



# Analysis of Impediments to Fair Housing City Of Charlotte 2010

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## **EXECUTIVE SUMMARY**

Charlotte is a community comprised of more than 199 neighborhoods, which span in all directions from “Uptown”. The City has experienced rapid population growth over the last twenty years, mirroring similar growth in Mecklenburg County. At the same time, household size has decreased, signaling an increased need for housing units, particularly to serve singles and smaller households.

The increase in the median age of the population coupled with the decline in numbers of elder individuals (aged 65 and older) supports that this increase in the population is taking place among those in their middle years. At the same time, while the homeownership rate is steadily increasing, it remains below the national figure.

The primary historical center of Charlotte's vibrant African-American community is west of Uptown, starting at the Johnson C. Smith University campus and extending in a wide swath all the way to the airport. The eastward Central Avenue corridor is known for its international population, including East Europeans, Greeks, Middle-Easterners, and Hispanics. North Tryon Street and the Sugar Creek area include several Asian-American communities in the mix.

Top growth industries in Charlotte continue to be education, health and social services, finance, insurance, real estate, rental and leasing, and professional, management and administrative services. Between 2000 and 2007, unemployment in Charlotte was aligned with the nationwide rate, but began to outpace both the national and state rates in 2008. Incomes have risen in the area, but more than 20 percent of the population still earns less than \$25,000 per year.

### **PURPOSE**

This Analysis of Impediments (AI) provides complete demographic information regarding population, race/ethnicity, labor force, unemployment, household make-up, income, tenure, age/condition, supply/demand and affordability. The analysis also reviews the City's Rental Housing Market that serves as guidance in conjunction with the updated Consolidated Plan/Action Plan beginning July 1, 2010.

### **BACKGROUND**

The right to Fair Housing 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.

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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. In addition, the State of North Carolina Fair Housing Law has been amended to specifically deal with housing affordability...

“(g) It is an unlawful discriminatory housing practice to discriminate in land-use decisions or in the permitting of development based on race, color, religion, sex, national origin, handicapping condition, familial status, or, except as otherwise provided by law, the fact that a development or proposed development contains affordable housing units for families or individuals with incomes below eighty percent (80%) of area median income....”<sup>1</sup>

#### **FAIR HOUSING COMPLAINTS IN CHARLOTTE SINCE 2005**

Even though discrimination in the housing market is illegal, the practice still persists. The City of Charlotte's Fair Housing Strategy addresses discrimination in housing through the enforcement of the City and County Fair Housing Ordinances. The Charlotte-Mecklenburg Fair Housing Ordinances prohibit discrimination in housing due to race, color, national origin, religion, gender, familial status, and disability.

Within the City of Charlotte and Mecklenburg County, the Charlotte-Mecklenburg Community Relations Committee (CRC) is responsible for the enforcement of fair housing laws, the mediation/conciliation and the litigation of fair housing complaints. The CRC educates and trains citizens in fair housing law compliance and discrimination prevention. The CRC receives, investigates and monitors complaints of discrimination in housing and public accommodations.

The Charlotte-Mecklenburg Community Relations Committee (CRC) has an excellent track record with enforcing Fair Housing laws in the community and continues to outperform regional and national success rates. Through education, outreach and working with other governmental and nonprofit agencies, CRC is dedicated to developing programs to eliminate discrimination and further fair housing.

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<sup>1</sup> North Carolina Fair Housing Law

<b>COMMUNITY RELATIONS COMMITTEE (CRC) COMPLAINT WORKLOAD</b> (CHARLOTTE) <b>FY 2005 - FY 2010</b>							
<b>Complaints</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>Totals</b>
Race	12	10	23	14	6	13	78
Race /Family Status	5	3	0	3	1	0	12
Color	0	1	0	0	0	0	1
Disability	3	3	4	6	6	6	28
Disability/Race	0	2	0	2	3	1	8
Disability/Religion	0	0	0	1	0	0	1
National Origin	1	17	13	17	16	7	71
National Origin/Family Status	0	1	0	0	0	0	1
National/Origin/Race	0	0	4	1	0	2	7
National Origin/Disability	0	0	0	0	1	0	1
National Origin/Sex	0	0	0	0	1	0	1
Family Status	1	1	1	1	2	1	7
Sex	0	2	0	4	1	1	8
Race/Religion	1	0	0	0	0	0	1
Race/Sex	0	0	1	3	3	1	8
Race/Sex/Family Status	0	0	0	1	0	0	1
Race/Sex/Religion	0	0	0	1	0	0	1
Religion	0	0	0	0	0	1	1
<b>Totals</b>	<b>23*</b>	<b>40</b>	<b>46</b>	<b>54</b>	<b>40</b>	<b>33</b>	<b>236</b>

\* Does not include carry-over cases. The total number of carry-over cases was 31, as shown in the chart

<b>CRC – CASE OUTCOMES</b> <b>FY 2005 - FY 2010</b>							
<b>Categories</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>Totals</b>
Cause Court Case Pending	1	2	0	0	0	0	3
No Cause Findings	13	14	14	20	13	18	92
Conciliations	8	11	16	16	12	3	66
Waived to HUD	5	2	2	3	0	4	16
Withdrawals	4	5	12	5	7	5	38
Failure to Cooperate	0	2	0	9	6	3	20
Failure to Locate Complainant	0	0	0	1	2	0	3
Lack of Jurisdiction	0	4	2	0	0	0	6
<b>Totals</b>	<b>31</b>	<b>40</b>	<b>46</b>	<b>54</b>	<b>40</b>	<b>33</b>	<b>244</b>

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## **Impediments Identified**

The Fair Housing Analysis Update for Charlotte includes impediments to fair housing choice currently being addressed and the plans recommended to remedy them. The City's prior Analysis of Impediments was conducted in 2006 and included issues that are carried over to this update. This update is based on available public and private sector information from the CRC, real estate, insurance and banking industries, the Charlotte Housing Authority, and the Atlanta and Greensboro U. S. Department of Housing and Urban Development (HUD) Offices of Fair Housing and Equal Opportunity and Community Planning and Development.

Specifically based upon the current data available, the following are the impediments and suggested actions that have been identified for the City. Of the three impediments, two are carried over and continuing over a longer term. The City 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 Access to Affordable Homeownership**

As was the situation in the previous Analysis, the importance of homeownership cannot be overstated, both as a means to increase household wealth and as stabilizer in at-risk neighborhoods. The cost of housing in the Charlotte metro area, however, excludes many lower-income households from homeownership. Local efforts must continue to include homeownership education and opportunities for prospective homeowners at the lowest income levels, including thorough and comprehensive information on access to loans, through diligent marketing efforts that reach all segments.

Suggested Steps to Remove this Impediment:

1. With the economic downturn during the past two years, together with the large number of countywide foreclosures, the cost of housing remains largely a matter of economics in the private sector. It is possible for a public entity, such as the City of Charlotte, to promote homeownership education and opportunities for prospective homeowners at the lowest income levels. Through diligent marketing efforts to all socio-economic segments, the City of Charlotte can provide information on available down-payment assistance and other homeownership programs as well as information on access to loans.
2. Municipal programs targeted at minorities (particularly African-American and Hispanic residents) should include educating the population on the importance of homeownership and how to access local lending resources.

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### **Impediment #2: Gate-Keeping of Protected Classes**

"Gate-keeping" describes the effort of some rental agents to pre-qualify applicants by making sure that the applicant meets certain qualification standards before being shown the property. Then, based on the results of the prequalification, the rental agent shows only certain properties or adjusts the prices of properties in order to control where people live. Gate-keeping is more insidious than outright discrimination, because the applicant is very likely being discriminated against, but just does not know it. This kind of sly discrimination is unfair to both cities and citizens because, by channeling certain races or ethnicities into specific rental units, these agents are creating entire neighborhoods of a single race or ethnicity. Charlotte is a diverse City, and its neighborhoods should reflect that diversity.

The greatest impediment to fair housing choice for African-Americans and people of Latino descent was residential segregation and the economic disparities that foster it. The Community Relations Committee conducted testing and issued a Report, "Housing Discrimination Study (HDS) 2000", to determine the level and type of discrimination faced by both African-Americans and people of Latino descent in Charlotte/Mecklenburg during 2006. The Report found a significant level of "gate-keeping" of both of these classes. Significant levels of discrimination were found in the Latino community. Charlotte experienced a 87.1 percent growth in its Latino population since the last census; this sub-group currently comprises 11.2 percent (up from 7.4 percent in four years) of the population.

Suggested Steps to Remove this Impediment:

1. Develop print and media campaign to provide education and outreach to a variety of groups on the fair housing law. This campaign should be carried out in a variety of languages.
2. Survey (through bi-lingual outreach and education) the Latino community to determine what is driving current housing patterns.
3. Continue to conduct lending and sales baseline audits to determine what role gate-keeping plays in the lower homeownership rates experienced by African-Americans and Hispanics.

### **Impediment #3: Increase in Fair Housing Complaints filed by Hispanics**

CRC has increased outreach and tenants rights sessions in the Hispanic/Latino community. These actions have heightened interest in identifying and understanding housing impediments facing Charlotte's Hispanic/Latino citizenry. This increase in

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awareness and the growth of the Hispanic/Latino population has resulted in an increase in the number of Hispanic/Latino fair housing concerns.

**Suggested Steps to Remove this Impediment:**

1. By providing education and outreach to inform Hispanic/Latino residents of their fair housing rights and testing, the public needs to be apprised of how Hispanics' rights are being violated. Regardless, CRC staff will continue to investigate and resolve any and all complaints filed with CRC.
2. CRC continues to collaborate and partner with organizations like Community Link, Latin American Coalition, Latin American Council of Charlotte and the Charlotte Coalition for Social Justice, in support of financial literacy, first time homebuyer programs and anti-predatory lending campaigns in the community.
3. CRC continues to develop print and electronic media to provide education and outreach to a variety of groups on the Fair Housing law.
4. Neighborhood & Business Services (N&BS) continues to increase its marketing efforts in the HouseCharlotte down payment assistance program, with particular attention paid to minority neighborhoods. N&BS will also collaborate with financial partners, Community Link, Consumer Credit Counseling Services, Charlotte-Mecklenburg Housing Partnership and SocialService.com to disseminate information about available homeownership education programs and access to loan products tailored for lower income households.



## **SECTION I: Introduction and Methodology**

As stated in the Executive Summary, 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. In addition, the State of North Carolina Fair Housing Law has been amended to specifically deal with housing affordability...

“(g) It is an unlawful discriminatory housing practice to discriminate in land-use decisions or in the permitting of development based on race, color, religion, sex, national origin, handicapping condition, familial status, or, except as otherwise provided by law, the fact that a development or proposed development contains affordable housing units for families or individuals with incomes below eighty percent (80%) of area median income....”<sup>2</sup>

The right to Fair Housing is assured by the Federal Fair Housing Act 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 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.

