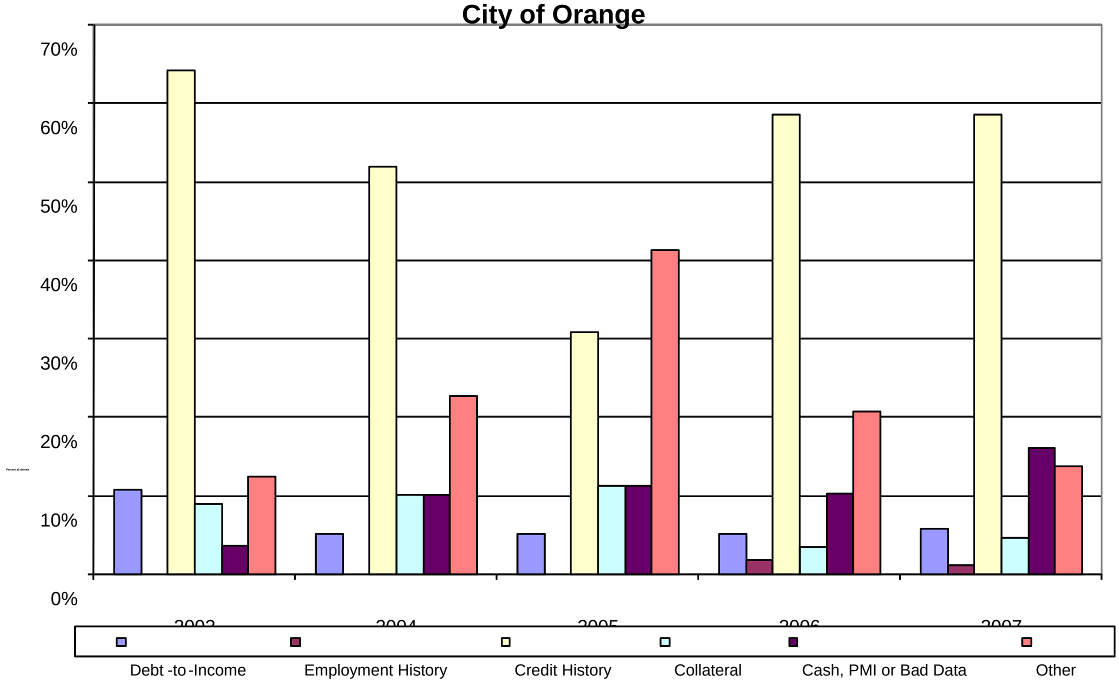
Insufficient Collateral has been the third most common reason for denial among white applicants, rising to 14.8 percent in 2007 from a low of 12.0 the preceding year. This measure has been just slightly ahead of the combined category of Insufficient Cash, Inability to Secure PMI or Bad Data throughout the study period, which reached its lowest point of 9.0 percent in 2007.

As with white applicants, credit history was the most common reason for loan denials among black applicants (Figure 41). After a peak to 64.3 percent in 2003, it reached its lowest point of recent years in 2005 of 30.9 percent.

Denials due to Other reasons consistently emerges as the second most frequent reason for denials among black applicants, except in 2005, when it was the most frequent (41.2 percent). The measure climbed steadily from 12.5 percent in 2003 to its peak of 41.2 percent in 2005 (when it topped Credit History as the most common reason), returning in recent years to 13.8 percent in 2007. When compared with white applicants, the range in percentages is comparable, with the exception of 2005.

Denials due to Debt-to-Income ratio vary from year to year when comparing black applicants to white (Figure 40). This reason for denial was more frequent among white applicants in all years except in 2003, with less than one point separating the rates between black and white applicants. Just 10.7 percent of applications from black consumers were denied on the basis of debt-to-income ratio in 2003, with all other frequencies ranging between 5 and 6 percent. Insufficient Collateral was next in frequency among black applicants, but in 2006 and 2007 this rate declined to its lowest rates in the study period (3.5 and 4.6 percent, respectively). In 2003, the combined category of Insufficient Cash, Unverifiable Information (bad data), Inability to Secure Private Mortgage Insurance and Incomplete Applications was significantly below this

**FIGURE 41 Reason for Denial of Application**
**Black Applicants**
**City of Orange**




Source: HMDA, 2003 -2007

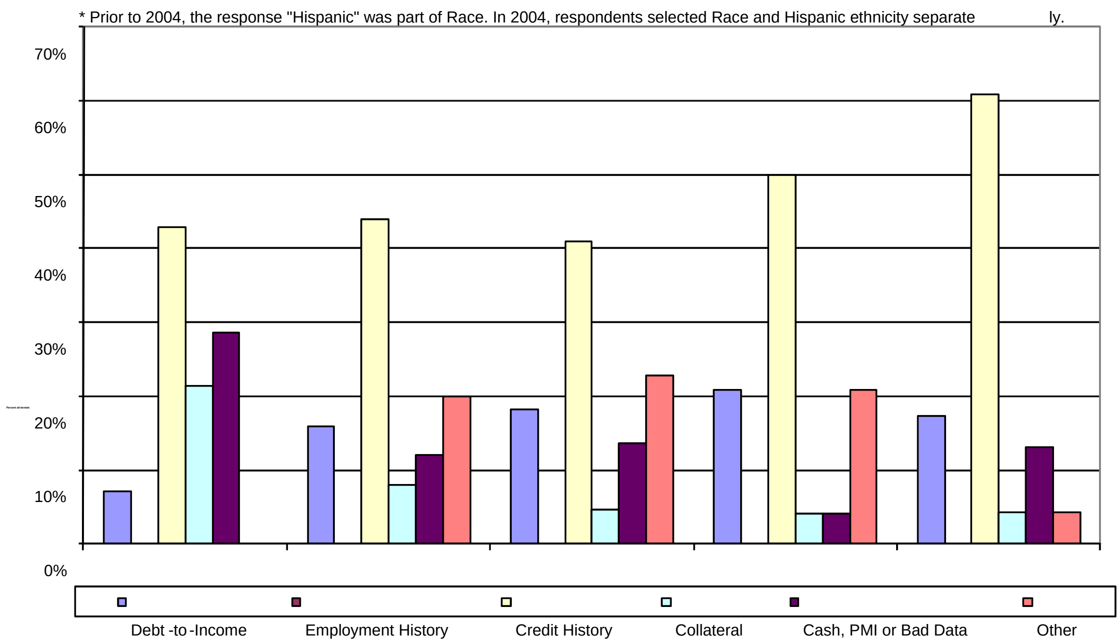
measure among white applicants (3.6 percent as compared to 14.3 percent). From 2004 to 2006, this rate was consistently more prevalent among black applicants by approximately one point, with the exception of 2007, when 16.1 percent of applications from black applicants were denied for this reason, as compared to 9.0 among white consumers. Employment History continues to be the least frequent reason for denials for both white and black applicants, and is consistently less often cited as a reason for denial among black applicants: there were no applications from black consumers denied for this reason from 2003 to 2005.

The graph below illustrates denial reasons for Hispanic applicants; however, their very small numbers (ranging from 54 to 99 per year over the study period) make meaningful analysis difficult, especially in attempting to identify trends over the five years. What is significant to note, however, is that the number of applications from Hispanic applicants fell from between 92 and 99 per year between 2003 and 2006 to just 54 in 2007. As is the case with black and white applicants, the most frequent reason for denial among Hispanic applicants is also Credit History.

Asian applicants are also rather infrequent in Orange and, as is the case with Hispanic applicants, their small number makes identifying trends over the five-year period difficult.

While there do appear to be a few inconsistencies with regards to reasons of denial for one race over the other, in general, rates of reasons for denial somewhat mirror those for all races combined (Figure 7). White applicants are more frequently denied on the basis of Insufficient

**FIGURE 42: Reason for Denial of Application**
**Hispanic Applicants**
**City of Orange**

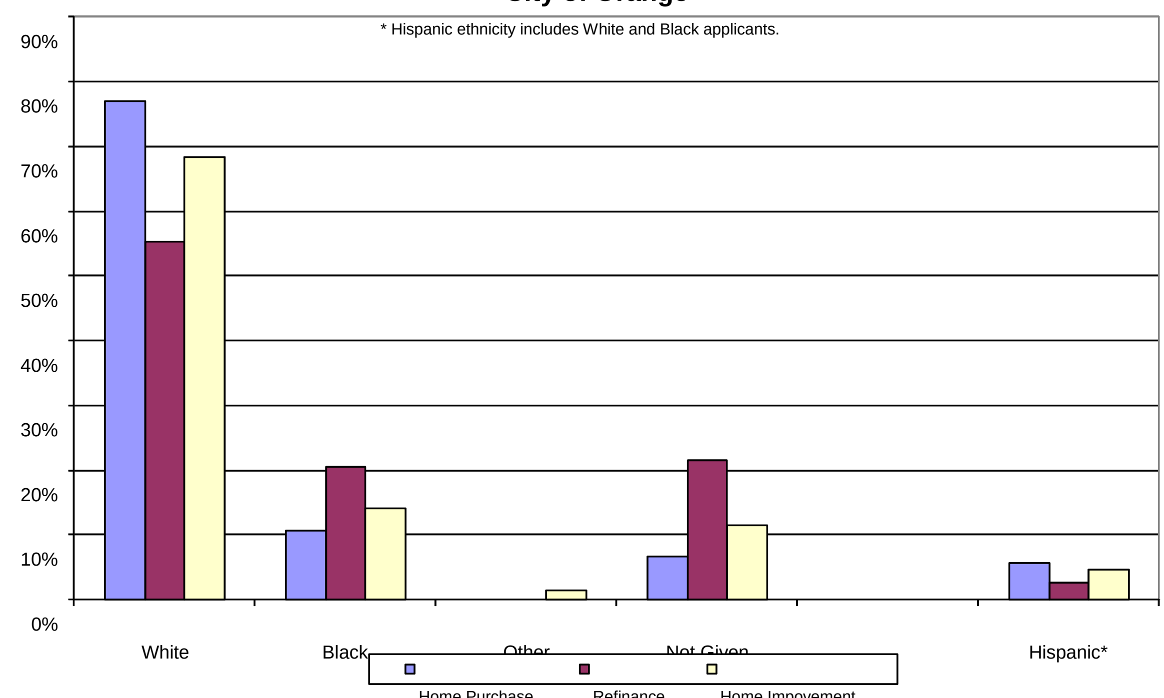



Source: HMDA, 2003 -2007

Collateral and Employment History, by at nearly twice the rate of Black consumers. Black applicants are more frequently denied on the basis of Credit History and "Other" reasons, but the margins are negligible. Hispanic applicants are denied more frequently on the basis of Debt-to-Income Ratio (nearly twice as frequently as white consumers) and on the combined measure of Insufficient Cash, Inability to Secure PMI and Bad Data (by a margin of about 50%). Again, however, data on Hispanic applicants is based on a very small number of cases and, therefore, the results are inconclusive.

While credit history, debt-to-income ratio, and incomplete applications are generally the three most cited reasons for denial, there do not appear to be any real patterns to report that might suggest unfair practices in the lending industry with regards to the application process. While, overall, this signals good news for fair lending with respect to racial

**FIGURE 43: Denial Rates by Race and Purpose of Loan**
**City of Orange**




Source: HMDA, 2007

discrimination, these data show only a small piece of the lending picture.

When examining the denial rates by the loan type (purchase, refinance, or home improvement), white applicants were denied consistently more often than were black applicants who reported their race in 2007 (Figure 10). However, a crucial caveat in these data is the large percentage of applicants whose race was not reported, particularly among those seeking loans to refinance. With over 20 percent of applicants for refinance loans and an additional 10 percent of those seeking home improvement loans not reporting their race, any conclusions attempted from comparing data from black and white applicants in these areas will be critically flawed. Nonetheless, this is an area that merits continued attention.

