

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FAIR HOUSING AND EQUAL OPPORTUNITY

FAIR HOUSING INITIATIVES PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004	INCREASE + DECREASE - 2004 vs 2003
(Dollars in Thousands)				
<u>Private Enforcement Initiative</u>				
Obligations	10,771	12,150	12,150	...
<u>Education and Outreach Initiative</u>				
Obligations	7,586	6,000	6,000	...
<u>Fair Housing Organizations</u>				
<u>Initiative</u>				
Obligations	5,578	2,100	2,100	...
Total Obligations	\$23,935	\$20,250	\$20,250	...
<u>Budget Authority</u>				
Enacted or Proposed	20,250	20,250	20,250	...
Budget Outlays	20,945	23,959	21,188	-2,771

SUMMARY OF BUDGET ESTIMATES

The overall fiscal year 2004 Budget request for the Fair Housing Initiatives Program (FHIP) is \$20.250 million, the same as the fiscal year 2003 appropriation. An increase of \$6 million is proposed for the Education and Outreach Initiative (EOI).

Funding for FHIP is critical to achieving the Department's Strategic Goal FH: Ensure Equal Opportunity in Housing. The increase funding for EOI will help to address the findings of recent HUD-funded studies which closely examined the following: (1) housing discrimination in the residential sales and rental markets nationwide; (2) public awareness of fair housing laws and how individuals respond to the experience of discrimination; (3) discrimination in mortgage lending; (4) the effectiveness of fair housing testing; and (5) compliance with accessibility requirements of the Fair Housing Act. Taken together, these studies reveal that discrimination in the residential housing and mortgage markets is a common experience and a very small percentage of those who experience it take any action against it. This is due, in part, to a lack of awareness of what Federal, State, and local resources are available to address these problems coupled with a belief that government agencies are not adequately equipped to address these issues.

JUSTIFICATION

The justification for funding in FHIP is based on the following:

The Findings of HDS 2000. The HUD-commissioned Housing Discrimination Study, conducted in 2000 (HDS 2000), provides the most rigorous nationwide estimates of housing discrimination since HUD's Housing Discrimination Study in 1989.

Although, HDS 2000 found that since 1989 African American renters and homebuyers and Hispanic homebuyers experienced modest declines in discrimination rates, the level of housing discrimination against these groups remains intolerably high. Further, discrimination against Hispanic renters has remained virtually the same. We expect this problem to be exacerbated as the nation's Hispanic population continues to grow at unprecedented rates. The Hispanic population has already grown by 58 percent since 1990.

New Evidence of a Lack of Awareness of Fair Housing Laws. A recent HUD study, "How Much Do We Know?" dated April 2002, examined the extent to which the general public is aware of the nation's fair housing laws and their prohibitions against rental and sales discrimination.

The study indicates that while fair housing education and enforcement has greatly increased, many Americans do not recognize unlawful discrimination when it occurs. For example, 46 percent of people surveyed did not know that it is illegal for real-estate agents to limit a home search to certain neighborhoods based on the race of the home seeker and the racial composition of the neighborhood. When asked about differential treatment of families with children, an alarming 62

percent of those surveyed were not aware that it was illegal, even though it has been prohibited by Federal law for over 13 years.

New Evidence of an Underreporting of Housing Discrimination. The HUD awareness study, "How Much Do We Know?" also found that many persons who felt they had experienced discrimination did not report it.

According to the study, almost one in every five people who believe they experienced discrimination does not know what their rights are and where to complain. This suggests "a much greater incidence of perceived housing discrimination among the general public than a tally of complaints by government agencies, fair housing groups, or the legal system indicate." As a result of these findings, the report emphasizes that actions need to be taken "to raise the level of public knowledge about the complaint and enforcement process, and to encourage greater trust in the efficacy of the system."

The results of this study concur with the findings of a 2001 study of segregation in Washington DC by the George Washington University. That study found that, "Out of the 10.9 percent of blacks who reported that they experienced discrimination within the housing market, more than 90 percent did not take legal action, and one of the key reasons for not doing so was because they thought that nothing would come of it." The study also reported that of all respondents who experienced discrimination, 37 percent did nothing about it because of a lack of funds and lack of knowledge of where to file a complaint. The report concluded, "In light of the number who took no legal action because they did not have the money, or did not know where to file a complaint, there appears to be a substantial misunderstanding of the rights available to housing discrimination victims. Stronger enforcement efforts are warranted. An increased effort is needed to address discrimination issues facing prospective homebuyers and rental seekers."