Since the CRC has been determined by HUD to be “substantially equivalent”, the CRC is empowered to accept complaints, serve notice of complaints, conduct investigations into alleged discriminatory housing practices, make determinations and adjudicate cause findings.

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:

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<sup>2</sup> North Carolina Fair Housing Law

**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 sector as well as public sector activity.

The Charlotte Fair Housing Analysis of Impediments discusses the results of earlier Analysis of Impediments and the steps the City intends to take to implement policies that will prevent and eliminate housing discrimination in the City.

## **METHODOLOGY**

The Analysis of Impediments (AI) was conducted on the behalf of the City of Charlotte (the City) by Training & Development Associates (TDA, Inc.), involved a variety of data collection and analysis techniques, including:

- Analyzing demographic data available through the U.S. Census Bureau, as well as descriptive data pertaining to the Mecklenburg County housing market and trends in real estate over the past ten years.
- 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 Statistical Area (MSA) that are available to the public at central data depositories located in each MSA.

### **Source Documentation Review**

A review of source documents, including the most recent AI, conducted in 2006, the 2010-2015 Consolidated Plan, the City's Fair Housing Records, most recent HUD , as well as, the City's most recent Consolidated Action Plan Evaluation Report (CAPER).

To begin an examination of current Fair Housing policies and strategies, this report will look at past accomplishments and look at the City of Charlotte, Mecklenburg County and other North Carolina communities to provide a basis of comparison between what the Charlotte's Fair Housing Plan proposes to do and further steps it can and should take to affirmatively further fair housing.

## **SECTION II: Demographic and Economic Overview**

This section profiles the City of Charlotte's demographic and housing trends by examining and mapping data from the 1990 decennial Census, 2000 decennial Census, 2006-2008 American Community Survey 3-year estimates 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.

This Section provides an overview of the City of Charlotte's demographic and housing profile in 1990, 2000 and 2008. The population within the city increased by 36.9 percent between 1990 and 2000 to reach 542,131 (from 396,003 in 1990), and rose again by 2008 to an estimated 668,796 (23.4 percent increase). This occurred against a backdrop of similar growth countywide (36.0 percent increase from 1990 to 2000, and an additional estimated 24.0 percent to 2008).

At the same time, the number of households rose by 35.8 percent from 1990 to 2000, and by another 28.0 percent by 2008. The faster increase in number of households than in population supports the decrease in household size from 2.32 in 1990 to 2.09 in 2008.

From 1990 to 2000, the percent of persons 65 and older in the City of Charlotte declined from 9.8 to 8.7 percent, and fell again to 8.3 percent in 2008. Despite this decline, the median age of the population has gradually risen from 33.0 years in 1990 to 35.4 years in 2000, and an estimated 37.6 in 2008.

The attached, Appendix A, provides complete demographic information regarding population, race/ethnicity, labor force, unemployment, household make-up, income, tenure, age/condition, supply/demand, and affordability. The balance of this Section reviews the City's Rental Housing Market that serves as guidance in conjunction with the updated Consolidated Plan/Action Plan beginning July 1, 2010.

### **LANGUAGE ACCESS PLAN**

The AI conforms with N&BS Language Access Plan standards. All notices, drafts and final documents were produced in both English and Spanish.

**BACKGROUND**

In April 2007, Robert Charles Lesser & Co., LLC (RCLCO) was retained by the City of Charlotte's Neighborhood & Business Services Department to update an assessment of the net affordable rental housing needs in Mecklenburg County, North Carolina. The purpose of this assessment was to assist the City of Charlotte in preparing a five-year Housing and Community Development Plan for the U.S. Department of Housing and Urban Development and assist the City's Housing Trust Fund Advisory Board in making trust fund allocation recommendations to City Council. The original assessment was completed by RCLCO in the Spring of 2005.

**OBJECTIVE**

The objective of this assessment was to identify and project unmet affordable housing needs for households earning below 30%, 50%, and 80% of the Area Median Income (AMI), including housing for the elderly and special needs population ("priority needs" households) and understand how changes in the housing market, such as the increased use of adjustable and exotic mortgages, are impacting the affordable housing demand in Mecklenburg County.

Using available demographic, economic and housing data for the Charlotte market (including the U.S Census, Claritas, Market Opportunity Research Enterprises (MORE), and the Carolina's Real Index), quantified the current and projected five-year housing supply and demand for priority needs households in Mecklenburg County and in each of the seven Charlotte-Mecklenburg Planning Districts (North, Northeast, Northwest, Central, South, Southeast, Southwest). In addition, calculations of the number of renter households by type and size of housing units were taken into consideration (i.e., number of renter households within single-family homes, and the number within various sized multi-family properties).

In order to meet the specified objectives of this study, RCLCO completed the following analytical tasks:

1. Obtained and analyzed current data on existing economic and demographic trends and conditions in Mecklenburg County, the Southeast United States, and the United States. This data, along with the 2005 U.S. Census American Community Survey and Public Use Micro-data Sample (PUMS) data, was then used to quantify the number of households in Mecklenburg County by household type, income range, and tenure.
2. Analyzed data from available housing data sources, including Market Opportunity Research Enterprises (MORE), Carolinas Real Data, the U.S. Census and Claritas to understand existing re-sales and new home sales in Mecklenburg County as well current home values and rental rates for rental properties. This data, along with Census and PUMS data, was utilized to understand demand & supply relationships in the county and the seven planning districts.

3. Synthesized and analyzed the above demographic and housing data to determine and project housing affordability by income range and tenure for priority needs households in Mecklenburg County and the seven planning districts through 2012.
4. Examined foreclosure data for each of the seven Charlotte-Mecklenburg Planning Districts to determine trends in the most common housing values involved in foreclosures.
5. A number of changes have been made to the model since the 2005 report that have impacted both the number of priority needs households and the net unmet demand for housing at affordable price levels. They include:
  - a. Total household growth in Mecklenburg County has occurred at a significantly higher pace than previously forecasted.
  - b. RCLCO refined the affordable housing model developed during the original study to differentiate between median household income by household size. This resulted in a decrease in the overall number of priority households.
  - c. In addition, to changes to median household income, RCLCO adjusted projected interest rates. Currently, interest rates are projected to remain around 6% - 6.4% for the immediate future. This differs from the original study, at which time interest rates were projected to return to 2000 levels of 8 percent.
  - d. Substandard occupied units, defined as those which lack adequate plumbing facilities as tracked by the census, were added to the unmet housing demand for affordable units.
  - e. Finally, a provision for monthly utilities cost was included in the analysis for the affordable rent payment for a household.

## SECTION III: Fair Housing Status - 2010

### CHARLOTTE-MECKLENBURG COMMUNITY RELATIONS COMMITTEE

The Charlotte-Mecklenburg Community Relations Committee (CRC) serves as an integral part of the human relations support system for the City of Charlotte and Mecklenburg County, and is a statutory agency of the City of Charlotte and Mecklenburg, authorized by Chapter 12 of the Code of the City of Charlotte and a Memorandum of Understanding between the City and County dated July 7, 1969.<sup>3</sup>

The primary function of the CRC is to prevent discrimination and promote harmony among the citizens of Charlotte and Mecklenburg County. To address this role, the CRC promotes awareness of the community's multiculturalism and provides diversity training; promotes community-based mediation and provides conflict resolution training; investigates discrimination in housing (including education and training); and enhances community knowledge and trust in the process for receiving, investigating and adjudicating complaints of police misconduct.

Additionally, the City of Charlotte and Mecklenburg County depend on CRC to monitor and improve the quality of human relations within the community. CRC interprets the social inclinations and frustrations of the community's citizens. CRC's human relations efforts address not only long time residents and black and white issues, but the issues and conflicts experienced by the many racially and ethnically diverse newcomers that now call Charlotte-Mecklenburg home. More recently, CRC worked on issues of parenting, gang involvement, mentoring and initiatives around youth.

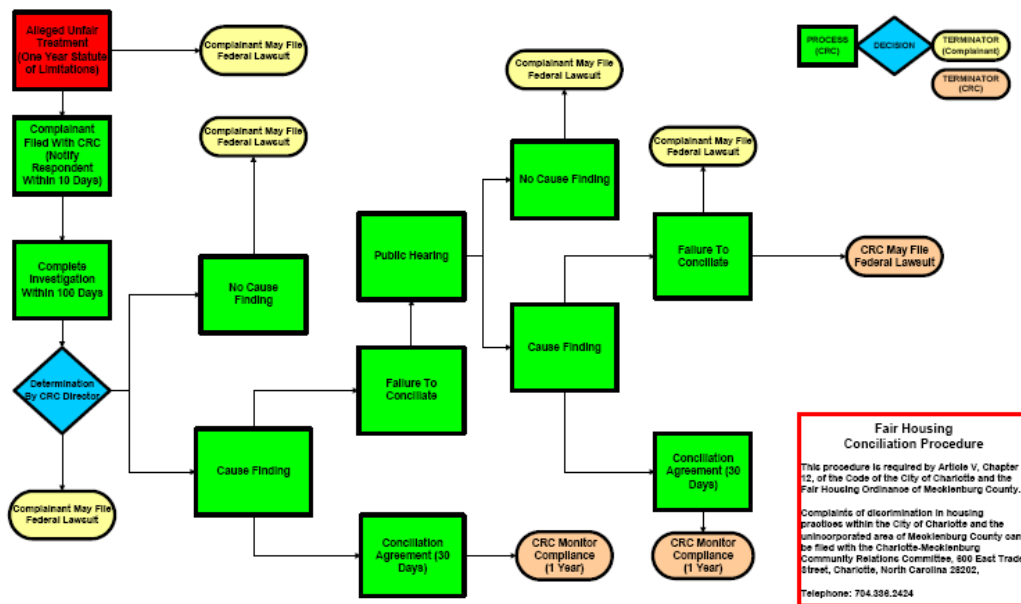
CRC Trend Information							
Performance Measures	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Totals
Number of Fair Housing Cases Closed	31	40	46	54	40	33	244
Number of Fair Housing Trainings	24	35	35	61	43	52	250
People Trained In Fair Housing	560	635	613	922	1000	906	4,636

<sup>3</sup> Charlotte-Mecklenburg Community Relations Committee Year End Performance Report FY 2009

### CHARLOTTE'S COMMUNITY RELATIONS COMMITTEE FAIR HOUSING ENFORCEMENT ACTIVITY

CRC investigates complaints of housing discrimination based on race, color, religion, national origin, sex, disability or familial status. At no cost, CRC will investigate the complaint and attempt to conciliate the matter with both parties. If conciliation fails, CRC will determine whether "reasonable cause" exists to believe that a discriminatory housing practice has occurred. If CRC finds "no reasonable cause," CRC dismisses the complaint. If CRC finds reasonable cause and conciliation is unsuccessful, CRC will issue a charge of discrimination and schedule a public hearing before a panel of five hearing officers appointed by the Chairperson of the CRC. Either party may elect to proceed in federal court. In that case, CRC shall file suit in Superior Court. The CRC Complaint Processing Procedure is shown in the flow diagram below.