Orange: Analysis by Income

Low- and moderate-income households make up a substantial portion of Orange's total households. According to the description in the demographic section of this report, 28.6 percent of Orange's residents earned under $15,000 annually, and another 15.3 percent earned from $15,000 to $25,000 in 2000. As compared to a median income of $29,519, this meant that 44.0 percent of the population earned less than 85 percent of this amount. By 2007, 23.0 percent of the population earned less than $15,000, with an additional 18.6 percent earning less than $15,000. As compared to a median income of $31,240, 41.6 percent of the population earned less than 80 percent of this amount. Because homeownership is the primary way of increasing personal net worth and assets, for these households access to credit for home loans is essential.

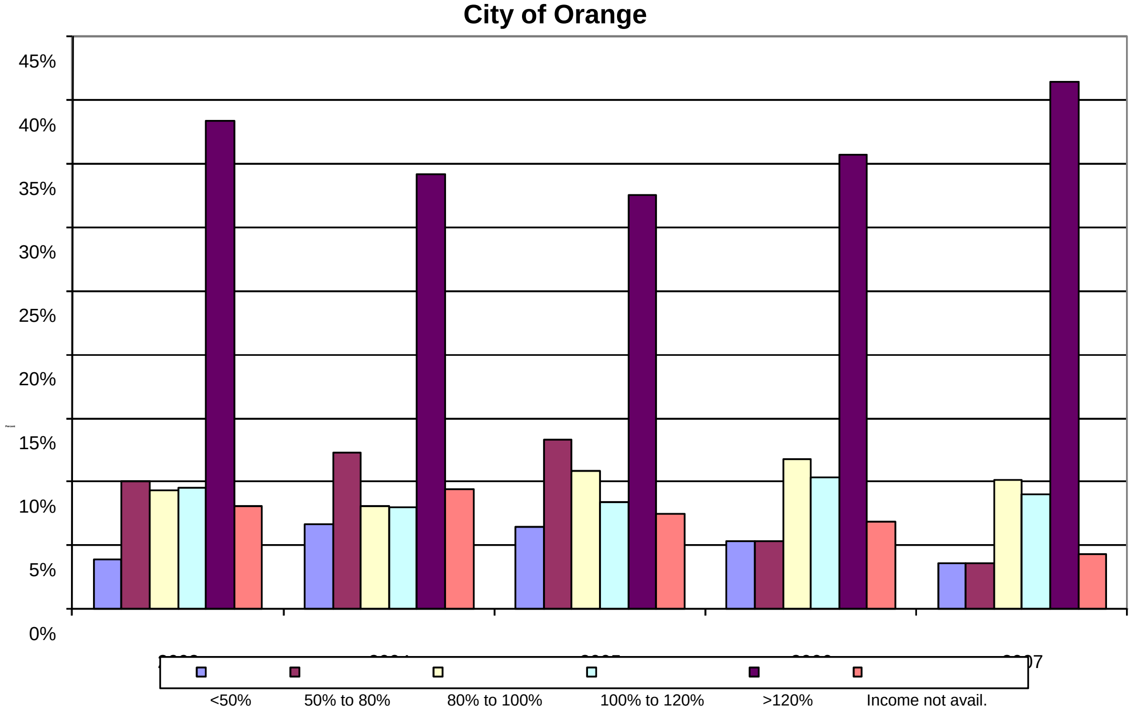
In Orange, of the 2,918 loans approved in 2003, 13.9 percent went to low- and moderate-income borrowers combined: 3.9 percent to those households earning less than 50 percent of the area's median and 10.0 percent to those earning from 50 percent to 80 percent (Figure 11). Of the 2,043 loans approved in 2007, just 7.3 percent went to low- and moderate-income households combined, with approvals evenly divided between those earning less than 50 percent and those earning from 50 to 80 percent of the area's median (3.6 percent each).

By 2007, 72.2 percent of all loans originated, as compared to 79.3 in 2003. The difference was felt primarily among low-income borrowers (whose origination rate fell by nearly 12 points).

Households earning 80 percent to 100 percent of the city's median received just 9.3 percent of the loans originated in 2003, but saw approval rates near 11 percent from 2005 to 2007. The highest proportions of loans went to those earning from 100 to 120 percent of the city's median—from a low of 40.9 percent in 2005 to a high of 50.5 percent in 2007—a difference of nearly ten points over the five-year period.

While it is not difficult to understand that those whose earnings exceed 120 percent of the area's median would be more likely to secure loan approval, the graph below illustrates the great disparities that exist

**FIGURE 44: Approvals by Median Income**
**City of Orange**




Source: HMDA, 2003 -2007

among income levels. In no year over the last five years have more than 13 percent of applications been approved among any income group except those earning over 120 percent of the median income, which is consistently above 30 percent.

On average, 7.3 percent of applicants' incomes are not available. While there are several reasons why incomes may not be reported, it is unlikely that these applicants would be from low or moderate income levels. Applicants who earn incomes near the median are more likely to be required to verify income; whereas, those at the highest level often do not face this requirement. It is, therefore, almost certain that this additional 7.3 points refers to the highest earners. This means that an additional 7.3 percentage points can be added to those of higher income groups, illustrating an even further disparity among income groups in loan approvals.

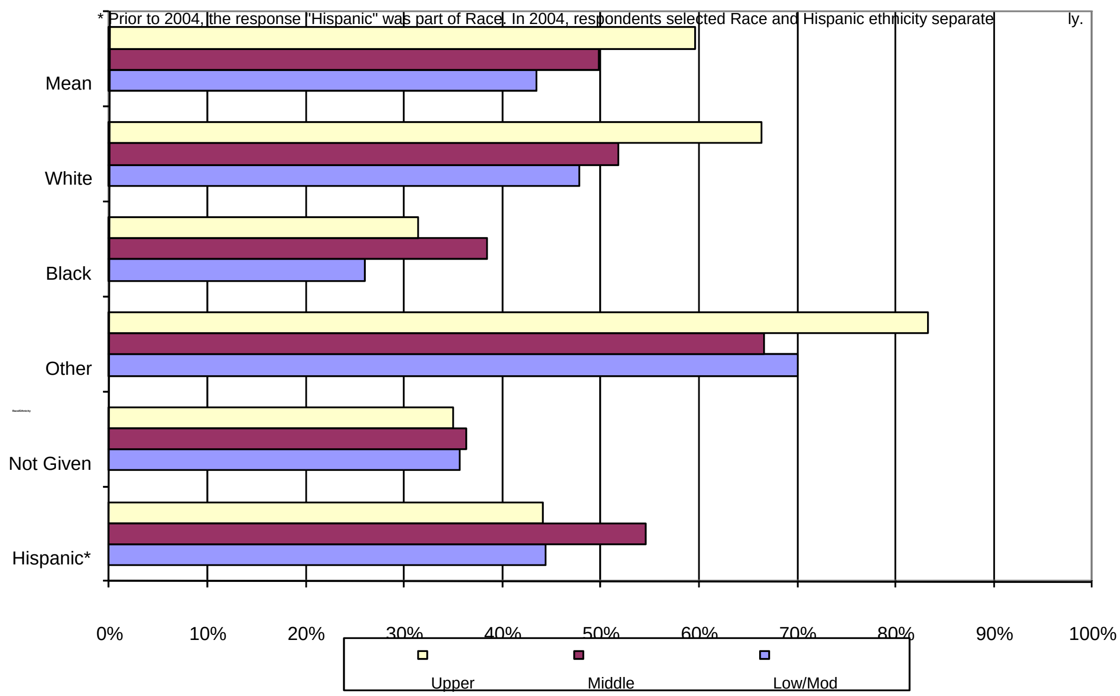
An examination of approval rates by income by race can prove to be a revealing tool. The uppermost bars on the graph shown in Figure 12 represent the mean rate of approvals for each income group (Low/Mod, Middle and Upper), regardless of race.

White applicants (represented by the second set of bars) were above the mean at all income levels (13 points, overall). Those who described their race as Other were also above the mean at all income levels, by a net of 67 points overall.

Black applicants were well below the mean at all income levels. Overall, black applicants fell nearly 57 points below the mean. Applicants who did not specify their race also fell far below the mean at all income levels, with an aggregate difference of 46 points. Low approval rates among applicants who did not specify race might be more a function of income and other measures of creditworthiness than of race, but this cannot be ascertained, since there is no way to know who declines to specify race.

Hispanic applicants who earned less than 120 percent of the area's median income experienced approval rates somewhat above the mean. However, Upper level earners are considerably less likely to be approved, and Hispanics differ from the mean by nearly 10 points, overall.

**FIGURE 45: Approval Rate by Race and Income**
**City of Orange**




Source: HMDA, 2007

While this analysis reveals distinct racial differences in rates of approval, it is often difficult to disentangle race from income, especially in light of the high rate of applicants who did not specify their race. Still, there appears to be evidence that race plays a role in loan approval in Orange, which may or may not be specifically attributable to overt discrimination in lending.

Conventional wisdom points to structural factors that serve to restrict access to the services that accompany participation in the homeownership and mortgage arenas. When prospective homebuyers are prevented from accessing the appropriate opportunities, structural discrimination takes place. Obvious examples of these factors may be steering in the real estate industry, a lack of earning opportunities in the labor market, or too few educational opportunities that can lead to incomes that might improve creditworthiness. While these examples are easy to cite, most structural discrimination is quite unintentional, very subtle and extremely difficult to identify.

## LENDERS IN THE ORHC

There were 302 financial institutions with a home or branch office in the ORHC, and whose data make up the 2007 aggregate report for the ORHC MSA. The number of all mortgage lenders in the ORHC has risen and fallen over the years, but has increased by an overall average of 7 percent each year since 2003. In 2007, there were 29.6 percent more lenders serving the area than in 2003. This pattern of lender activity closely mirrors a similar pattern nationwide that reflects the recent instability of the lending industry.

TABLE 16
Number of Lenders
Percent Change
2003 to 2007

| | |
|---|---|
| 2003 to 2004 | 22.3% |
| 2004 to 2005 | 7.0% |
| 2005 to 2006 | -6.9% |
| 2006 to 2007 | 6.3% |

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

Table 17 shows the top five lenders in the ORHC and their 2007 market share for mortgage applications (all types and purposes). As lenders, these institutions wrote 11.1 percent of the residential lending business in the ORHC in 2007. With all other lenders with locations in the MSA harnessing another 1.7 percent, local lenders realized a local total of 12.8 percent of the city's residential mortgage business in 2007. The remaining 87.2 percent went to lenders who do not have offices or branches in the ORHC. This means that the residential real estate lending marketplace in the ORHC is controlled by remote lenders.