New Evidence of Discrimination in Mortgage Lending. A recent HUD-commissioned study of two major metropolitan areas titled "All Other Things Being Equal" dated April 2002, documented how African Americans and Hispanics are more likely than whites to receive unfavorable treatment when they inquired about mortgage loans. African American and Hispanic Homebuyers were more likely to be denied basic information on loan amounts, quoted lower loan amounts, told about fewer products, offered less coaching, and received less follow-up than white with similar financial characteristics.

Proven Effectiveness of Fair Housing Testing. The HUD-funded Urban Institute study, "A National Report Card on Discrimination in America: The Role of Testing" concluded, "There is a broad agreement that a meaningful reduction in rental discrimination will require a great deal more testing and enforcement. These tests will, over time, require the use of more sophisticated testing techniques and necessitate a higher level of expenditure." The study specifically stated that organizations need adequate funding under HUD's fair housing programs in order to carry out this critical activity.

An Expected Increase in Disability-Related Complaints. Finding accessible housing is one of the biggest challenges for persons with disabilities. Two recent reports, one by the National Council on Disability and one funded by HUD found that much more must be done to achieve compliance with the Fair Housing Act's multifamily housing accessibility requirements that went into effect in 1991.

Additionally, President Bush's New Freedom Initiative calls for the swift implementation of the Supreme Court's decision in *Olmstead vs. L.C.* *Olmstead* holds that unjustified isolation or segregation of qualified individuals through institutionalization is a form of unlawful disability-based discrimination. The Department expects an increase in disability-related complaints as qualified individuals move into mainstream society.

EXPLANATION OF INCREASES AND DECREASES

The overall FHIP budget is the same as requested in fiscal year 2003, however an increase of \$6 million is provided for the Education and Outreach Initiative. The budget request will fund and augment the continuation of:

Public Awareness Media Campaign. This campaign will increase over the fiscal year 2003 level. HUD proposes an increased amount for this component over the fiscal year 2003 level. One of HUD's initiatives is to make the public more aware of their rights and responsibilities under the Fair Housing Act. A major study "How Much Do We Know" April 2002, emphasized the continuing need for public education on fair housing laws. The study pointed out that there is a widespread lack of public awareness of the nation's fair housing laws, particularly as they apply to persons with disabilities, to real estate search practices and to families with children. Additionally, the study found that many individuals who felt they had experience housing discrimination did not know how to file a complaint.

Providing a centralized, coordinated effort for a national fair housing media campaign is vital to HUD's mission to prevent or eliminate discriminatory housing practices. In fiscal year 2004, FHIP organizations will continue to fund throughout the country a major education and public awareness campaign in support of study findings. The Department will work closely with all interested parties, including fair housing groups, consumer groups, Federal, State and local governments to educate the public regarding its rights and responsibilities under the Fair Housing Act.

Fair Housing Initiatives Program

Combating Predatory Lending. Education of minorities, the elderly and women is vital to curbing the widespread damaging effects of predatory lending. In fiscal year 2004, the FHIP program will continue to fund a major education and public awareness campaign to combat predatory lending and support enforcement efforts. This will be funded as part of the Education and Outreach Initiative national program component. HUD proposes an increase for this particular component over the fiscal year 2003 level. The Department will work closely with all interested parties, including fair housing groups, consumer groups, Federal, State, and local governments, and the lending and real estate industries to put an end to predatory lending practices. Predatory lenders frequently target racial and ethnic minorities, the elderly and women for mortgage loans that have exorbitant fees and onerous conditions. These lenders employ deceptive and aggressive sales tactics that take unfair advantage of the borrower's lack of education and knowledge of mortgage loan transactions. This problem is compounded by the findings of a recent study titled "All Other Things Being Equal." The study examined the treatment African-Americans and Hispanics receive when seeking a conventional mortgage loan, and found that lenders were more likely to offer less services and lower loan amounts to African-Americans and Hispanics than to whites with comparable financial characteristics. When African Americans and Hispanics receive adverse treatment by mainstream lenders, they may be more vulnerable to the practices of predatory lenders.