#### CRC Complaint Processing Procedure



### CHARLOTTE TITLE VIII COMPLAINTS

The following is an overview of the agency's accomplishments during 2000-2010.

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. The meeting is generally initiated by the equivalent agency (Charlotte-Mecklenburg Community Relations Committee) 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 hold a public hearing or file suit in Superior Court.

**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 a hearing panel, and if necessary, file suit in Superior Court.

<b>CRC CASE OUTCOMES FY 2005 - FY 2010</b>	<b>Number</b>
Cause —Court Case Pending	3
No Cause Findings	92
Conciliations	66
Waived to HUD	16
Withdrawals	38
Failure to Cooperate	20
Failure to Locate Complainant	3
Lack of Jurisdiction	6
<b>Total</b>	<b>244</b>

#### **FAIR HOUSING AND ACTIONS TAKEN TO DEAL WITH DISCRIMINATION**

Even though discrimination in the private housing market is illegal, the practice still persists. The City of Charlotte's Fair Housing Strategy addresses discrimination in housing through the enforcement of the City and County Fair Housing Ordinances. The Charlotte-Mecklenburg Fair Housing Ordinances prohibit discrimination in housing due to race, color, national origin, religion, gender, familial status and disability.

Within the City of Charlotte and Mecklenburg County, CRC is responsible for the enforcement of fair housing laws, the mediation/conciliation and litigation of fair housing complaints. The

CRC educates and trains citizens in fair housing law compliance and discrimination prevention. The CRC receives, investigates and monitors complaints of discrimination in housing and public accommodations.

The Charlotte-Mecklenburg Committee Relations (CRC) partnership with the U.S. Department of Housing and Urban Development requires that CRC take steps to affirmatively further fair housing and this is done through outreach and education. CRC continued to work to reduce the impact of language barriers on access to CRC services through two bilingual staff persons working in our Fair Housing Assistance Program. CRC was able to appropriately serve 824 Spanish language customers through interpreting and CRC Fair Housing Complaints.

During FY 2009, the Fair Housing Assistance Program (FHAP) of the Community Relations Committee received for investigation 61 new fair housing complaints and closed a total of 40 complaints for the year; 11 of the 40 complaints closed were carried over from the previous fiscal year. The basis of the 40 complaints processed were categorized in the matrix below:

BASIS	NUMBER	PERCENT
National Origin	16	40%
Disability	6	15%
Race	6	15%
Race/Disability	3	7.5%
Race/sex	3	7.5%
Family Status	2	5%
Race/Family Status	1	2.5%
National Origin/Disability	1	2.5%
National Origin/Sex	1	2.5%
Sex	1	2.5%

CRC staff provided fair housing training to 52 organizations during FY 2010. During the year, there were 906 persons trained. These organizations included community groups, housing providers and non-profit service agencies.

## **SECTION IV: Public Sector Analysis**

### **OVERVIEW**

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 policy mandates make it unfeasible to build affordable housing or impose significant obstacles, then a community must affirmatively work toward eliminating this type of 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.

The Charlotte-Mecklenburg Planning Commission is the organization responsible for the administration of the Zoning Ordinance. When revisions to zoning are requested, the Zoning Board of Adjustment will hear for variances.

### **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 provided by the Charlotte Area Transit System (CATS), the public transit system in Charlotte. It operates bus service around the Metrolina area and a light rail system, called LYNX, opened November, 2007.

CATS bus service serves Mecklenburg County, North Carolina, with service in Charlotte, Davidson, Huntersville, Cornelius, Matthews, Pineville, and Mint Hill. Express buses in the CATS system serve Union County, Lincoln County, Concord, Gastonia, Mooresville, North Carolina and Rock Hill, South Carolina.

CATS also operates the Special Transportation Service (STS) which provides transportation to people with disabilities certified as eligible based on the Americans with Disabilities Act guidelines. STS provides service during the same times and in the same locations as the fixed route bus service.

The CATS system transports over 90,000 weekday riders across all of its services. Ridership for Fiscal Year 2008 reached over 23 million riders, a yearly amount not experienced in Charlotte since the late 1940s.

CATS operates 547 buses, vans and rail cars in its fleet. The transit system is the largest in operation between Atlanta, Georgia (MARTA) and Washington, D.C. (Metro). CATS, in conjunction with NCDOT, operate the High Occupancy Vehicle (HOV) lane on the expressway portion of Independence Boulevard. The HOV lane has been in operation since 1998.<sup>4</sup>

#### **CONSOLIDATED PLAN AND NEIGHBORHOOD REVITALIZATION**

The Charlotte-Mecklenburg Regional Housing Consortium carries out Federal programs administered by the U.S. Department of Housing and Urban Development. In FY 2010, the Consortium published its Consolidated Five Year Strategic Plan, which addresses housing and community development needs during the period of FY 2011 to 2015. The one-year Action Plan describes the activities to be undertaken during the fiscal year and how the Consortium 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 targeted populations. The 2010-2015 Consolidated Plan, features extensive program targeting in the homeowner rehabilitation, elderly/disability housing, infrastructure and public service areas, was submitted to HUD for the program year beginning July 2010.

In effect, the Consolidated Plan serves as the City of Charlotte's and Charlotte-Mecklenburg Consortium's application for the following four federal entitlement programs funds:

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<sup>4</sup> Wikipedia, accessed 4/26/10.

**Community Development Block Grant (CDBG)**

The CDBG program awards grants to urban communities on a formula basis to support affordable housing and community development activities. The Community Development Block Grant 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. Charlotte has been an entitlement community for over 35 years and receives its CDBG allocation directly from HUD, for the following activities:

- Acquisition/Rehabilitation
- Rent Subsidies
- Homebuyer Assistance
- Homeless Assistance
- Economic Development
- Public Improvements
- Public Services

**HOME Investment Partnership Program (HOME)**

The HOME program awards grants for the development and rehabilitation of affordable rental and ownership housing for low income households. The HOME Investment Partnership program assists 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. Charlotte receives its funding directly from HUD, for the following activities:

- New construction
- Acquisition
- Rehabilitation
- Homebuyer assistance
- Rental assistance

**Housing Opportunities for Persons with AIDS (HOPWA)**

The HOPWA program awards grants to design long-term comprehensive strategies for meeting the housing needs of low income people living with HIV/AIDS.

- Acquisition/Rehabilitation
- Facility operations
- Rental assistance
- Short-term payments to prevent homelessness

**Emergency Shelter Grant Program (ESG)**

The ESG program awards grants to implement a broad range of activities that benefit individuals and families who are homeless.

- Shelter renovation, rehab or conversion
- Shelter operations
- Social services
- Homeless prevention
- Homeless program staffing and administration

**Double Oaks Neighborhood Revitalization Strategy Area**

The City of Charlotte has designated the Double Oaks neighborhood as a *Neighborhood Revitalization Strategy Area* for purposes of facilitating the redevelopment of the neighborhood. This designation from the United States Department of Housing and Urban Development allows increased flexibility in the use and administration of federal funds for housing and economic development activities in the revitalization area. The area is adjacent to the Druid Hills Neighborhood Revitalization Strategy area.

**Affordable Housing Needs and Activities**

The Charlotte-Mecklenburg Community Development and Housing Programs are designed to implement various housing assistance strategies that include rehabilitation, down payment assistance for first-time homebuyers and affordable new construction. The City's community and neighborhood development activities are designed to:

- Assist with neighborhood improvement projects
- Assist homeowners, including elderly and disabled
- Provide housing rehabilitation
- Help low to moderate-income residents acquire needed information, knowledge and skills
- Enhance the provision of public services

The Neighborhood and Businesses Services Department has designed and implemented various housing assistance strategies that include homeowner rehabilitation, homeless assistance and elderly housing. 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.

- Housing and neighborhood improvement needs and activities are described 2010-15 Consolidated Plan Strategic plan.

- Provide HOME and CHDO funding to a non-profit organization designated as a Community Housing Development Organization (CHDO) to undertake an eligible HOME activity.
- Housing assistance for AIDS victims is provided through the State funded HOPWA Program.
- Assistance to the homeless is provided through the ESG Program and various federally-funded Shelter Plus CARE (SPC) Programs through the Charlotte-Mecklenburg Continuum of Care.

### **AFFORDABLE HOUSING PRIORITIES**

Faced with the reality of limited Federal and local government resources for housing, Charlotte has been challenged to create a comprehensive, affordable housing program to meet the needs households along the entire housing continuum—rental, ownership, special needs, supportive housing, etc. While the unmet need for rental housing for extremely low income households might suggest that all resources should be devoted to addressing this gap, resources must also be devoted to addressing the housing needs of low and moderate income households that have cost burdens and other housing problems to ensure the housing continuum is intact and flowing. This includes enabling more homeownership among these income groups, which the City has determined is important for stabilizing families and neighborhoods. It also includes preserving the existing affordable housing stock, also key for neighborhood revitalization.

To meet the needs of households along the entire housing continuum, the County has identified the following as its top priorities for using CDBG, HOME and other public funds between 2010 and 2015 for affordable housing.

### **Institutional Structure**

The Neighborhood and Businesses Department is the lead agency implementing the strategies for addressing housing and community development needs identified as part of its consolidated planning process. The Department, with City Council approval, oversees the Charlotte's allocation of CDBG, HOME, HOPWA, and ESG funds and is responsible for maintaining records, overseeing work done using these federal funds and reporting information to HUD concerning the performance of these programs. The Charlotte Housing Authority is responsible for the development and maintenance of the City's public housing. The member agencies of the City-County Continuum of Care have completed the 10 Year Plan to Eliminate Homelessness and to address the ongoing needs of the homeless and persons with special needs. The City also coordinates its efforts with other local, state and federal institutions to address specific needs or to implement new programs. Affordable housing in the City is provided through a variety of public agencies, nonprofit organizations, private sector developers and lenders. In many cases,

individual housing providers focus their efforts on specific income groups, tenure types or on providing certain types of housing and supportive services.

### **Intergovernmental Cooperation**

The City has enjoyed a positive relationship with the Charlotte Housing Authority, Mecklenburg County, and Continuum of Care Agencies for many years. The City Staff and the other Agencies work cooperatively and share information relative to the City's strategies to address housing and other community development needs.

### **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. All children are at higher risk to suffer lead poisoning than adults; but children under age six are even 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.

To reduce the potential for adverse health effects attributable to the rehabilitation of deteriorated lead-based paint surfaces, the City provides educational material. All customers receiving housing rehabilitation assistance from the City are informed about the potential health hazards posed by the presence of deteriorated lead-based paint, which includes information about protecting their families from this hazardous substance.