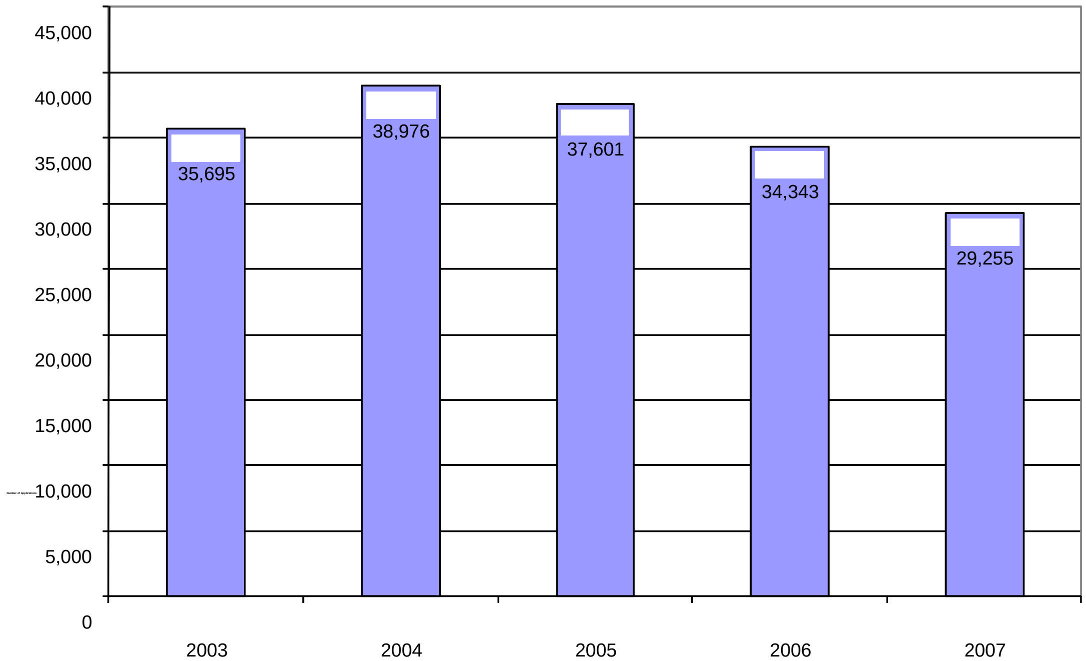
Table 17 Five Largest Lending Institutions

| Institution | Branches/ Offices | % Market Share 2007 |
|---|---|---|
| WELLS FARGO BANK | 1 | 3.7% |
| ORANGE SAVINGS BANK | 2 | 3.6% |
| CAPITAL ONE NA | 3 | 1.4% |
| TEXAS STATE BANK | 3 | 1.6% |
| FIRST LIBERTY NATIONAL BANK | 1 | 0.9% |
| TOTAL | 10 | 11.1% |

Source: HMDA, 2007

Sited throughout the region, the area's lenders are no more or less easily readily accessible by residents at lower income levels than more affluent

**FIGURE 46: Home Mortgage Applications, All Types**




Source: HMDA, 2003 -2007

borrowers. However, affluence allows prospective borrowers greater access to other sources of funds, such as might be found through remote or on-line brokers, who accommodate their needs remotely without the need for face-to-face interaction.

According to HUD's Subprime Lender criteria, 9.6 percent of the lenders active in 2007 lending in the ORHC were subprime lenders. Generally located outside the state, their services are most often sought electronically through on-line brokers. These lenders are easy to access nationwide, making it convenient to shop for loans, but the local presence and strength of top-tier accessibility makes the subprime market generally less attractive for local borrowers.

## Lending Activity in the ORHC, 2003-2007

The statistical databases used for this analysis were 2000 decennial census data and the Home Mortgage Disclosure Act (HMDA) data for the years 2003 to 2007, inclusive. HMDA data on loan activity are reported to document home purchase, refinancing, and home improvement loans. The broadest measure of lending activity is total market activity, which covers all three categories of home loans (purchase, refinance, and home improvement). In this report, if the loan purpose is not specified in the text or figures, the reference is to total market activity.

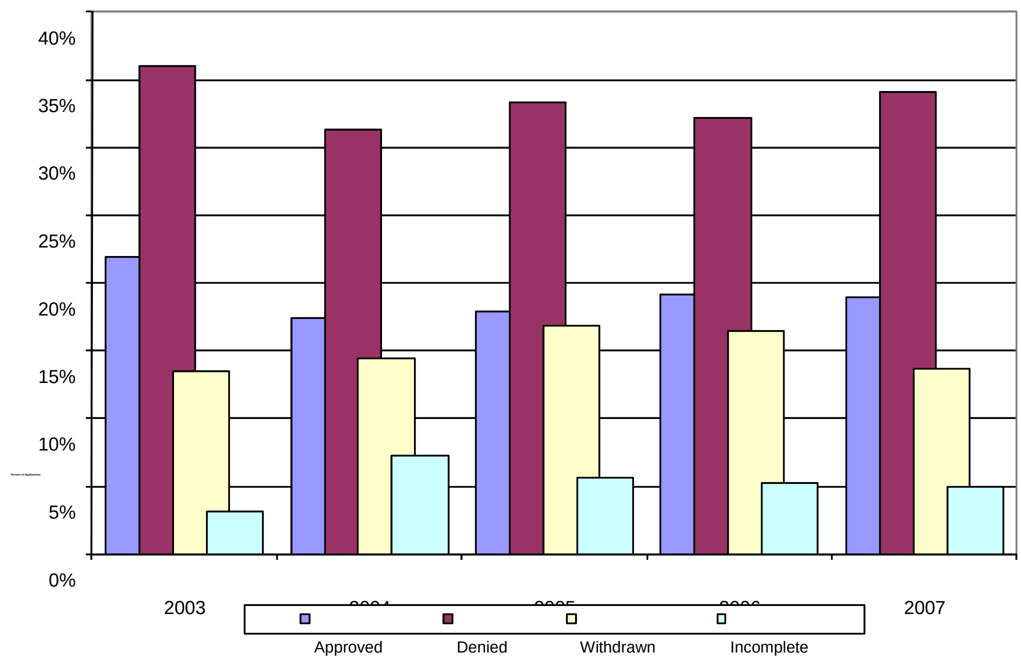
TABLE 18
Loan Applications Percent Change 2003 to 2007

| | |
|---|---|
| 2003 to 2004 | 9.2% |
| 2004 to 2005 | -3.5% |
| 2005 to 2006 | -8.7% |
| 2006 to 2007 | -14.8% |

During the strong economic trends of a few years ago, there was a boost in income and employment, which generated a higher demand for homeownership and other mortgage related activities. Mortgage interest rates were quite low and there was a rush to refinance homes and to do home-improvement projects. Not surprisingly, mortgage loan activity in the ORHC showed strong growth over this same time period; and the total number of applications submitted to lenders in the ORHC increased by 9.2 percent from 2003 to 2004 (Figure 2). In 2005, however, data indicate the start of a rapidly declining trend in loan application activity. This timeframe roughly corresponds with United States military involvement in Iraq, and the uncertainty of its outcome may have resulted in residents viewing commitment to a new mortgage a low priority. Since the rise in 2004, however, the rate of applications has steadily declined.

The applications represented here are for all loans: conventional, government-backed, refinance, home improvement for owner-occupied, single-family dwellings.

**FIGURE 47: Actions Taken on Applications**
**All Applications, All Loan Categories**

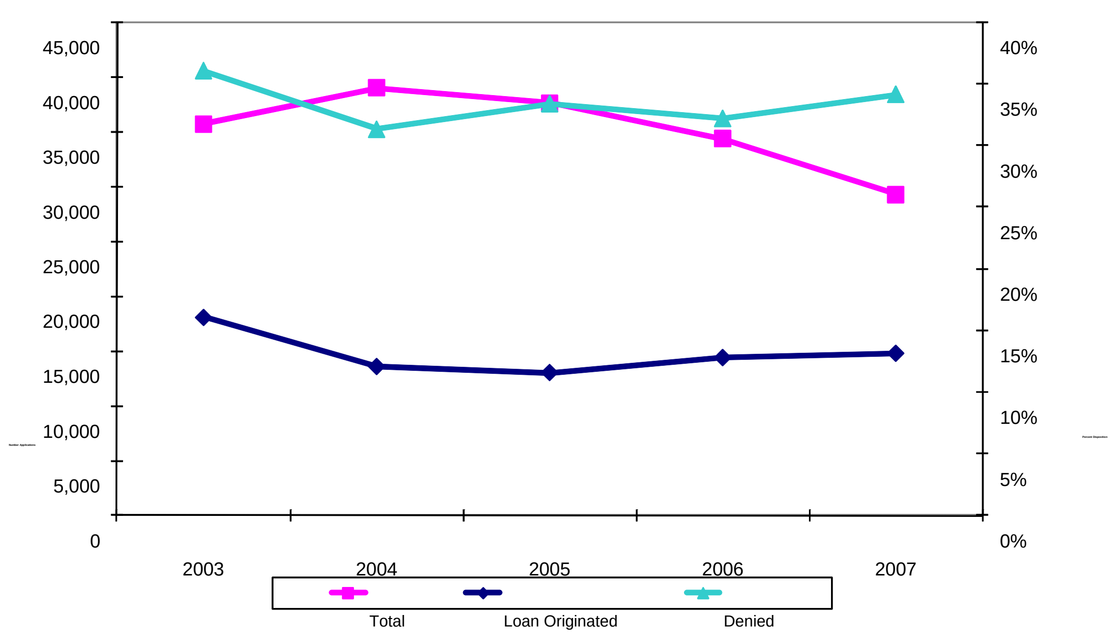



Source: HMDA, 2003 -2007

From 2003 to 2007, approval rates[30] declined (Figure 47), likely in response to general economic conditions nationwide. In 2005, just 11.6 percent of all loans were originated (not shown separately), while 6.3 percent of approved loans were declined by the applicants. About one-third of loan applications continue to be declined, ranging from 31.3 percent in 2004 to 34.1 percent in 2007. Withdrawals peaked in 2005 at 16.8 percent, while incomplete applications peaked at 7.3 percent the preceding year. Both of these actions on the part of applicants signal reconsideration of acquiring a loan—a common occurrence in times of economic uncertainty.

Figure 48 shows the relationship among percent of applications, originations, and denials for the five-year period in the ORHC. Against the drop in number of Total applications in 2005, rates of originations remained steady as denials rose. Despite the peak of applications in 2004, originations remained steady between 12 and 14 percent, while denials varied only from 30 to 35 percent. In this context, Originations are those loans that culminated in a closing. Loans that were approved

**FIGURE 48 Change in Applications Submitted, Originations and Denials**




Source: HMDA, 2003 -2007

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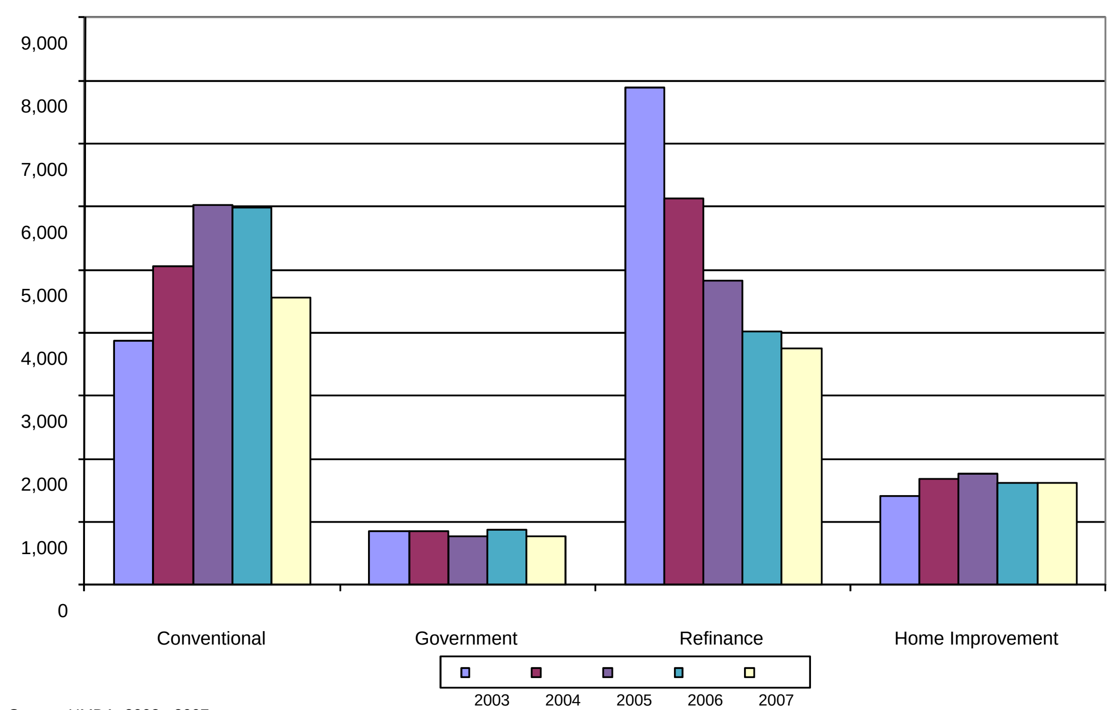
30 Approved loans are those that originated (culminated in a closing) as well as those approved by the lender but subsequently declined by the borrower.

but subsequently declined by the borrower have been subtracted from the total number approved (shown above). The number of loans declined by the borrower remained rather steady between 5.4 and 6.3 percent over the period (not shown separately).