Grassroots and Community and Faith-Based/Fair Housing Partnerships. This will be funded as part of the Education and Outreach Initiative Regional/Local/Community-Based Program. Although community and faith-based organizations often do not have extensive experience on educating the public on fair housing laws, they often have constituencies and networks that would benefit from a better understanding of these laws. Through community and faith-based organizations, the Department will continue its efforts to build "bridges" between fair housing organizations and the constituents of faith-based and community organizations.

Efforts will be placed on working with grassroots and faith-based organizations that have strong ties to groups identified by HDS 2000, particularly the growing Hispanic population, as being most vulnerable to housing discrimination.

Southwest Border "Colonias." This will be funded as part of the Fair Housing Organizations Initiative. HUD has identified barriers to affordable housing in the southwest border areas of Texas, California, New Mexico, and Arizona known as "colonias." Colonias refer to unincorporated settlements that may lack basic water and sewer systems, paved roads, and safe and sanitary housing and whose residents may be targeted for predatory lending practices. FHIP-funded fair housing organizations with grants targeted to these areas would provide information on the Fair Housing Act and substantially equivalent laws and would respond to allegations of discriminatory practices. This strategy will support Strategic Goal FH; Ensure Equal Opportunity in Housing.

Project for Accessibility Training and Technical Guidance (PAT TG). Over 200,000 multifamily projects have been built since the Fair Housing Act accessibility requirements went into effect on March 13, 1991. A HUD-commissioned study prepared by Steven Winter Associates, Inc., which inspected 988 dwelling units in 397 multifamily buildings constructed between 1991 and 1997, found that while a significant number of multifamily buildings comply with a fair number of required design features, the number of buildings compliant with all of the required design features is very low. Approximately \$1.4 million will go toward funding the second phase of the PAT TG, which will provide direct assistance to architects, the building industry and others on how to design and construct multifamily buildings in compliance with the accessibility requirements of the Fair Housing Act. HUD initiated the PAT TG consistent with the direction of the House and Senate Subcommittees on Appropriations as reflected in the fiscal year 2000 Appropriations Reports (pages 32 and 55, respectively). Those reports directed HUD to develop a plan for further educating architects, builders, developers, and local building code officials and others on the Fair Housing Act's accessibility requirements. The second phase will accomplish this. As a result of the pilot activities conducted during the base year, the contract will establish a central Design and Construction Resource Center from which training can be conducted and materials can be dispensed nationwide.

TOTAL BUDGET ALLOCATION

Overall, the fiscal year 2004 Budget for FHIP will be allocated in the following manner:

Currently, there are three program initiatives funded under the FHIP authorizing statute-- (1) Education and Outreach, (2) Private Enforcement, and (3) Fair Housing Organizations. Since fiscal year 1996, HUD has not sought funding for the fourth initiative, Administrative Enforcement Initiative (AEI) as this initiative provided funding to substantially equivalent State and local agencies that now receive their funding under the Fair Housing Assistance Program (FHAP). All FHIP-funded projects are required to address discrimination under each of the categories highlighted in the Fair Housing Act (race, color, religion, sex, familial status, national origin, and disability); however, applicants for FHIP funding will also be advised to emphasize the program activities outlined in this year's Budget (public awareness, accessibility requirements, Southwest Border (colonias), and partnerships between fair housing and community and faith-based grassroots organizations).

1. Education and Outreach Initiative (EOI) \$12.150 million. This Initiative provides funding for projects that educate the public on the rights and obligations of the Fair Housing Act and substantially equivalent State and local fair housing laws. These effort will be directed by the findings of recent awareness studies, including "How Much Do We Know?"

that point out the extent to which the general public is aware of the actions prohibited by the nation's fair housing laws.

The Budget requests approximately \$12.150 million for this Initiative. This would allow awards for the EOI General and Disability Components and funding for PATTG and Predatory Lending. This will be used to continue support for fair housing activities throughout the country with an emphasis on increasing public awareness, persons with disabilities, and on developing grassroots community and faith-based fair housing partnerships.