In addition, Project Managers, who oversee rehabilitation projects, are trained to incorporate proper hazard reduction techniques into the treatment of lead-based paint. Instead of performing lead hazard evaluations on properties proposed for rehabilitation, it is the City's policy to automatically presume that lead-based paint and/or lead-based paint hazards are present when the housing was built before 1978. Visual assessment, stabilization and standard treatment methodologies are employed to achieve clearance for each comprehensive rehabilitation project. The City will conduct one of the lead hazard reduction methods as routine to rehabilitation activity. If interim controls are required, standard treatments are conducted in lieu of interim controls on all applicable surfaces, including soil to control lead based paint hazards that may be present. If abatement is required, all applicable surfaces are abated, including soil, to control lead based paint hazards that may be present. As the result of elevated lead poisoning cases that were reported by the local media, the City has stepped up its activities to elevate public consciousness regarding the adverse effects of lead poisoning in the City include and secure funding for lead hazard reduction activities.



## Property Tax Policies

Across the Country, older communities, with the support of the Federal government, have begun to invest in economic and community development programs designed to revitalize their urban cores. Charlotte 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.

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 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.

### **Zoning and Site Selection**

Zoning may have a positive impact and can help to control the character of the communities that make up a City. In zoning, a careful balance must be achieved to avoid promoting barriers to equal housing.

Professor Richard T. Lal, Arizona State University, surveying the view of representative studies concerning the nature of zoning discrimination states:

"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...."

In considering how zoning might create barriers to fair housing, four key areas were reviewed; these included the following which were selected because of the possible adverse effects they could have on families and persons with disabilities.

- Definitions used for "families" and "group homes"
- Regulations (if any) regarding group homes
- Ability for group homes or other similar type housing to be developed
- Unreasonable restrictions on developing multifamily units, such as lot size requirements

While the definition of group care facility is broader in terms of the number of people that can be served and not limited related to temporary disability, group housing is much more restricted in where it is permitted under current zoning designations. Family care homes are permitted under all single-family zoning districts as well as all multifamily and office use districts, neighborhood business districts (light commercial), agriculture districts and mixed use districts

(traditional neighborhoods). Group homes, on the other hand, are not permitted in any single-family zoning districts and are only permitted in the highest density multifamily residential districts and commercial, office and public and institutional districts. This serves to limit group homes located in single-family and low density multifamily districts to only small-scale homes (six persons or less) that serve those with temporary disabilities. Generally, the concept of group homes is to integrate them into neighborhoods, providing the maximum amount of independent living in a community-based environment. For example, those group homes that serve persons with permanent disabilities and/or more than six occupants, this neighborhood integration may be unattainable in some communities based on zoning restrictions.

Charlotte's land use plan requires that adequate public facilities be available for any development activities. In this context, adequate public facilities generally refers to governmental strategies for assuring that all infrastructure required to meet the service demands of a particular development is available as development occurs. Such strategies can, where permitted by statute, require that the costs for all or a portion of such infrastructure be borne by the developer (ultimately the consumer), and not the general public. Currently, the City's policy is that all streets, water, sewer and storm drainage facilities within a subdivision, including any required water quality retention ponds, are paid for by the developer.

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. Charlotte has historically sought to defray development costs by contributing land, utilizing CDBG and CDBG-R for targeted infrastructure and utilizing NSP and HOME funds to encourage affordable housing.

### **Charlotte-Mecklenburg Planning Commission**

The Charlotte-Mecklenburg Planning Commission (C-MPC) is a joint City-County agency for unified planning. Comprised of 14 members, the Planning Commission represents a cross-section of interests, experience and expertise. Seven members are appointed by each governing body, the City Council and the County Commission. Each member is eligible for a maximum of two consecutive three-year terms. The Commission has a staff of technical planners and support personnel. The C-MPC is intended to be representative of the community and members are encouraged to be deeply interested in its physical, social and economic betterment. Members are responsible for the development of a comprehensive plan, which the C-MPC prepares and recommends to the City, along with other specialized plans and studies.

### Strategies to Meet Underserved Need

As discussed in the Charlotte 2009 Action Plan, the City's Neighborhood Development and Economic Development Departments were consolidated to form the Neighborhood & Business Services (N&BS). The two departments were combined to improve:

- Collaboration around distressed business corridors and neighborhoods.
- The allocation of community development resources.
- Service delivery around youth involvement, employment and job training and other neighborhood/business programs.

The City of Charlotte has established the following housing strategies for the community:

- Preservation of existing housing.
- Expansion of the supply of low and moderate-income housing.
- Support of family self-sufficiency initiatives.

In FY2010, the Charlotte City Council undertook a comprehensive review of the City's affordable housing policies to align the policies with the needs of the community.

From the American Recovery and Reinvestment Act of 2009 (ARRA), the City of Charlotte was allocated \$6,192,416 for community development activities through HUD. During FY 2010, the City has continued to prioritize the use of these resources and maintain accountability and transparency for the general public. ARRA resources received by the City are as follows:

Program	Funding Allocation
Community Development Block Grant (CDBG-R)	\$1,262,296
Lead Hazard Reduction Program	2,999,903
Homeless Prevention and Rapid Re-Housing Program	1,930,217
<b>Total</b>	<b>\$6,192,416</b>

Under the Neighborhood Stabilization Program (NSP), the City of Charlotte has received \$8,056,777 (Federal allocation—\$5,431,777 and State allocation—\$2,625,000) in Neighborhood Stabilization Program (NSP) funds. Working with non-profits such as the Self-Help CDC, the Charlotte-Mecklenburg Housing Partnership, Habitat for Humanity and the Charlotte Housing Authority, the City is carrying out acquisition and rehabilitation activities in Charlotte communities that have been impacted by foreclosures. In addition, the City of Charlotte has implemented a down payment assistance and rehabilitation program using the NSP dollars.

Following Economic Development Strategies, the City of Charlotte has developed a series of goals and initiatives, which will aid low and moderate-income populations while improving the city's overall economic health. Some of the goals and initiatives benefiting low wealth communities include:

- Emphasize distressed business corridors and transit as main targets for public investment.
- Enhance focus on business retention and expansion.
- Prioritize the importance of Hospitality and Tourism Industry.
- Emphasize the importance of the Small Business Enterprise programs.

Charlotte's Community Development Strategies focus upon improving Charlotte's neighborhoods and the lives of the people who live in them. A primary goal of the City is to create healthy neighborhoods. Some of the key goals and initiatives are:

- Reduce the number of challenged neighborhoods.
- Expand the affordable housing supply.
- Eliminate substandard housing, neighborhood nuisances and zoning violations.
- Engage residents in maintaining model neighborhood standards.
- Continue investment in comprehensive infrastructure improvements in neighborhoods.

## **SECTION V: Fair Housing and the 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.<sup>5</sup>

### **Lenders in the City of Charlotte**

Poor lending performance results in various long-term and far-ranging community problems. Of these, disinvestment is probably the most troubling. Disinvestment in the City of Charlotte 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 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 the City of Charlotte but throughout the United States. The number and type of lenders have changed over the last ten years, and many local lenders have been bought by national lenders. These national lending institutions are becoming increasingly more active locally, as their market share continues to grow, and recent government bail-outs to prevent lender failures have impacted conventional lending prospects for the future.

The substantial growth of the sub-prime market and the impact these lenders have on communities and neighborhoods continues. 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

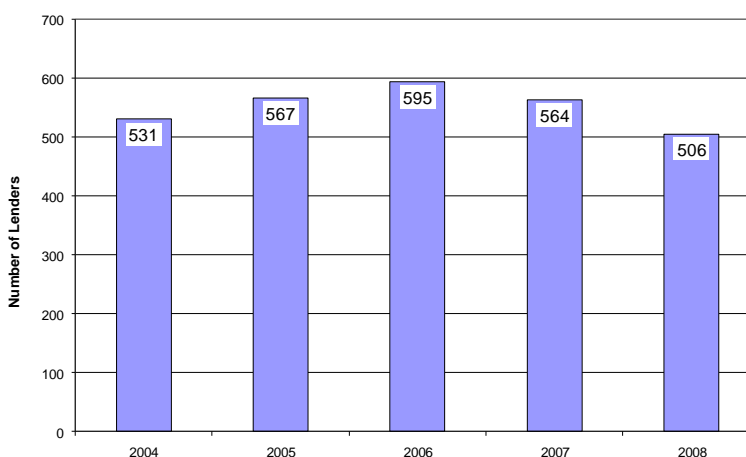
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<sup>5</sup> Profile of Lima, Ohio, Federal Reserve Bank of Cleveland, Fall 2000.

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 an increase in the number of loan applications, often by three or four times the actual number of loans sought. Secondly, since each borrower ultimately chooses just one loan, the number of applications approved but subsequently declined also increases. These effects are evident in the data.

There were 506 financial institutions with a home or branch office in the City of Charlotte, and whose data make up the 2008 aggregate report for the City. The number of all mortgage lenders in the City of Charlotte has declined in recent years, dropping by an overall average of -0.9 percent each year since 2004. In 2008, there were 4.7 percent fewer lenders serving the area than in 2004.

**Fig. 1. Number of Lenders**



Source: HMDA, 2004-2008

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.

Number of Lenders Percent Change 2004 - 2008	
2004 - 2005	6.8%
2005 - 2006	4.9%
2006 - 2007	-5.2%
2007 - 2008	-10.3%

The number of all mortgage lenders in the City of Charlotte showed an overall decline of 12.1 percent from 2004 to 2008. 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 the City of Charlotte and their 2008 market share for mortgage applications (all types and purposes). As lenders, these institutions wrote 35.6 percent of the residential lending business in the City of Charlotte in 2008. With all other lenders with locations in the MSA harnessing another 30.1 percent, local lenders realized a total of 65.7 percent of the city's residential mortgage business in 2008. The remaining 34.3 percent went to lenders without offices or branches in the City of Charlotte. This means that, unlike the national trend in recent years, the residential real estate lending marketplace in the City of Charlotte is primarily served by local lenders.