One factor that might contribute to a change in the rate of loan originations is the difference in the types of loans applicants seek. A review of applications by type (Figure 49) reveals that, generally, refinancing is the most sought-after loan type. Refinancing is commonly thought of as a way for homeowners to access cash. Undoubtedly, the large decline in applications in 2003 and 2007 is attributable to a steady increase in interest rates over the last few years reiterates efforts of homebuyers seeking to take advantage of low interest rates, as well as a

**FIGURE 49; Applications by Type**

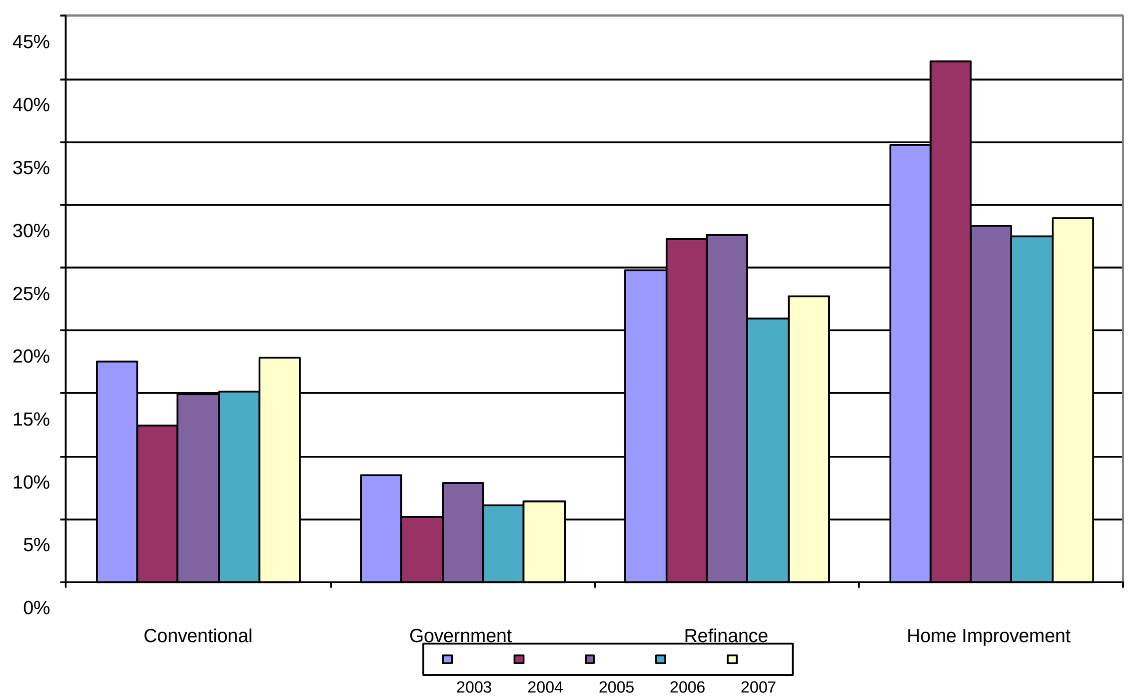



Source: HMDA, 2003 -2007

probable increase in the use of on-line lending brokers to seek out loans. The sudden drop in 2007 to just over 4,500 applications may signal the rise in interest rates having reached a "tipping-point", beyond which homebuyers hesitated to commit. Typically, home improvement loan applications are the least sought-after product. In the ORHC, it is government loans (FHA and VA) that consistently have the least activity.

Conventional home purchase loans are a strong indicator of how many families are able to purchase single-family housing in the region. The denial rate for these loans has consistently been between 15.0 and 17.8 percent, with an exceptionally low rate in 2004 of 12.4 percent (Figure 50). Government loans also showed the lowest rate of denials (5.2

**FIGURE 50: Denial Rates by Type of Loan**




Source: HMDA, 2003 -2007

percent) in that same year.

Applicants for both refinance and home improvement loans already have equity in their homes and have histories as borrowers. For these reasons, securing additional financing ought to be easier. In general, there are two reasons why homeowners apply for refinance loans. One involves borrowing funds in the amount of the existing mortgage at a lower interest rate so that the homeowner's monthly mortgage payment is lower. Certainly, this type of loan is favorable, since the homeowner will be spending less income on the home's mortgage and, theoretically at least, more money in the local economy. The second type is one in which the homeowner extracts accumulated equity in order to afford a large-ticket expense, such as a wedding or a new vehicle, or to consolidate accumulated smaller debts. This type of refinance can be viewed less favorably, since the owner is disinvesting in the property by withdrawing accumulated wealth. From a lender's point of view, this reduction in the owner's equity represents a higher risk for the lender. After a peak in 2004, the rate of denials for refinance applications decreased significantly for loans to refinance.

Historically home improvement loan applications have the highest rate of denials, but this may be due to the fact that lenders use the home improvement category to report both second mortgages and equity-based lines of credit. Although home improvement loans may be a means for financially ailing homeowners to generate funds for needed repairs, in the ORHC, denial rates were exceptionally high in 2003 and 2004 (34.8 and 41.1, respectively). An important consideration in this area is the fact that over 20 percent of the ORHC's housing stock is more than 50 years old. Reinvestment in the form of home improvement is crucial to maintaining the supply of comfortable—and ultimately sellable—homes. Without improvements, homeowners are unable to command a fair market value once they decide to sell. Rising denial rates on these types of loans may reflect changing policies in the lending industry, so this is an area that may warrant some attention in the ORHC when it occurs. The associated disinvestment can have an undesirable effect on the community when it occurs in great numbers.

When loans are denied, lenders record the reasons for these decisions. Figure 7 shows the percent of denials by reason for the period from 2003 to 2007 for all loans of all types. Overall, the most common reason for denying loans continues to be the applicant's Credit History, and this rate has been gradually climbing since 2003, reaching a high of 54.9 percent in 2007.

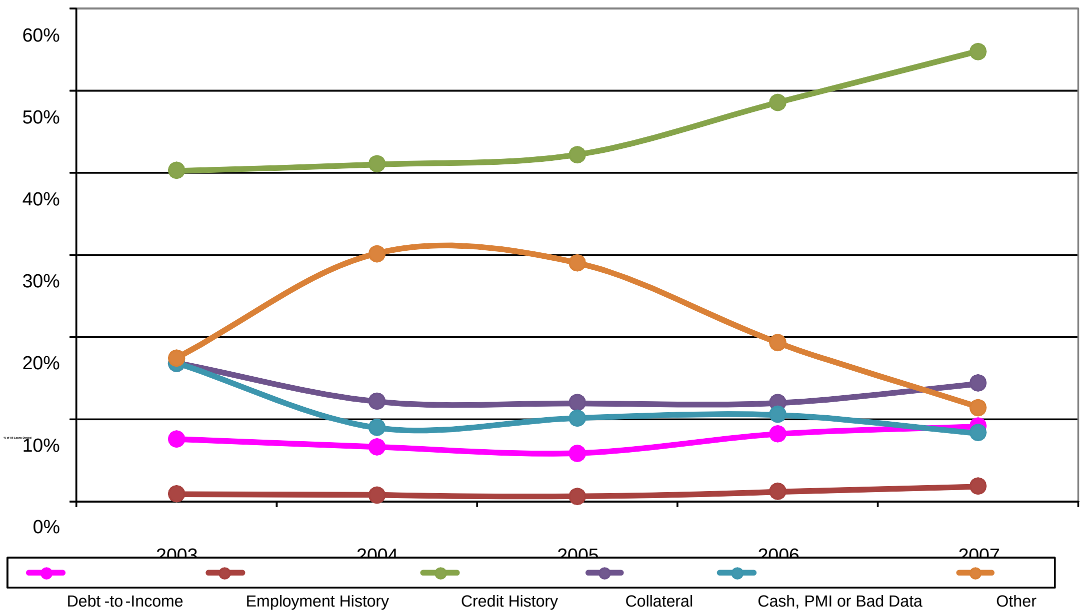
The second most common reason for denial is "Other" reasons[31], which showed an abrupt increase from 17.4 percent in 2003 to 30.2 percent in 2004. This apparent thirteen-point increase appears to be consistent among markets nationwide and is a function of changes in HMDA reporting criteria or analysis methodology.

Rising steadily since 2005 is sufficient Collateral, which—at 14.4 percent in 2007—continues to approach its 2003 level of 16.9. Debt-to-Income Ratio (9.2 percent in 2007) has also been rising gradually since 2005. Significantly, these economic-based reasons for denial have been indicated since the first of several major storms occurred in the OHRC area, causing lenders to consider the quality of the property offered as collateral in a different light.

[31] This category was redefined in 2004 and now includes reasons that were independently specified in prior years. Consequently, denials for "Other" reasons increased for all applicants in 2004.

Employment history continues to be the least common reason for denials,

**FIGURE 51: Reasons for Denial of Applications**



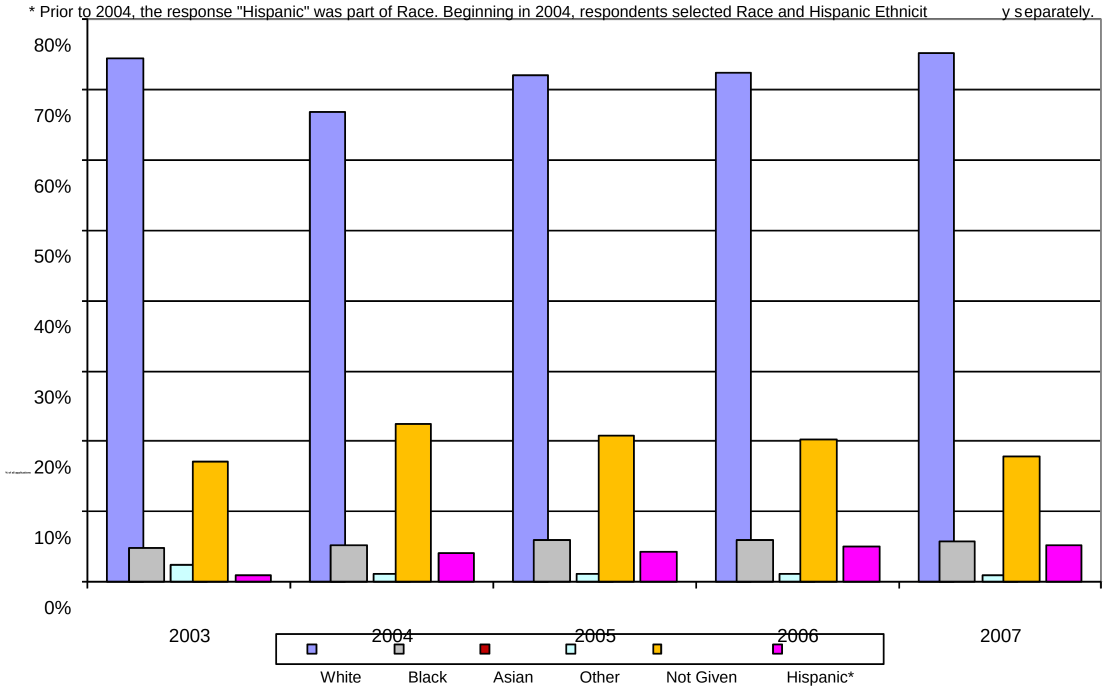

Source: HMDA, 2003 -2007

and despite the steady rise since 2007, still accounted for just 1.9 percent of denials in that year.