2. Private Enforcement Initiative (PEI) \$6. million. This Initiative provides funding to private, tax-exempt organizations that have engaged in enforcement-related activity for at least a year in the 2 years preceding the filing of the FHIP application.
3. Fair Housing Organizations Initiative (FHOI) \$2.1 million. The purpose of FHOI is to establish fair housing enforcement agencies in unserved and underserved areas. This Initiative provides funding to increase fair housing enforcement either by establishing new fair housing enforcement organizations or by expanding the capacity of existing organizations to engage in fair housing enforcement. Our current fiscal year 2003 Budget calls for the creation of up to 2 new FHIP organizations in underserved areas. These new organizations will serve areas, such as those identified by HDS 2000, that lack substantially equivalent State and local fair housing agencies, lack private fair housing enforcement groups, and have a large and growing community of individuals who have proven to be most vulnerable to housing discrimination (such as racial and ethnic minorities who are not English speaking or have limited proficiency in English).

The Budget requests \$2.1 million for this Initiative. This Initiative was restructured in fiscal year 2001. The changes reflected in the restructuring incorporate sound business principles that take into account that new organizations need sufficient time, start-up funds and other resources to become vital and self-sustaining organizations. The sponsoring organizations and the newly sponsored organizations are required to meet certain performance measures for each year's funding, including demonstrating that they have leveraged increasing amounts of non-FHIP resources.

PROGRAM DESCRIPTION AND ACTIVITY

Legislative Authority. Section 561 of the Housing and Community Development Act of 1987, as amended, authorizes the execution of grants, contracts, or cooperative agreements with State or local government agencies, public or private nonprofit organizations, institutions or other entities that are formulating or carrying out programs to prevent or overcome discriminatory housing practices. FHIP supports projects and activities designed to enhance compliance with the Fair Housing Act and substantially equivalent State and local laws. Section 905 of the Housing and Community Development Act of 1992 expanded the provisions of the Fair Housing Initiatives Program to build the capacity of fair housing organizations in unserved and underserved areas, to establish a national media campaign for dissemination of fair housing information, and to establish funding for celebration of National Fair Housing Month.

Purpose. The Housing and Community Development Act of 1987 established the Fair Housing Initiatives Program for the purpose of preventing and overcoming housing discrimination. This program provides a coordinated approach to further the purposes of the Fair Housing Act, to guarantee the rights of all people to seek housing in an open market free of discrimination, and to inform the public and the housing industry of its rights and obligations under the Fair Housing Act. FHIP also enhances and facilitates the delivery of the Department's housing and community development programs, such as HOME and Community Development Block Grants, by providing a free and open housing market.

PROGRAM ACCOMPLISHMENTS

- For fiscal year 2002, the FHIP received a 55 percent increase in the number of applications requesting FHIP funding. In fiscal year 2002, the Department was able to fund 99 awards under FHIP. A significant number of FHIP agencies have been receptive to submitting proposals that addressed the Administrations strategic goals dealing with reducing housing discrimination and eliminating homelessness, and ensuring equal opportunity for all. For example, most of the increase for fiscal year 2002 was under the EOI where many of the applicants were first-time faith-based and grassroots community organizations.
- FHIP initiated a Model Codes activity under a previous budgeted amount that would promote collaborative activities involving disability rights advocacy groups, housing industry organizations, and other agencies and institutions capable of encouraging adoption of building codes at the State and local levels that are consistent with the accessibility requirements of the Fair Housing Act. The awardee has made contact with housing industry persons and elected officials in all 50 States to determine the consistency of their building code requirements with the accessibility requirements of the Fair Housing Act. Additional work is underway.
- According to a report entitled, "\$170,000,000 and Counting," which summarizes the FHIP's achievement in litigation and in reducing housing discrimination, "at least 50 percent of the litigation activity reported has been assisted through HUD resources."

Fair Housing Initiatives Program

ADMINISTRATIVE EXPENSES

FTE/OBJECT CLASS	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004
FTE			
Headquarters	10	14	14
Field	31	40	40
Total FTE	41	54	54
S&E Cost (Dollars in Thousands)			
Personal Services	\$3,343	\$4,505	\$4,915
Travel	41	61	61
Total S&E Cost	\$3,384	\$4,566	\$4,976