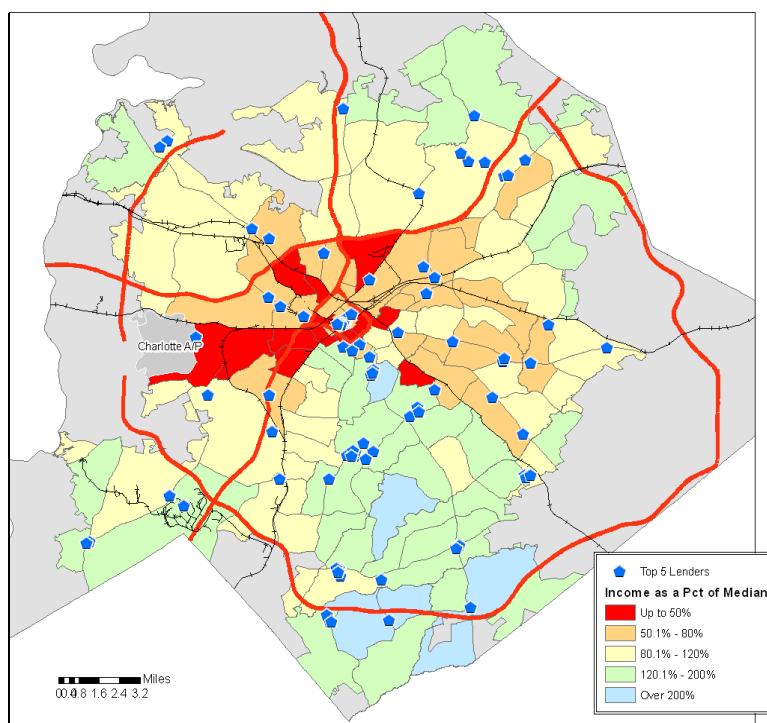
<b>Table 1. Five Largest Lending Institutions</b>		
<b>Institution</b>	<b>Branches/ Offices</b>	<b>% Market Share 2008</b>
Bank of America	35	10.04%
Countrywide	5	7.25%
Chase Bank	1	6.82%
Wells Fargo	54	6.36%
Wachovia Mortgage	16	5.08%
<b>TOTAL</b>	<b>111</b>	<b>35.6%</b>

Source: HMDA, 2008

The map on the following page illustrates the locations of the five top local lenders in the City of Charlotte. These lenders are well distributed around the City, particularly in the city center where they are readily accessible by lower-income households. This is of particular importance to novice homebuyers, who are most likely to be found at lower income levels.

The City of Charlotte's highest-volume lenders are scarce in higher-income tracts; however, most prospective higher-income borrowers have access to other sources of funds, such as on-line brokers, who accommodate their needs remotely without the need for face-to-face interaction.



**Map 1: Lenders in Neighborhoods**

According to HUD's Subprime Lender criteria, 4.5 percent of the lenders active in 2008 lending in the City of Charlotte 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 THE CITY OF CHARLOTTE, 2004-2008**

The statistical databases used for this analysis were 2000 decennial census data, the 2006-2008 American Community Survey 3-year Estimates and the Home Mortgage Disclosure Act (HMDA) data for the years 2004 to 2008, 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.

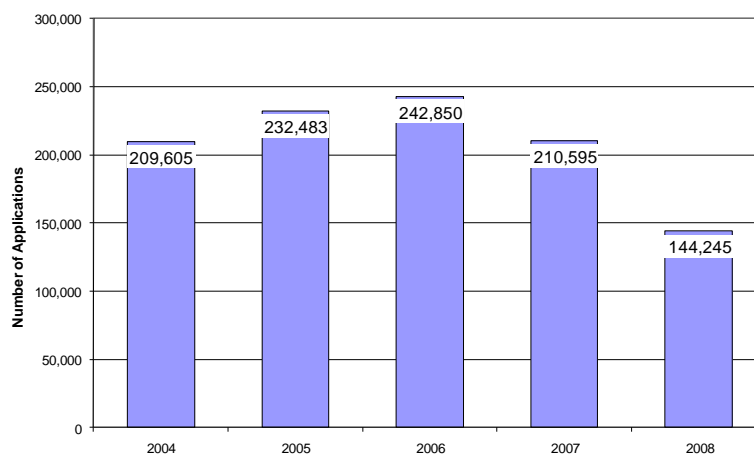
<b>Loan Applications Percent Change 2004 - 2008</b>	
2004 - 2005	10.9%
2005 - 2006	4.5%
2006 - 2007	-13.3%
2007 - 2008	-31.5%

During the strong economic trends prior to 2005, 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

City of Charlotte showed strength over this same time period and the total number of applications submitted to lenders in the City of Charlotte was quite high. In 2006, however, data indicate a very slight increase in loan application activity over the prior year, and a subsequent drop of 13.3 percent in 2007, the timeframe that 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 31.5 percent decline in 2008 illustrates the effect of 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 and single-family dwellings.

**Fig. 2. Home Mortgage Applications, All Types**



Source: HMDA, 2004-2008

Approval rates<sup>6</sup> have been gradually declining since 2004 (Figure 3), and denial rates have risen substantially since 2006, likely in response to general economic conditions nationwide. In 2004, 16.7 percent of all loans were originated, while 4.0 percent of loans approved were declined by the applicants (not shown separately). Origination fell to 15.2 percent by 2007, but rose to over 15.8 percent in 2008. At the same time, applicant refusal of approved loans has remained between 4.0 and 5.0 percent. The rate of denials dropped to 19.4 percent in 2006, but jumped to 21.4 percent the following year and 22.3 in 2008. Withdrawals gradually dropped off from 2004 to 2007, but returned to their high of 13.1 percent in 2008, while incomplete applications (interpreted as a sign of borrowers' reluctance to commit finances) have been steadily dropping since 2004.

<sup>6</sup> Approved loans are those that originated (culminated in a closing) as well as those approved by the lender but subsequently declined by the borrower.

**Fig. 3. Actions Taken on Applications**  
All Applications, All Loan Categories

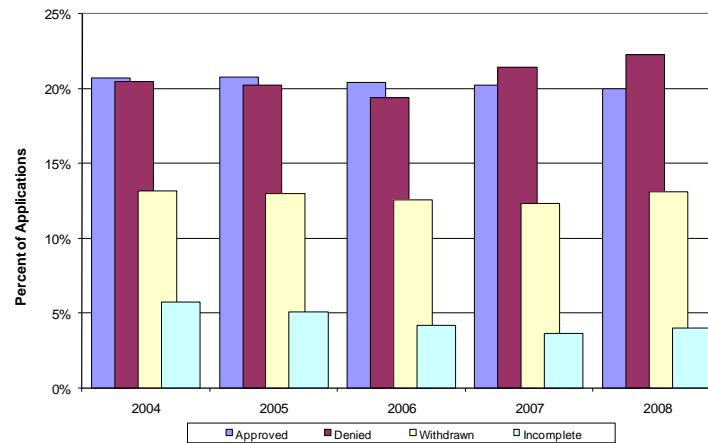
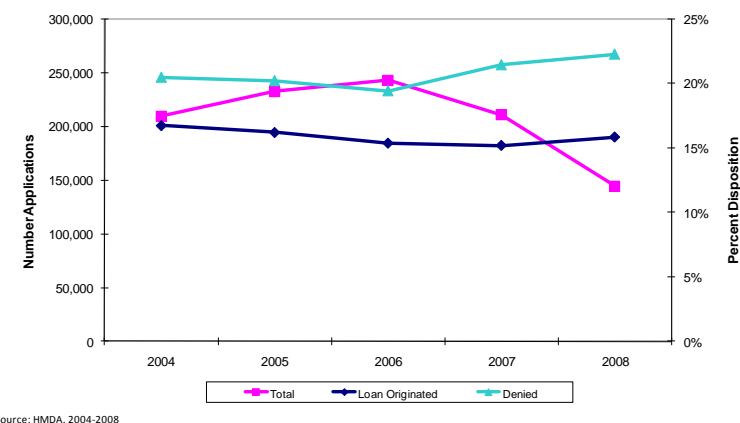


Figure 4 shows the relationship among percent of applications, originations and denials for the five-year period in the City of Charlotte. Despite the declining number of applications since 2006 (also see Figure 2, above), rates of originations remained quite steady and denials rose. While applications peaked in 2006, the rate of originations dropped to just over 15 percent in 2007. At the same time, denials dropped from 20.5 percent in 2004 to 19.4 percent in 2006, rising to 22.3 percent in 2008. 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 rose from 4.0 percent to 5.0 percent in 2007, then dropped off to 4.1 percent in 2008 (not shown separately).

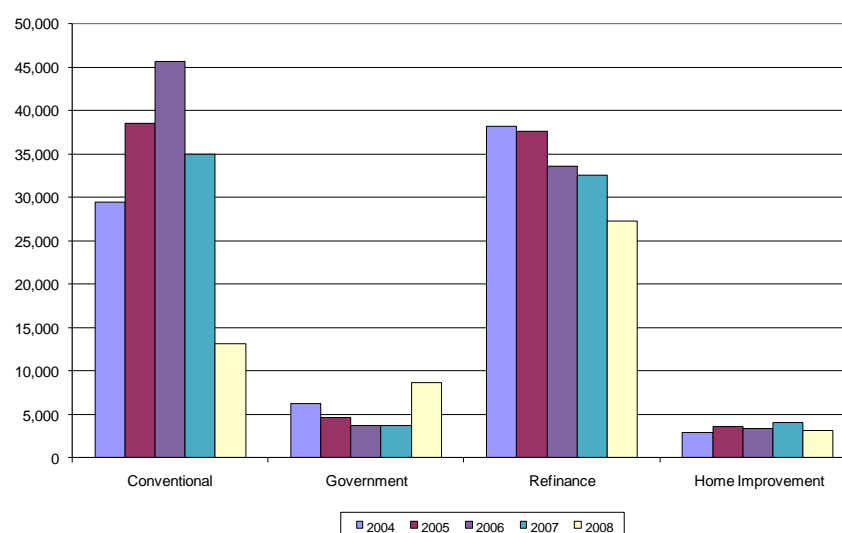
**Fig. 4. Change in Applications Submitted, Originations and Denials**



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 the first and last years of the five-year period. Refinancing is a common way for homeowners to access cash. In other years,

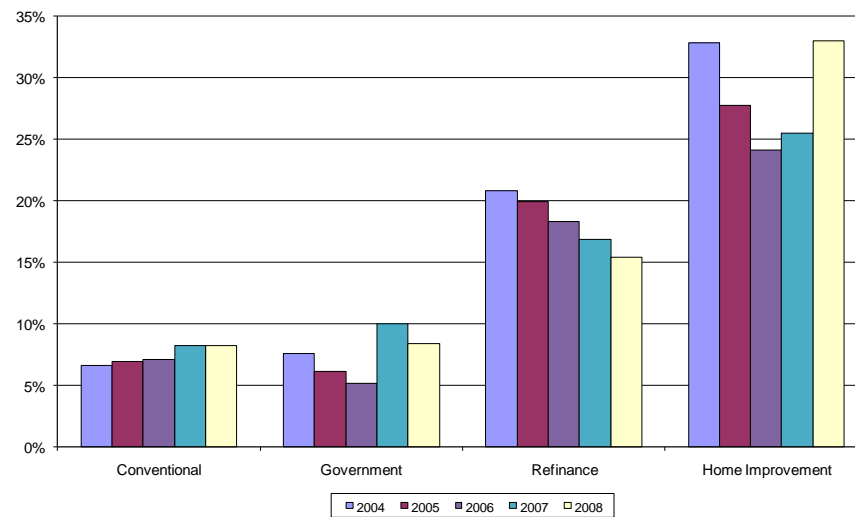
applications for refinances dropped off, uncharacteristically falling below conventional loans. The sudden decline in conventional applications for purchase in 2008 to just over 13,000 applications (a drop of over 55 percent) as compared to a much smaller decline in applications for refinances (almost 29 percent decline) reiterates efforts of borrowers seeking to take advantage of low interest rates to extract equity from their existing homes rather than committing to a new purchase. The increase in the use of on-line lending brokers helped fuel the ease of seeking out loans until cautions about an unstable economy stopped the flow. In general, home improvement loan applications are the least sought-after product. In the City of Charlotte, however, these rose over the period, outpacing government loans in 2007. Government loans represented 8.1 percent in 2004, fell to just over 4 percent of all loans in 2006, then leapt to 16.6 percent in 2008—the same year that applications for conventional loans dropped off.