## ORHC: Analysis by Race and Ethnicity

Ideally, the percentages of loan applications received would mirror the percent of population of each racial group. As described in the demographic section, the 2000 population of the ORHC area is comprised of 84.0 White and 11.3 Black residents. American Community Survey (ACS) estimates report the 2007 population of the ORHC to be 93.2 percent White and 2.1 percent Black residents. However, in the ORHC there is disparity between loan applications received from Blacks and those received from Whites. In 2007 the percent of applications made by

**FIGURE 52: Applications by Race and Ethnicity**



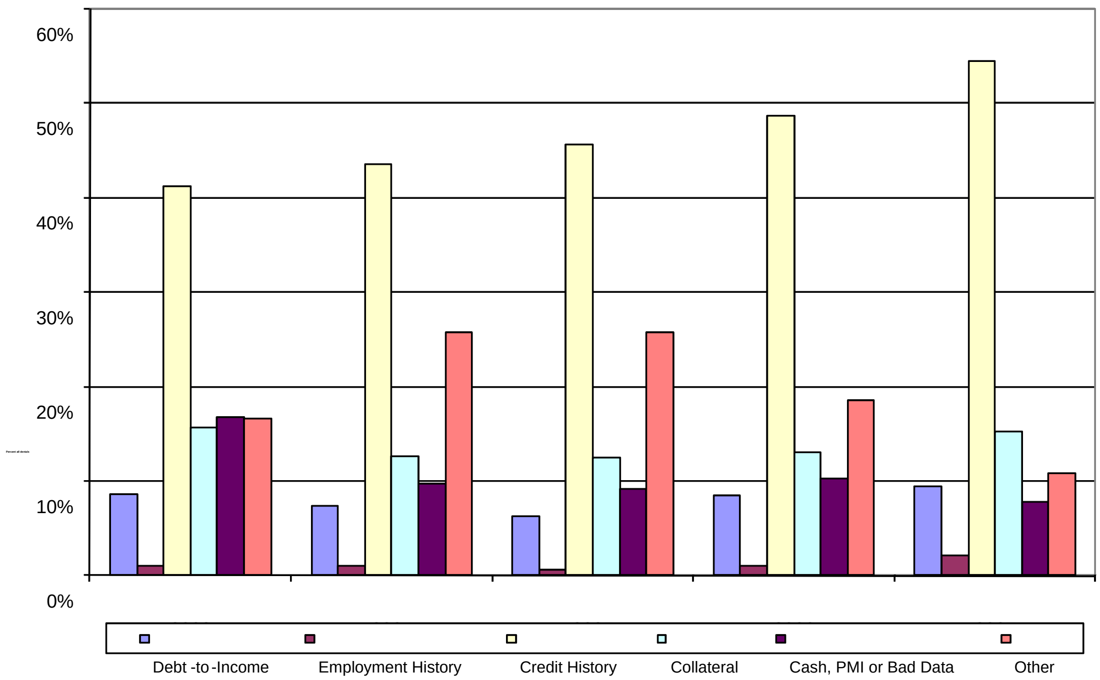

Source: HMDA, 2003 -2007

white consumers was 75.3 percent—the highest ratio over the five year period (Figure 52). At the same time, the rate of applications from Black consumers has risen from 4.9 percent in 2003 to recent highs of 6.0 in 2006 and 5.9 in 2007. In an area where they may comprise up to 11 percent of the population, these percentages show that black applicants are underrepresented. This should be an area of concern for the city of the ORHC. On the other hand, if ACS estimates are accurate, then applications from black consumers are more than double their composition of the population. This is an area that warrants further review.

When examining reasons for denial among only white applicants, unacceptable credit history maintains its position as the most common (Figure 53), and has been steadily rising since 2003 to its 2007 rate of

54.4 percent. Other reasons for denial has been declining since 2004, when 25.7 percent of applications were denied for this reason, whereas just 10.9 were denied for this reason in 2007. The rate for the combined category of insufficient cash, unverifiable information, inability to secure private mortgage insurance and incomplete applications has steadily

**FIGURE 53: Reason for Denial of Application**
**White Applicants**

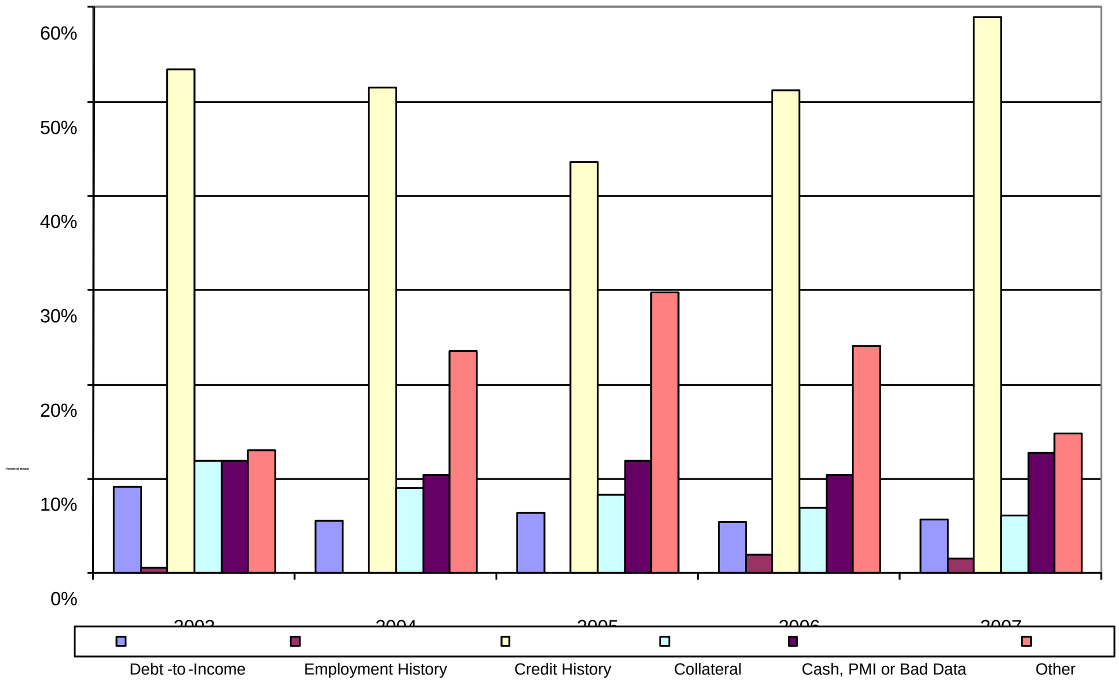



Source: HMDA, 2003 -2007

declined from 16.8 percent in 2003 to 7.7 percent in 2007.

As with white applicants, credit history was the most common reason for loan denials among black applicants (Figure 9b). After reaching its lowest point of recent years in 2005 of 43.7 percent, in 2007 this reason was at its highest point in the last five years at 59.0 percent. Denials due to Other reasons consistently emerges as the second most frequent reason for denials among black applicants, ranging from a low of 13.1 percent in 2003 to its highest point of 29.8 percent in 2005. When compared with white applicants (Figure 53), the range in percentages is comparable, but frequencies vary widely from year to year. With the exception of 2003

**FIGURE 54: Reason for Denial of Application**
**Black Applicants**



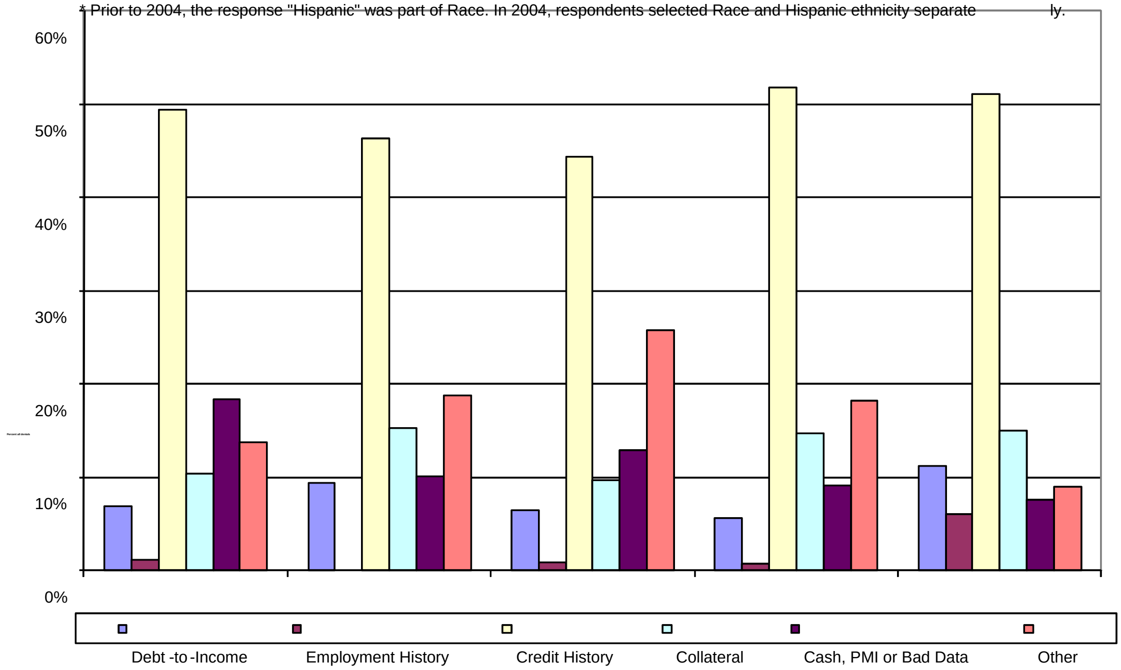

Source: HMDA, 2003 -2007

(when denials due to debt-to-income ratio was 9.1 percent), this reason fluctuated in the 5-to-6 percent range. In general, this reason for denial was more likely among white applicants. Insufficient collateral has been steadily declining since its highest rate of 11.9 percent in 2003, reaching 6.2 percent in 2007, and was considerably less frequent than among white applicants in all years. Employment History continues to be the least frequent reason for denials for both white and black applicants.

The number of applications from Hispanic consumers is nearly equal to that from black consumers, and the graph below illustrates denial reasons for Hispanic applicants. What is significant to note, however, is that the number of applications from Hispanic applicants decreased by nearly half, from an average of 580 over the first four years of the study to just over 300 in 2007.

As is the case with applications from white and black consumers, those from Hispanic applicants are denied most frequently on the basis of credit history, and in nearly the same proportions as other groups. Furthermore, other reasons for denial are again the second most common reason for denial and the pattern of increase in 2005 is consistent with those found among black and white applicants; however, this reason is cited less frequently for Hispanic applicants than for others. While Debt-to-Income saw a decline from 2004 to 2006, at 11.3 percent in 2007 it was at its highest rate over the five-year period, and was the reason for denial of more applications than any other group. Significantly, while Employment History has been the least frequent reason for denial among all applicants in all groups, in 2007 this was the cause for denial of 6.0 percent of applications from Hispanic consumers—nearly three times the rate of any group in any year.

FIGURE 55: Reason for Denial of Application
Hispanic Applicants

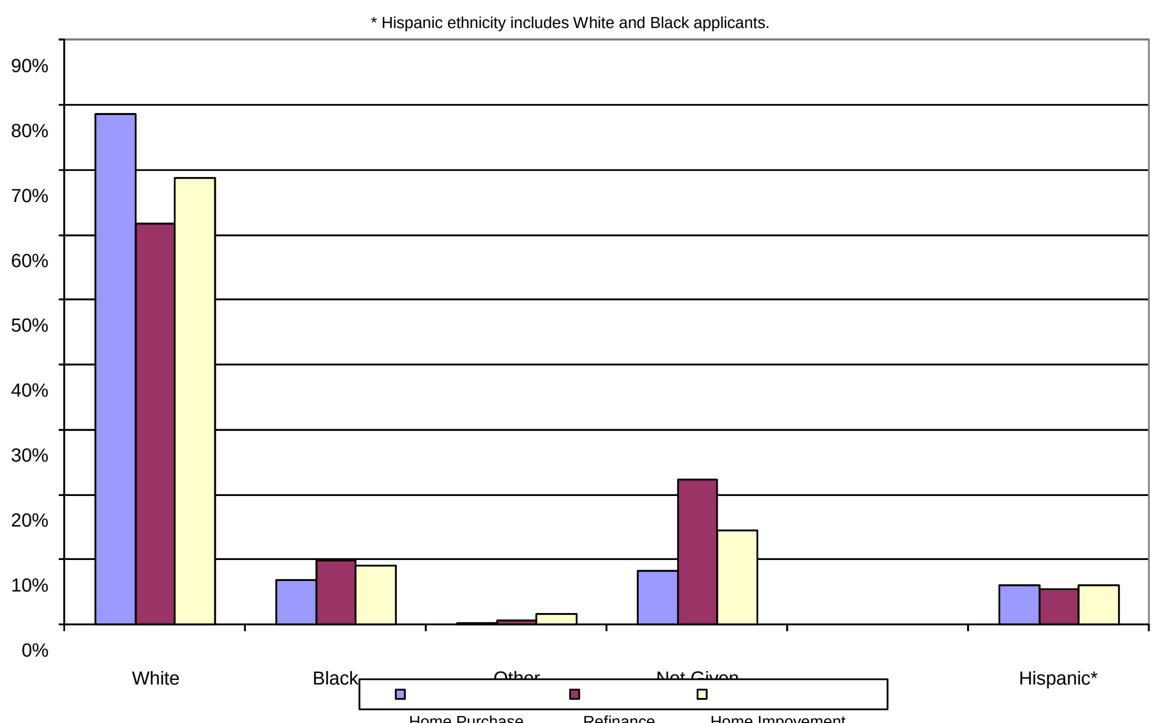



Source: HMDA, 2003 -2007

There do not appear to be any real consistencies with regards to reasons of denial for one race over any other. In general, rates of reasons for denial are consistent between races and somewhat mirror those for all races combined (Figure 7). While credit history, debt-to-income ratio, and incomplete applications are generally the three most cited reasons for denial, there do not appear to be any patterns to report that might suggest unfair practices in the lending industry with regards to the application process. While, overall, this signals good news for fair lending with respect to racial discrimination, these data show only a small piece of the lending picture.

When examining the denial rates by the loan type (purchase, refinance, or home improvement), white applicants were denied consistently more often than were black among applicants who reported their race (Figure 10). While there is a significant percentage of applicants whose race was not reported (particularly among those seeking loans to refinance), even if these were all black applicants, the rate of denials for white applicants would still be higher than the others. Significantly, white applicants are denied most frequently for home purchase loans (78.6 percent), while those whose race was not given are denied most frequently for refinances (22.3 percent). While this may appear to be a positive finding, it may actually be an indication of racial discrimination. In a truly unbiased context, one would expect these values to be much more similar to one another. This is an area that merits some attention.

**FIGURE 56: Denial Rates by Race and Purpose of Loan**




Source: HMDA, 2007

## ORHC: Analysis by Income

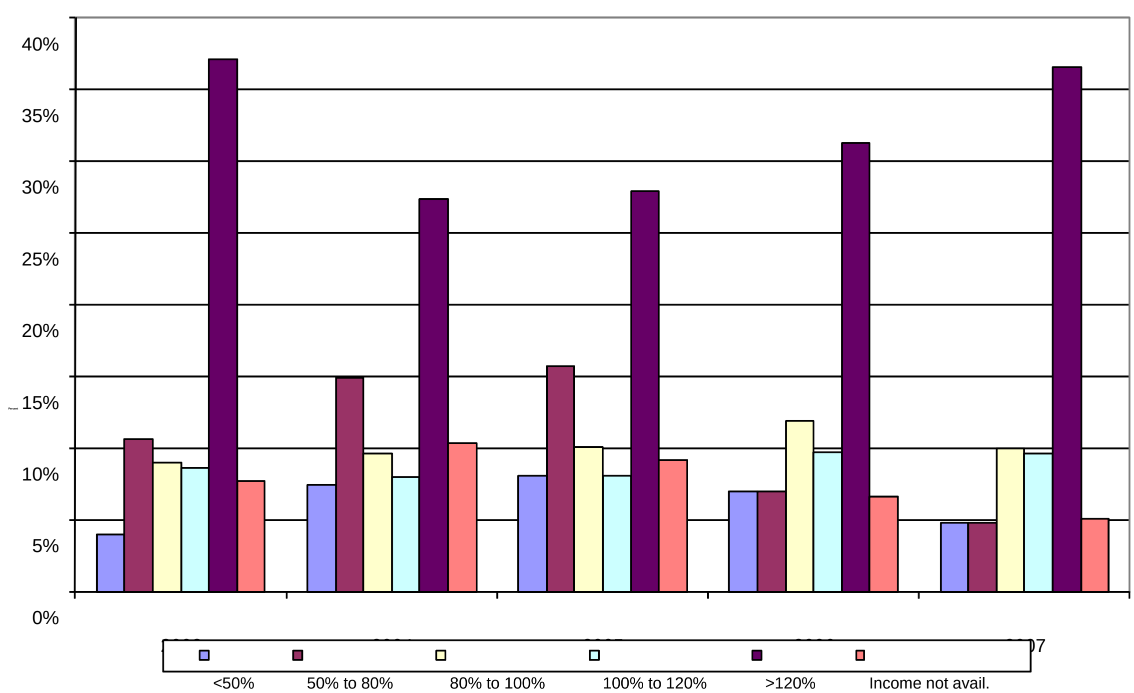
Low- and moderate-income households make up a substantial portion of the ORHC's total households. According to the description in the demographic section of this report, 18.5 percent of the ORHC's residents earned less than $15,000 and another 14.1 percent earned between $15,000 and $25,000 annually in 2000. When compared to a median income of $38,336, this means that nearly one-third of the population earned less than 65 percent of this amount. By 2007, 12.8 percent of the population earned less than $15,000, with an additional 10.3 percent earning less than $25,000. When compared to a median income of $41,778, 23.1 percent of the population earned less than 60 percent of this amount. Because homeownership is the primary way of increasing personal net worth and assets, for these households access to credit for home loans is essential.

In the ORHC, of the 10,817 loans approved in 2003, just 14.7 percent went to low- and moderate-income borrowers combined: 4.0 percent to those households earning less than 50 percent of the area's median and 10.7 percent to those earning from 50 percent to 80 percent (Figure 11). Of the 7,593 loans approved in 2007, just 9.6 percent went to low- and moderate-income households combined, with approvals evenly divided between those earning less than 50 percent and those earning from 50 to 80 percent of the area's median (4.8 percent each).

By 2007, just 71.0 percent of all loans originated, as compared to 79.1 as recently as 2005. The difference was felt primarily among low-income borrowers (that is, those earning up to 80 percent of the area's median income), whose origination rate fell by 14 points from its peak in 2005 to 2007. Households earning 80 percent to 100 percent of the city's median received just 9.0 percent of the loans originated in 2003, but saw approval rates of 12 percent in 2006. Similar proportions of loans went to those earning from 100 to 120 percent of the city's median in 2003 (8.7), and this changed by just 1points to 9.7 percent in 2007. While loans originated among the highest earners fell from its 2003 rate of 37.1, in 2007 this rate had returned to 36.6.

While it is not difficult to understand that those whose earnings exceed 120 percent of the area's median would be more likely to secure loan approval, the graph below illustrates the great disparities that exist among income levels. In no year over the last five years have more than 16 percent of applications been approved among any income group other than those earning over 120 percent of the median income.

**FIGURE 57: Approvals by Median Income**




Source: HMDA, 2003 -2007

On average, about 7.8 percent of applicants' incomes are not available. While there are several reasons why incomes may not be reported, these applicants are definitely not in low or moderate income levels. Applicants who earn incomes near the median are more likely to be required to verify income; whereas, those at the highest level often do not face this requirement. It is, therefore, almost certain that this additional 7.8 points refers to the highest earners. This means that an additional 7.8 percentage points can be added to those of higher income groups, illustrating an even further disparity among income groups in loan approvals.

An examination of approval rates by income by race can prove to be a revealing tool. The uppermost bars on the graph shown in Figure 58 represent the mean rate of approvals for each income group (Low/Mod, Middle and Upper), regardless of race.

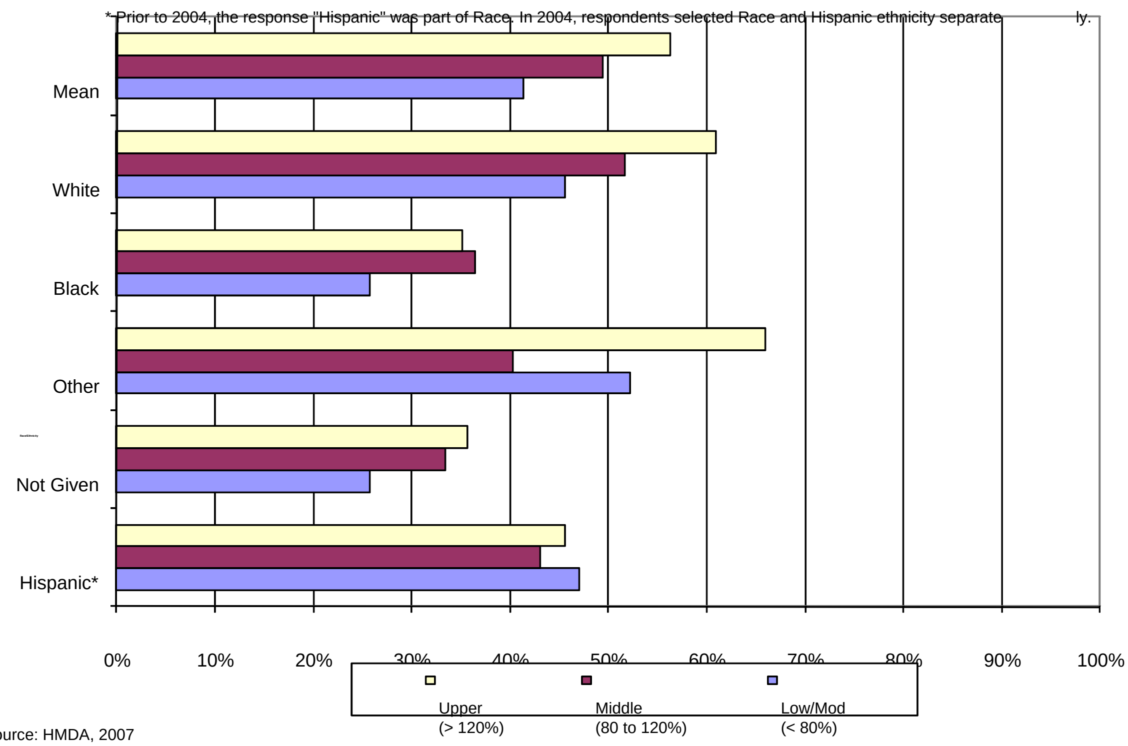
White applicants were well above the mean at all income levels (11 points, overall). Black applicants were below the mean at all income levels. Overall, black applicants fell nearly 50 points below the mean. While those who described their race as Other were below the mean in the middle-income level, they are above in others (by 11 points, overall).

Applicants who did not specify their race fell far below the mean at all income levels, with an aggregate difference of -52 points. These low approval rates among low-income applicants who did not specify race might be more a function of income and other measures of creditworthiness than of race, but we cannot be certain, since there is no way to know who is declining to specify race.