**Fig. 5. Applications by Type**



Source: HMDA, 2004-2008

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 rose from 6.6 percent in 2004 to just over 8 percent in 2007 and 2008 (Figure 6). Government loans, usually the lowest of all loan types in rate of denials, starting at a peak of 7.5 percent in 2004 and declined until 2007, when denials for government loans outpaced those for conventional loans (10.0 percent in 2007 and 8.4 percent in 2008).

**Fig. 6. Denial Rates by Type of Loan**

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 to 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, 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 of 20.8 percent in 2004, the rate of denials for refinance applications has been steadily decreasing to a recent low of 15.4 percent in 2008.

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 City of Charlotte denial rates were exceptionally high in 2004 (32.9 percent) and 2008 (33.0 percent). An important consideration in this area is the fact that nearly 16 percent of Charlotte'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. Declining denial rates on these types of loans may reflect changing policies in the lending industry, but

this is still an area that may warrant some attention in the City of Charlotte 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 2004 to 2008 for all loans of all types. In all years except 2007, the most common reason for denying loans continues to be the applicant's credit history. Although this rate declined slightly in 2005, it has consistently maintained a rate between 30 and 34 percent.

In earlier years, the second most common reason for denial was "Other" reasons<sup>7</sup>, which showed a dramatic decline as reason for denial from its recent high of 31.5 percent in 2005 to an historic low of 9.3 percent in 2008. However, this pattern appears to be consistent among markets nationwide and most likely is a function of recent changes in HMDA reporting criteria or analysis methodology, or changes in the definition of "Other" reasons. Still, the decline of denials for this reason since 2005 as a reason for denial is noteworthy.

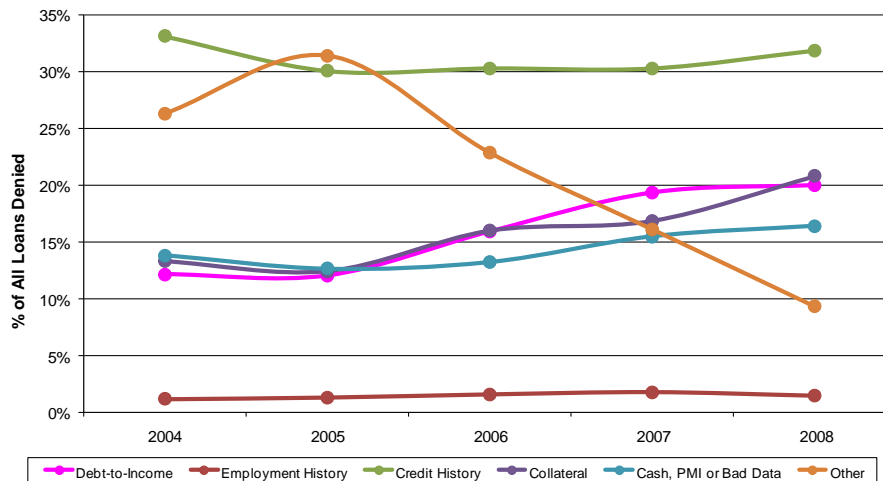
Insufficient collateral (20.9 percent), debt-to-income ratio (20.0 percent in 2008) and insufficient cash, private mortgage insurance denied or bad data (16.4 percent) have been steadily rising since 2005; however, much of the difference appears to have been absorbed by "Other Reasons" through the years, again alluding to the redefinition of this category.

Employment history continues to be the least common reason for denials, and, despite small fluctuations, accounted for between just 1.2 and 1.8 percent of denials in any year.

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<sup>7</sup> 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 and 2005, and have been declining since then.

Fig. 7. Reasons for Denial of Applications



Source: HMDA, 2004-2008

## Analysis by Race and Ethnicity

### APPLICATIONS AND DENIALS

Ideally, the percentages of loan applications received would mirror the percent of population of each racial group. As described in the demographic section, Charlotte's 2000 population was comprised of 58.3 percent white and 32.6 percent black residents. American Community Survey data suggest a slight shift to 55.5 percent white and 33.5 percent black residents.

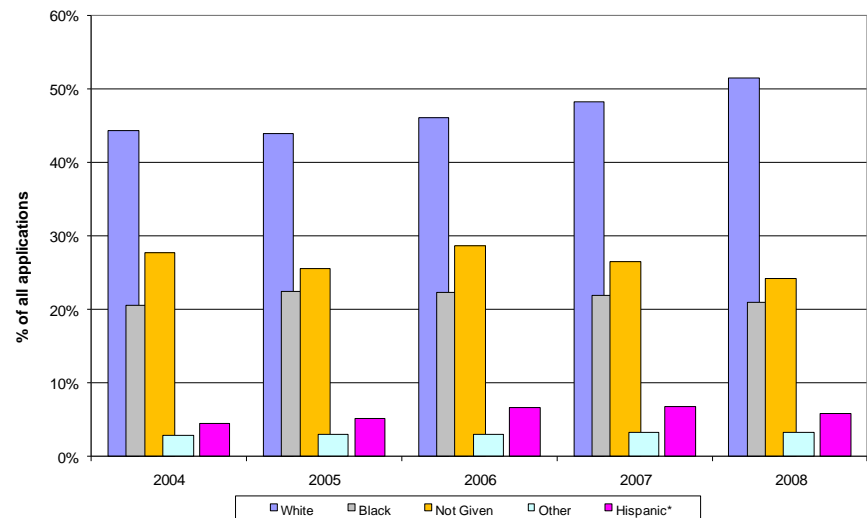
It appears that there is some disparity between loan applications received from black and white applicants. Specifically, in 2004 the percent of applications made by white consumers was 44.3 percent, representing a difference of 14 points between this ratio and the white population in Charlotte. By 2008, 51.5 percent of applications were received from white consumers; just four points below their ratio of the population. At the same time, the rate of applications from black consumers has remained steady between 20 and 23 percent, while they comprised between 32 and 34 percent of the population over the five-year period, representing a 12-point differential.

While applications from white consumers shifted from considerably below their 55.5 percent representation in the population, the rate of applications from black consumers continues to be about two-thirds of the City's black population. Black applicants appear to be underrepresented as consumers in lending in the City of Charlotte.

However, over the study period, about 25 percent of applicants did not provide their race, leaving the distribution to speculation. While it is not possible to determine whether loan approval or decline is associated with race, these findings do not eliminate the possibility that black consumers may incur barriers to the lending market in the City of Charlotte.

Hispanic applicants also may be underrepresented in the lending market. In 2004, 4.5 percent of the applications were from Hispanic consumers, as compared to their 7.4 percent representation in the population. This means that Hispanic consumers applied at just 60.4 percent of the expected rate. The application rate steadily increased to 6.8 percent by 2007, dropping off to 5.9 percent in 2008, while 2008 American Community Survey data estimate the Hispanic population to have grown to 11.2 percent by that year. By 2008, Hispanic applicants made application at just 52.4 percent of the expected rate. Overall, this change does not appear to be significant and it is too early to state whether the disparity may be the onset of any trend. At the very least, however, it does appear that Hispanic applicants may incur barriers to accessing the lending market in the City of Charlotte.

**Fig. 8. Applications by Race and Ethnicity**



Source: HMDA, 2004-2008

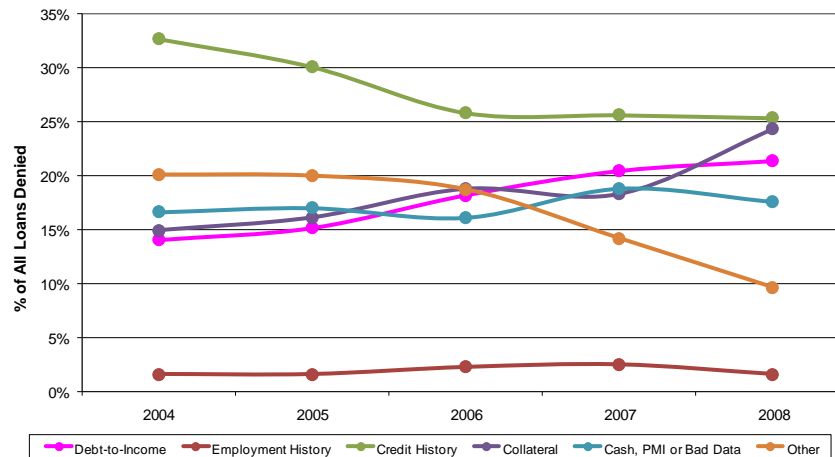
\* Hispanic ethnicity includes White and Black applicants.

When examining reasons for denial among only white applicants, unacceptable credit history maintains its position as the most common, declining from a high of 32.7 in 2004 to 25.4 in 2008 (Figure 9a). At the same time, insufficient collateral and debt-to-income both rose from 14.9 and 15.0, respectively, to nearly rates of 21.4 and 24.4 percent by 2008. Both of these reasons outpaced “Other” reasons by 2007.<sup>8</sup> This combination suggests consumers’ attempts to extract equity through refinancing at a time when real estate prices had begun to stagnate and interest rates had started to rise.

The combined category of insufficient cash, inability to secure PMI or bad data remained rather stable as a reason for denial, from 16.6 percent in 2004 to a high of 18.8 percent in 2007. This combined category speaks to the funds required to secure a loan and illustrates a decline in available cash among perspective borrowers.

<sup>8</sup> This is likely a function of the 2004 redefinition of the components that make up “Other” reasons.



**Fig. 9a. Reason for Denial  
White Applicants**

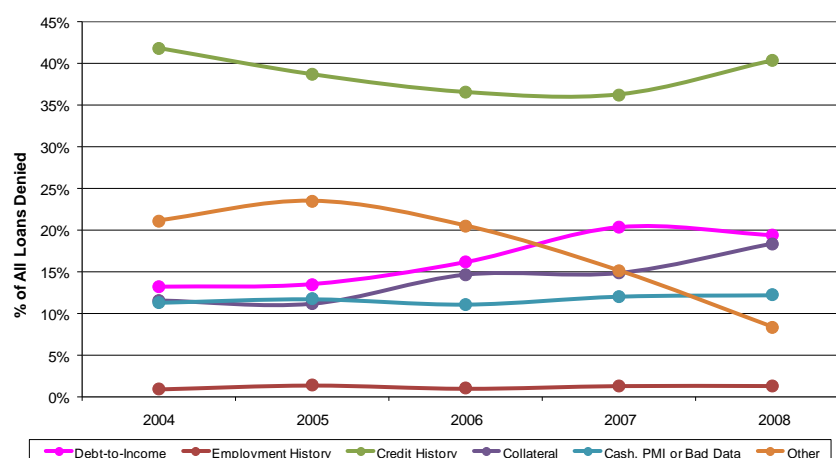
Source: HMDA, 2004-2008

The graph below illustrates denial reasons for applications from black consumers. As with white applicants, credit history was the most common reason for loan denials among black applicants (Figure 9b). After a decline to 36.3 percent in 2007, the rate rose again in 2008, returning to 40.4 percent, near its 2004 high of 41.9 percent.

The pattern of denials due to “Other” reasons mirrors that of denials among white applicants, declining to 8.4 percent by 2008 after a 23.5 percent peak. The numeric range is slightly higher than that of white applicants, with “Other” reasons for black applicants peaking at 23.5 percent (in 2005), as compared to high of 20.1 percent (in 2004) among white applicants.

Denials due to debt-to-income and insufficient collateral also rose throughout the period, as was the case among white applicants. Debt-to-income increased from 13.2 percent in 2004 to a high of 20.4 in 2007. At the same time, insufficient collateral rose from a low of 11.2 in 2005 to its peak of 18.4 percent in 2008. Both of these rates were slightly below those of white applicants and follow similar patterns.

Employment history remains low as a reason for denial of loans, but insufficient cash, inability to secure Private Mortgage Insurance and bad data fluctuated from 11.1 to 12.2 percent across the analysis period. This rate has remained about 5 points below that of white applicants.

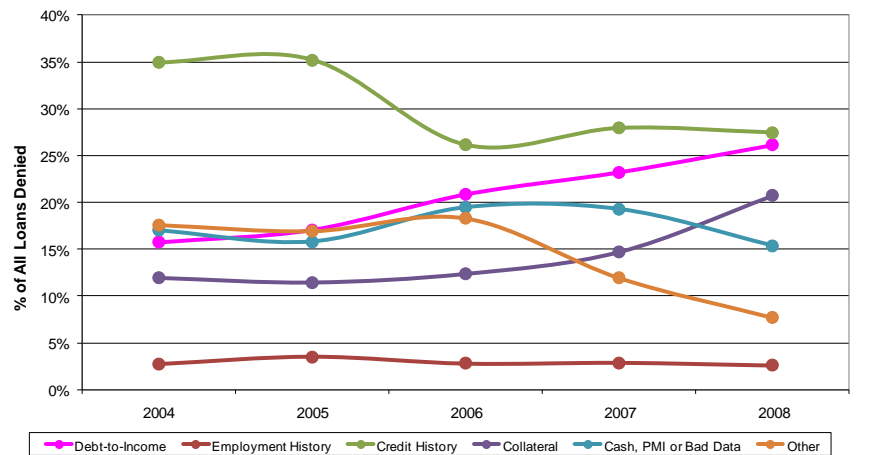
**Fig. 9b. Reason for Denial  
Black Applicants**

Source: HMDA, 2004-2008

The graph below illustrates denial reasons for Hispanic applicants; however, their comparatively small numbers in the population warrant a cautious analysis. Applications from Hispanic consumers ranged from 4.5 to 6.7 percent of all applications, as compared to their 11.2 percent representation in the population.

The denial patterns closely mirror those identified among white and black applicants, citing credit history as the most prevalent reason for denial in all years. As was the case among white applicants, this reason has been on the decline among Hispanic applicants over the analysis period. Denials for “Other” reasons also declined over the period, with its lowest rate of 7.7 percent in 2008. This reason has been consistently below that of both black and white applicants in all years.

At the same time, insufficient collateral was nearly on par with black applicants, except for a peak of 20.8 percent in 2008, which was still below the rate for white applicants in the same year. However, debt-to-income and the combined measure of insufficient cash, inability to acquire Private Mortgage Insurance or bad data were both consistently above these same rates for both white and black applicants, with two minor exceptions. In 2005 and 2008, the latter measure fell 1.2 points below those for white applicants. While employment history continues to be the least frequent reason for denial, it reached a high of 3.5 percent in 2005, dropping to its lowest point of 2.6 percent in 2008. These rates represent the highest frequency of this reason among all groups and all years in the study period—no other group exceeds 2.5 percent in any year.

**Fig. 9b. Reason for Denial  
Hispanic Applicants\***

Source: HMDA, 2004-2008

\* Hispanic ethnicity includes White and Black applicants.

Asian applicants are quite infrequent in the City of Charlotte; therefore, their small number makes identifying trends over the five-year period difficult. According to the Demographic Overview (Section 2 of this report), Asians made up 3.2 percent of the City's population but in most years of the study period they accounted for just 0.8 percent of loan applications—a rate that is about one-fourth of their representation in the population. While this may signal low access to the lending marketplace, this may also be a reflection of cultural traditions that promote “lending circles” or “lending clubs” through which individuals rely on social networks to help them acquire funds for large purchases.

While there do appear to be some inconsistencies with regards to reasons of denial for one race over the other, in general, rates of reasons for denial somewhat closely mirror those for all races combined (Figure 7).

On average, white applicants were more frequently denied on the basis of insufficient collateral at a rate that is significantly higher than that of both black and Hispanic applicants (18.5 percent, as compared to 14.1 and 14.2 percent, respectively).

Black applicants were more frequently denied on the basis of credit history (38.8 percent) at a rate that is significantly higher than both Hispanic (30.3) and white consumers (27.9). Black applicants are also denied on the basis of “Other” reasons with the highest frequency—17.7 percent, as compared to 16.5 for whites and 14.5 for Hispanics, but are denied on the basis of employment history least frequently than any other group.

On average, Hispanic applicants are more frequently denied for debt-to-income (20.6 percent) than white (17.9) or black applicants (16.5). Hispanic applicants are also more frequently denied on the basis of insufficient cash, inability to acquire private mortgage insurance or bad data, but

they were nearly on par with white consumers, both considerably more frequently than black applicants. Employment history is the least frequent reason for denial across all groups, but Hispanic consumers are denied for this reason almost three times as frequently as are white consumers, and nearly five times more than black applicants.

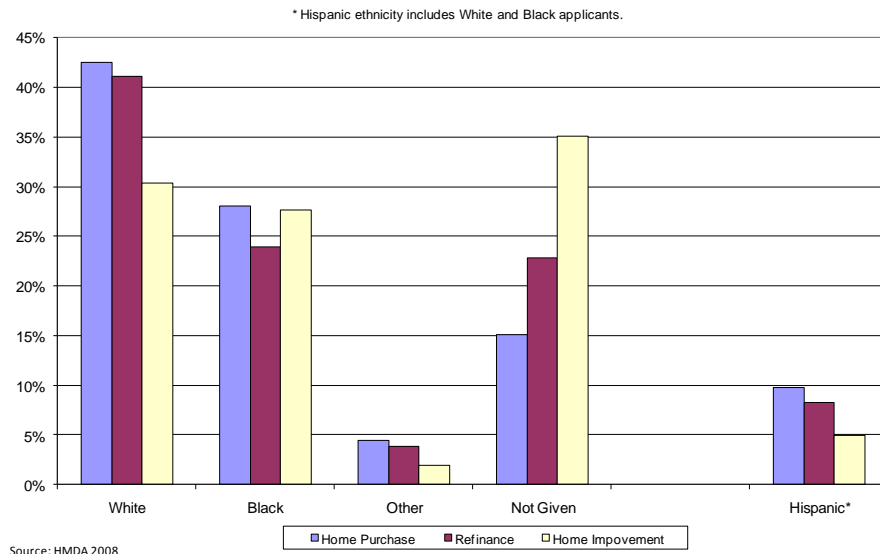
While these findings become apparent through lending data, this may not necessarily be a sign of discrimination in lending, but a signal of discrimination in other areas. For example, such findings may suggest that Hispanic consumers do not have the opportunities to maintain steady employment in Charlotte, which would hinder their ability to establish and maintain creditworthiness. This should be an area of concern and may warrant monitoring in the City of Charlotte.

In general, the results of this analysis do not indicate any significant 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, this data shows only a small piece of the lending picture.

#### **PURPOSE OF LOAN**

In 2008, white applicants were denied most frequently on applications made for the purpose of home purchase (42.6 percent), black (28.1 percent) and Hispanic (9.8 percent) applicants, and those who identified their race as “Other” (4.4 percent). In that same year, applicants who chose not to give their race were denied most frequently on home improvement applications (35.1 percent).

This information notwithstanding, with over 15 percent of homebuyers, nearly 23 percent of applicants for refinancing loans, and an additional 35 percent of those seeking home improvement loans not reporting their race, any conclusions attempted from comparing data in these areas may be critically flawed. Nonetheless, the finding that applicants who did not give their race were denied loans for home improvement may be significant in that their homes may require maintenance. Conversely, since this category also includes equity loans and lines of credit, it is possible that applicants sought cash from the equity in their homes for purposes other than home improvement. This is an area that may merit attention.

**Fig. 10. Denial Rates by Race and Purpose of Loan**

### ANALYSIS BY INCOME

Low-and moderate-income households make up a substantial portion of the City of Charlotte's total households. According to the description in the demographic section of this report, 11.4 percent of the City's residents earned under \$15,000 annually, and another 11.1 percent earned from \$15,000 to \$25,000 in 2000. As compared to a median income of \$46,975, this means that nearly 22.6 percent of the population earned less than 53 percent of this amount. By 2008, 10.1 percent of the population earned less than \$15,000, with an additional 10.6 percent earning less than \$15,000. As compared to a median income of \$53,125, 20.6 percent of the population earned less than 47.1 percent of this amount. Because homeownership is the most effective way to increase personal wealth, it is especially essential for these households to have access to credit for home loans.

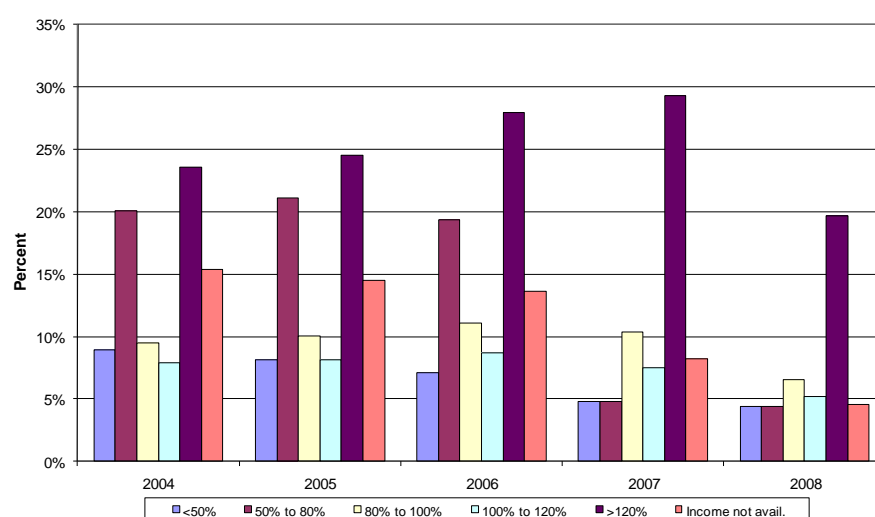
In the City of Charlotte, of the more than 35,000 loans originated in 2004, 29.0 percent went to low-and moderate-income borrowers combined: 8.9 percent to those households earning less than 50 percent of the area's median and 20.0 percent to those earning from 50 to 80 percent (Figure 11). Of the nearly 23,000 loans originated in 2008, just 8.8 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 (4.4 percent each).