Hispanic applicants who earned less than 80 percent of the area's median income experienced approval rates slightly above the mean. However, Middle and Upper level earners are less likely to be approved, and differ from the mean by nearly -11 points, overall.

The results of this analysis would indicate disparities in loan approval rates beyond income levels. Significantly, black applicants and those who did not identify their race consistently have approval rates that are substantially below the mean. One reason for these results may be the skewing of the data due to the very small representation of black consumers making application (less than 6 percent per year, on average). This may also apply to the apparent success for Hispanic applicants (less than 4 percent per year, on average). Nonetheless, this finding suggests

**FIGURE 58: Approval Rate by Race and Income**




Source: HMDA, 2007

some vigilance may be in order among players in the lending industry.

While this analysis reveals distinct differences in rates of approval, it is often difficult to disentangle race from income, especially in light of the high rate of applicants who did not specify their race (nearly 20 percent each year, on average). Still, there appears to be evidence that race plays a role in loan approval in the ORHC, which may or may not be specifically attributable to overt discrimination in lending.

Conventional wisdom points to structural factors that serve to restrict access to the services that accompany participation in the homeownership and mortgage arenas. When prospective homebuyers are prevented from accessing the appropriate opportunities, structural discrimination takes place. Obvious examples of these factors may be steering in the real estate industry, a lack of earning opportunities in the labor market, or too few educational opportunities that can lead to incomes that might improve creditworthiness. While these examples are easy to cite, most structural discrimination is quite unintentional, very subtle and extremely difficult to identify.

## Alternative Lending Sources

### Sub-Prime Lenders

While conventional lenders focus their marketing efforts on consumers with few or no credit blemishes (those with “A” credit), an alternative source of loan funds for consumers with lower credit scores (“B” or “C” credit) is sub-prime lending institutions. While sub-prime lenders simplify the application process and approve loan applications more quickly and more often, these lenders also charge higher interest rates to help mitigate the increased risk in lending to consumers with poorer credit histories. Interestingly, consumers who borrow from sub-prime lenders often do qualify for loans from conventional lenders, but succumb to marketing tactics that encourage them choose sub-prime institutions over conventional. Recent studies by Freddie Mac, the government-sponsored entity that purchases mortgages from lenders and packages them into securities that are sold to investors, show that between 25 percent and 35 percent of consumers receiving high cost loans in the sub-prime market qualify for conventional loans.[32] This may be a result of the loss of conventional lenders in the community. Having fewer lenders from which to choose, consumers select those that are conveniently located, even at a higher price.

"Payday Lenders"

Another source of loans is check cashing or "payday" lenders. Check cashing outlets (such as currency exchanges) cash payroll, government, and personal checks for a fee. Their popularity increases as customers lose access to banks or cannot afford rising fees associated with the inability to maintain minimum balance requirements. Consumers use these outlets for their banking needs and are charged for the services they receive. These businesses offer temporary "payday loans" by accepting a postdated check from the customer, who receives the funds immediately, minus a fee. When used regularly, these fees can equate to double-digit interest rates.

[32] Information for this discussion provided by Miami Valley Fair Housing Center.

Although these services tend to be located in areas of highest minority and low-income concentration, they are also found in very close proximity to local lenders. Customarily, however, they fill the void left by banks that do not service an area or have moved from it.

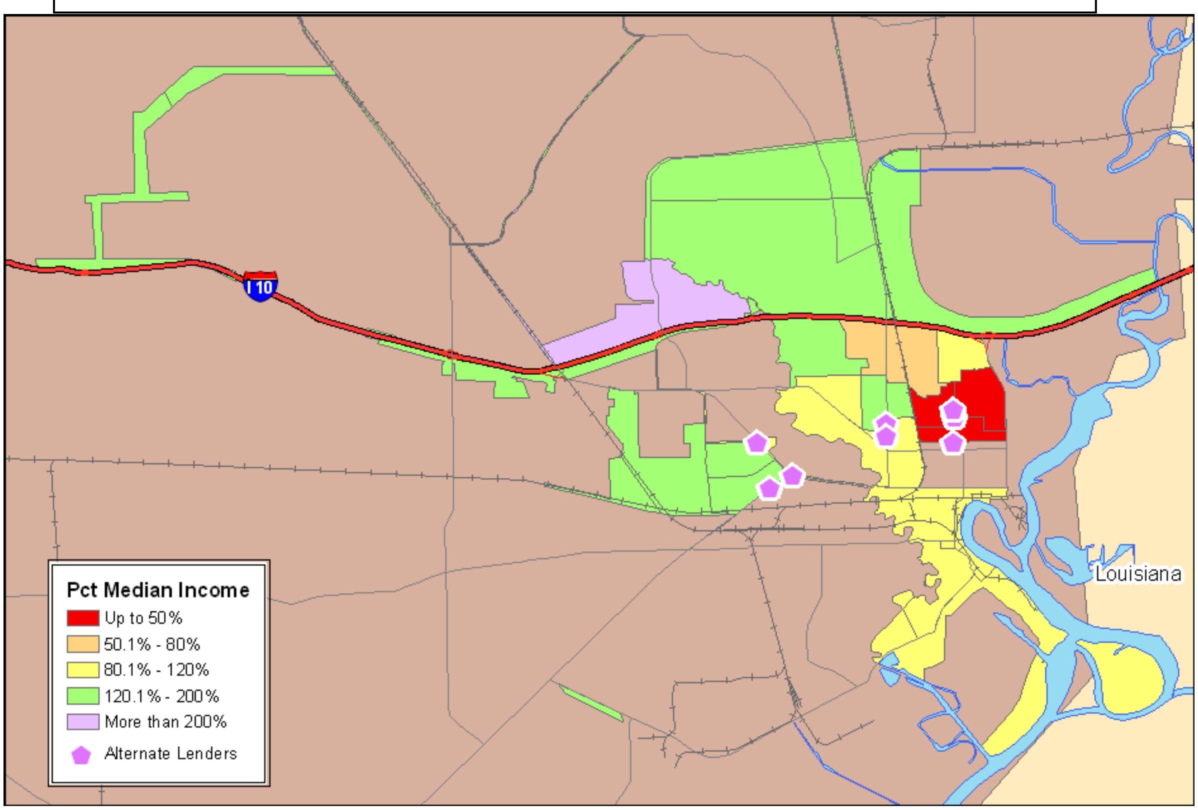
Predatory Lenders

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

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

Sub-prime lenders charge higher rates to compensate for higher risk. While these types of loans and lenders provide an important service to those without opportunities, these institutions have been associated with predatory lending nationally and are a source of potential concern locally. When compared to the list of sub-prime lenders provided by HUD, there were 25 identified within the city limits of Orange that wrote loans in 2007, representing 14.7 percent. In addition, 10 personal lending sources were identified, including pawnshops, "payday" lenders, personal and title loan establishments, and others. These are located throughout the city along the primary traffic corridors in Orange, where they mainly serve low- and mid-income populations, although three are located at the edge of a higher-income area.

FIGURE 59: Locations of Other Lenders in Orange



## OTHER PRIVATE ENTITIES THAT IMPACT FAIR HOUSING CHOICE

### Real Estate and Housing Development Industry

Throughout the analysis period, the Nation's economy experienced a sustained economic decline although the ORHC has lost population and housing due to Hurricane and flood damage.

### Homeowners Insurance Industry

Fair housing is about expanding the housing choice for those restricted by economic, social, political, and other forces. The persistence of unfair housing underlies unequal education, unequal access to jobs, unequal income, and redlining. Redlining is an exclusionary practice of real estate agents, insurance companies, and financial institutions that exists when 'there is a lack of activity by [an] institution to extend credit or coverage to certain urban neighborhoods because of their racial composition; or they are denied because of the year-to-year change in racial composition and the age of structure in a neighborhood regardless of the creditworthiness or insurability of the potential buyer and policy holder or the condition of the property."[33]

Over 40 years ago, an observation was made that "insurance is essential to revitalize our [American] cities. It is the cornerstone of credit. Without insurance, banks and other financial institutions will not—and cannot—

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33 Hutchinson, Peter M., James R. Ostas, and J. David Reed, 1977, A Survey and Comparison of Redlining Influences in Urban Mortgage Lending Markets. AREUEA Journal 5(4):463-72.

make loans. New housing cannot be repaired. New businesses cannot expand, or survive. Without insurance, buildings are left to deteriorate, and services, goods and jobs diminish."[34] This statement can accurately describe many cities in 2008 as well as those in 1968. Investigations and statistical and applied research throughout the United States has shown that residents of minority communities have been discouraged in pursuit of homeownership, while many predominantly white neighborhoods have been successful in attracting those seeking the American dream of owning a home.

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

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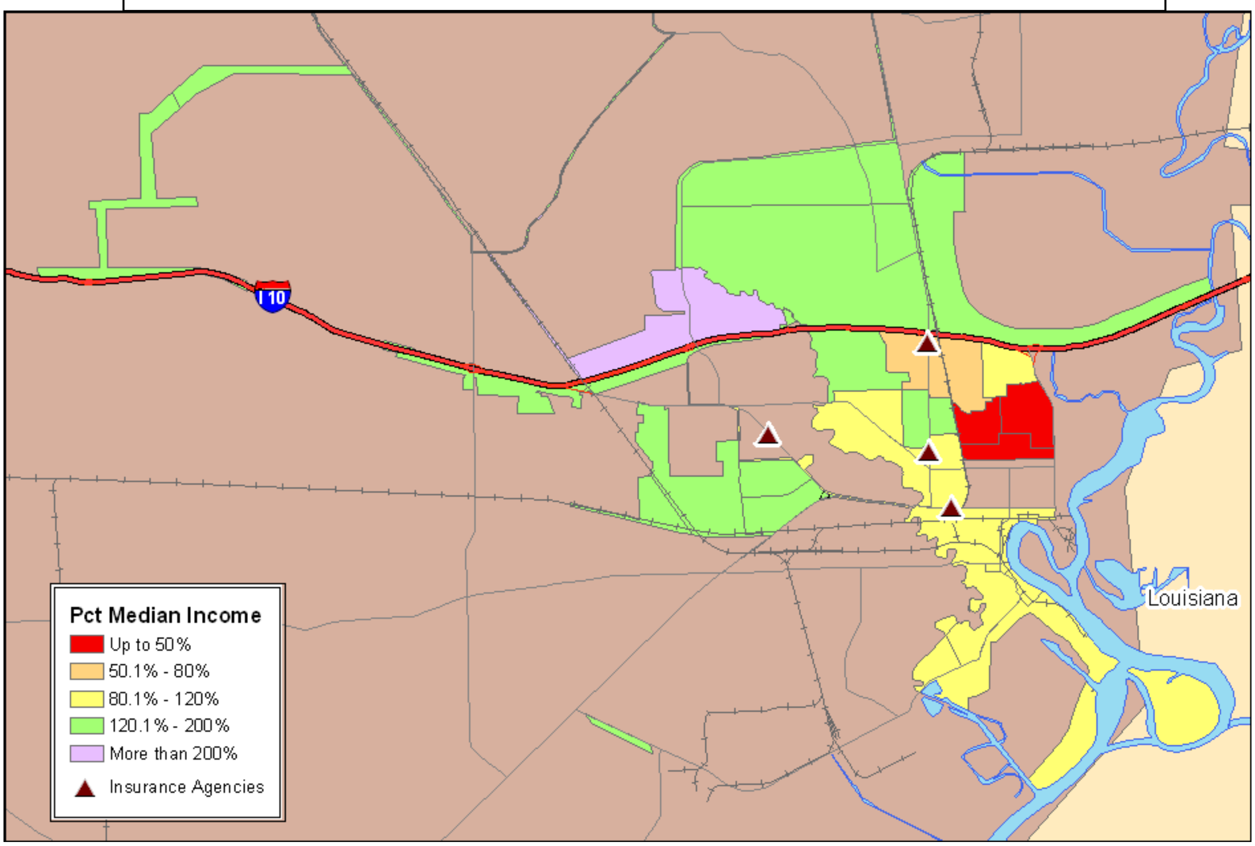
[34] National Advisory Panel on Insurance in Riot Affected Areas, 1968.

Another critical factor in marketing of insurance is the location of agents. Most of the property insurance policies sold by agents are to insure within neighborhoods in which the agent is located. Studies have shown that the distribution of agent locations was clearly related to the racial composition of neighborhoods. A review of the local Orange Yellow Pages[35] shows that the insurance companies who provide homeowners insurance have offices throughout the City. While these are mostly located on main roads, their services are uniformly accessible to households of all but the highest income levels.

FIGURE 60: Location of Insurance Agencies in Orange, NC




In the context of fair housing, discriminatory advertising is any advertising that indicates any preference, limitation, or discrimination

[35] On-line review of www.yellowpages.com, accessed 8/10/09.

based on race, color, religion, sex, handicap, familial status or national original, or an intention to make any such preference, limitation, or discrimination. Overt or tacit discriminatory preferences or limitations are often conveyed through the use of particular words, phrases, or symbols.

The General Public

Three questions were asked of realtors, bankers, and insurance companies:

1. Has your company encountered any acts of discrimination by others against the families your company serves over the last five years?

2. Does your company sponsor any training or educational opportunities on equal opportunity and/or fair housing?

3. Does your company sponsor any training or educational opportunities on equal opportunity and/or fair housing?

The real estate industry was very quick to say that there were not any problems in fair housing from landlords to say the house can only be rented to one race or another and the realtor would explain that the company cannot help the landlord under fair prohibition. The insurance industry was aware of no discrimination besides the disproportionate impact that credit scores have on insurance premiums. They hold no training for themselves or clients. Insurance Company stated that they usually try to talk thru issues with the clients such as not over insuring the home and so forth.

## SECTION VI: CONCLUSIONS AND RECOMMENDATIONS

This section presents the Fair Housing Analysis Update for the Orange 2009-2013 Consolidated Plan. It includes existing impediments to fair housing choice currently being addressed suggestions for removing them. This update centers on subjects based on Public/Private information regarding the real estate, insurance and banking industries, housing authority, Texas Human Rights Commission, and the Atlanta and Texas HUD Offices of Fair Housing and Equal Opportunity, Community Planning and Development, and Public Housing. As the plans are undertaken each year and progress reported in the City's CAPER, they should be tracked by the city's performance measurements system by reflecting resources, goals, output, and outcome for each recommendation/potential impediment.

### Important Considerations

During its review of the City of Orange, some situations were discovered that, while not qualifying as impediments, per se, indicate a certain amount of unfairness and have the potential to foster unfair housing practices. For example,

1. The great discrepancy between the racial composition of the city and that of loan applicants indicates that Black applicants are clearly underrepresented in this market.

2. Loans granted to lower-income borrowers decline in frequency in areas with higher minority populations. While this may be a result of fewer opportunities for homeownership due to the commercial or

industrial nature of the surrounding geographic area, this may be an area that warrants further investigation.

3. There is some evidence that race plays a role in loan approval in Orange, which may or may not be specifically attributable to overt discrimination in lending.

In response, the development of the city's fair housing plan should consider the following improvements.

1. Increase accessibility to loans for black applicants by encouraging private lenders to target their marketing of mainstream products to black and Hispanic consumers.

2. Ascertain that low homeownership rates (where they occur) are a reflection of a geographic area's function and not a reflection of the race, ethnicity, or income levels of its residents.

3. Remedy high vacancy rates in areas with high ethnic concentrations by ensuring availability of and access to services and amenities that will attract other residents.

# Section VI: Conclusions and Recommendations

This section presents the Fair Housing Analysis Update for the City of Orange Consortium 2009-2014 Consolidated Plan. It includes existing impediments to fair housing choice currently being addressed – and the plans recommended to remedy them. The Update centers on the following subjects based on Public/Private information regarding the Real Estate, Insurance and Banking Industries, Housing Authority, Texas Workforce Commission, Texas Insurance Department, and the Fort Worth and Houston HUD Offices of Fair Housing and Equal Opportunity, and Community Planning and Development. The Consortium's prior Analysis of Impediments was conducted in 1996, with a limited update in 2001, and included issues carried over to this update.

## IMPORTANT CONSIDERATIONS

Three key housing related groups in the City/Consortium—the Office of Community Development, CHDO and the City's Housing Authority must all work continually with the private sector to promote and explain the requirements of the Fair Housing Act. Local housing providers do receive calls when an alleged violation occurs, and provide information on the Act, and should provide guidance on how to lodge a formal complaint. Complaints relative to projects funded with federal dollars are directed to HUD and all other situations are directed to the Texas Workforce Commission/Civil Rights Division.

Discussions should be held with the Chamber of Commerce, government officials, Realtors® and individuals regarding discriminatory practices and complaints lodged resolved successfully through mediation. One frequent threat to Fair Housing is the development of housing options for special needs populations. In some instances, residents place significant pressure on local elected officials and zoning officers to deny variances, permits, etc.

The City/Consortium should join with Realtors® to disseminate current information on fair housing as training tools for housing industry professionals. While the City/Consortium and Realtors® work to remove barriers to equal housing opportunities, some lenders have not been as proactive. Home Mortgage Disclosure Act (HMDA) data suggests that the lending practices of major lending institutions in the City/Consortium are not entirely fair, reporting some disparities in accessibility to home mortgage financing by race, income and geographic concentration.

Throughout the year, the City/Consortium and local housing providers must work together to promote fair housing, hold conferences, distribute materials, educate both tenants and landlords, and continually strive to limit the local violations to the Fair Housing Act .

As housing markets expand and become more competitive in the City/Consortium, instances of NIMBYism, or "not in my backyard", may become more common. Whether it is neighborhood opposition to density, low-income housing or housing for special population groups, obtaining a site and approval by communities is difficult. In many cases, the process leads to greater costs, making it difficult to maintain affordability for those who need them. In an effort to open the doors wider to fair housing options for all individuals, the City/Consortium should work closely with local public housing providers, landlords, non-profits government, service providers, and funding institutions to assess the housing needs and promote an organized mechanism for addressing these needs.

At the same time, discussion about limiting sprawl, improving social service delivery centers, and placing special need populations back in the community will continue. This discussion will result in continued conflicts between identifying appropriate housing for those who need the most assistance and finding a place for them to live. Therefore, it will be important to provide community education to ensure the ability to continue to develop affordable housing that will also take into account economic and health issues that are directly related the problems of deteriorated housing including the presence of lead based paint and literacy that relates to employability of the low/moderate income community in the City/Consortium.

Implementation of activities should include:

Developing fair housing brochures and flyers

Disseminating fair housing brochures and flyers throughout the community, via conferences, housing fairs, information racks in public facilities, etc.

Reviewing proposed policies in the City/Consortium land use plans

Recommending the inclusion of policies allowing for a diversity of housing types and locations

Reviewing existing zoning and land development policies for possible revisions to permit more affordable housing

Reviewing successful models for developing new low- and moderate-income housing by other communities and private developers

Finally, the City and ORHC should guide the work of fair housing enforcement and outreach strategies. By approaching the issue of fair housing in a comprehensive way, the City/Consortium will identify the most effective means to achieving compliance and enforcement through outreach, advocacy, investigative services, and testing. All of these efforts contribute to a more educated citizenry relative to increased public awareness and understanding of the issue of fair housing and of the appropriated corrective resources available to residents of the City/Consortium.

Specifically based upon the current data available, the following are the impediments and suggested actions that have been identified for the City/Consortium. The City/Consortium will document and report its actions to HUD on the removal of impediments through Annual Reports which are a part of the Consolidated Plan Process.

### Impediment # 1: Lack of Substantive Fair Housing Initiatives

- The analysis of fair housing complaints from the Fort Worth HUD Office and the Texas Workforce Commission revealed a moderate number complaints over a 10 year period.

- Limited fair housing information is available and there is no indication that the City has created brochures or other training materials that are locally oriented.

- There is no indication that the City/Consortium initiates or requests State assistance in any research or systematic testing programs to ascertain fair housing issues within the City/Consortium.

**Suggested Steps to Remove this Impediment**

1) The City/Consortium should increase its efforts for outreach, training, and education of the community about fair housing rights through all types of media on an ongoing basis. This information should be made available to all City and County Departments, Commissions and Advisory Committees, housing and service providers as well as other public organizations, including libraries, schools, community centers.

2) The City/Consortium should create a publicity and media campaign strategy that will utilize visual and written materials to educate the community about fair housing rights.

3) The City/Consortium could contract with a private fair housing organization, such to conduct testing for discriminatory steering and redlining.

**Impediment # 2: Significant number of dilapidated and abandoned housing units in minority neighborhoods**

- Housing found in various places in the City/Consortium is in substandard condition due to abandonment and/or flood damage and some neighborhood are plagued by a number of absentee owners.

- Demolition continues to be needed to address the flood damaged, as well as, dilapidated and abandoned buildings to allow for replacement housing

- Flood damaged, as well as, abandoned, dilapidated, and deteriorating housing results in disinvestment and declining neighborhoods which ultimately leads to businesses and job opportunities leaving the area.

**Suggested Steps to Remove this Impediment**

1) The City/Consortium needs to accelerate and expand efforts to rehabilitate or demolish substandard housing (including those flood damaged) and build on vacant lots.

2) The City/Consortium should consider the kinds of incentives that can be developed to encourage the private sector, non-profits, lenders, developers and contractors to develop partnerships that can assist in changing neighborhood perception through comprehensive revitalization efforts.

3) The City/Consortium should investigate alternatives for increasing wealth and economic and job opportunities for residents in light of changes in the furniture market which can help in the renovation and acquisition of decent and affordable housing.

**Impediment # 3: Need for financial education and literacy in homeownership/rental**

- Surveys, interviews and feedback from meetings indicate that credit education and financial counseling are lacking in efforts to impact those most in needs of this service. With regards to efforts that are being made, there may be a need to survey local residents to determine what works best for them and hold sessions that are more convenient for their availability.

- Public education is lacking in giving people skills to be more economically independent.

**Suggested Steps to Remove this Impediment:**

1) The City/Consortium should encourage efforts to provide literacy education. Efforts must be made to help those in the community to be pro-active in establishing and maintaining good credit instead of focusing on correcting poor credit. Data showed that most of those experiencing problems in this area were Protected Classes.

2) The City/Consortium should work with local lenders and real estate professionals in helping to develop curriculum and providing instructors for some of the classes. Literacy education should not be limited to the public school, but should take place in neighborhoods and churches.

**Impediment # 4: Potential minority discrimination in homebuyer lending market**

1) Consistently Protected Classes are not an equal partner in the home buying market in the City/Consortium.

2) Prime lenders had few applications and high originations and sub prime lenders had high applications and few originations. Efforts need to be made to establish this market. With the growth in minority residents the desire for home ownership will only increase.

3) Loan data show an under representation of applicants for loan applications and denials based on debt to income ratios and credit history. These are factors which could point to disinvestment in low/mod neighborhoods which limit access to home improvement loans, access to refinancing loans and access to funds to afford new homes.

**Suggested Steps to Remove this Impediment**

1) Lenders need to be made aware of this issue and initiate positive efforts in establishing a market.

2) Working with local lenders, the City/Consortium should do further analysis of lending date to determine to what extent disparate treatment of protected classes accounts for loan denials. This could be an ideal project between the lenders and faith based institutions.

3) The City/Consortium should take an active role in monitoring Home Mortgage Disclosure Act Data to insure that lenders continue to equalize lending practices.