By 2008, fewer than one-half (44.6 percent) of all loans originated, as compared to 85.3 percent in 2004. Much of the 40-point difference was felt among low-income borrowers (earning from 50 to 80 percent of the area's median income) whose origination rate fell by 20.2 points.

Households earning 80 percent to 100 percent of the area median received 9.5 percent of the loans originated in 2004, but saw approval rates fall to 6.5 percent by 2008. In all years of the study period, the highest proportions of loans went to those earning over 120 percent of the area's median, ranging from a high of 29.3 percent in 2007 to a recent low of 19.6 the following year. Originations to those whose income is not available have been declining from a high of 15.4 (in 2004) to a low of 4.5 in 2008.

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 disparities that exist among income levels.

**Fig. 11. Approvals by Median Income**



Source: HMDA, 2004-2008

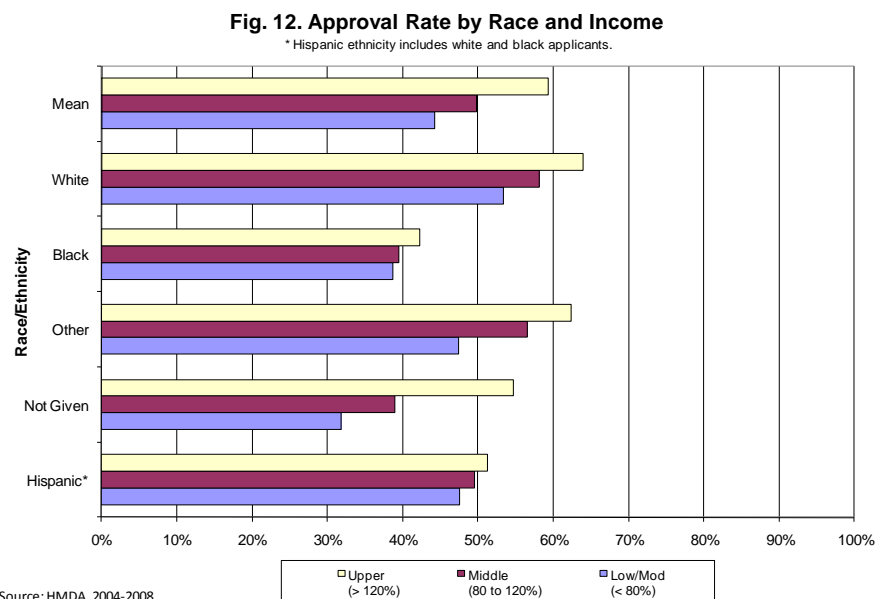
On average, 11.2 percent of applicants' incomes are not available. While there are several reasons why incomes may not be reported, it is unlikely that these applicants would be from low or moderate income levels. Applicants who earn incomes near the median are more likely to be required to verify income; whereas, those at the highest level often do not face this requirement. It is, therefore, almost certain that the additional 11.2 percent of the 2008 originations (described above) went to the highest earners. This means that an additional 11.2 percentage points can be added to those of higher income groups, bringing the highest earners' approval rate to 15.7 percent in 2008, illustrating 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 and other applicants (represented by the second and fourth sets of bars) were the only groups consistently above the mean at all income levels, by an average of 22.2 and 13.0 points, respectively overall. All other groups fell below the mean in all income levels, with the exception of Hispanic low-and moderate-income applicants, who were 3.4 points above the mean.

Black applicants were well below the mean at all levels, falling over 33 points below the mean overall the greatest disparity of all racial groups. The aggregate among Hispanic applicants was just 5 points below the mean, with the difference primarily found at the highest income level.

Applicants who did not give their race also fell below the mean with an aggregate difference of over 28 points. However, 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. Since there is no way to know who decline to specify race, this cannot be ascertained.



While this analysis reveals distinct racial differences in rates of approval, it is difficult to disentangle race from income, especially in light of the high rate of applicants who did not specify race (ranging from 24.2 to 28.6 percent across all years). Still, there appears to be evidence that race plays some role in loan approval in the City of Charlotte, 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 poor opportunities for education 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.<sup>9</sup> 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.

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.

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<sup>9</sup> Information for this discussion provided by Miami Valley Fair Housing Center.

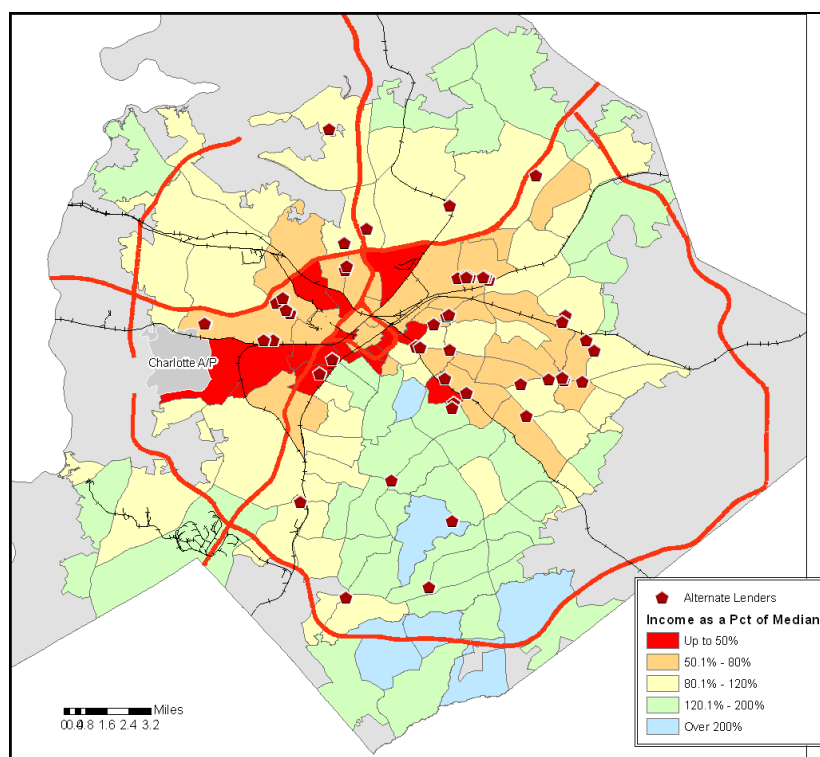


*Predatory Lenders*

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, 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 23 identified within the City of Charlotte that wrote loans in 2008, representing 4.5 percent of the business written. In addition, 69 personal lending sources were identified, including pawn shops, "payday" lenders, personal and title loan establishments and other similar services. While most of these lenders are located near the city center, a few are located in peripheral areas where some serve populations of income levels above the median.

**Map 2: Locations of Other Lenders in the City of Charlotte**

## OTHER PRIVATE ENTITIES THAT IMPACT FAIR HOUSING CHOICE

### REAL ESTATE AND HOUSING DEVELOPMENT INDUSTRY

In 2005-2006, the Charlotte-Mecklenburg Community Relations Committee (CRC) undertook a paired testing study to determine the extent of discrimination that may be present in the rental and sales markets. The results showed discrimination to be present in parts of the city where the Hispanic population is less than 10 percent. The CRC now works with the local housing industry and community groups to provide informational training to professionals and residents alike to alleviate the disparate treatment.<sup>10</sup>

### 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 exists when, “there is a lack of activity by [an] institution to extend credit or coverage to certain urban neighborhoods

<sup>10</sup> Charlotte-Mecklenburg Community Relations Committee, HDS 2000 Study: Testing, Education and Outreach Final Report, July 2006.

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.”<sup>11</sup>

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—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.”<sup>12</sup> This statement can accurately describe many cities in 2010 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.

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 Charlotte Yellow Pages<sup>13</sup> shows that the insurance companies who provide homeowners insurance are predominantly located throughout the east and south portions of the city. Their distribution makes their services accessible to more remote households, but

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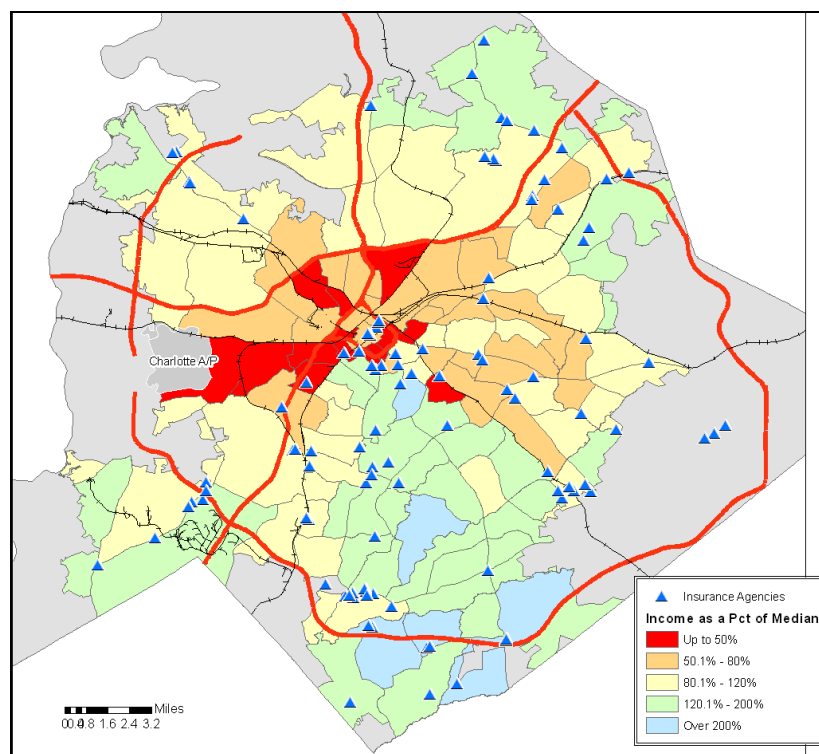
<sup>11</sup> Hutchinson, Peter M., James R. Ostas, and J. David Reed, 1977, A Survey and Comparison of Redlining Influences in Urban Mortgage Lending Markets. AREUEA Journal 5(4):463-72.

<sup>12</sup> National Advisory Panel on Insurance in Riot Affected Areas, 1968.

<sup>13</sup> On-line review of [www.yellowpages.com](http://www.yellowpages.com), accessed 5/24/10.

those who reside in the west and north portions of the city must do business with insurance agents outside their neighborhoods.

**Map 3: Location of Insurance Agencies in the City of Charlotte**



### INTERNET ADVERTISING

The real estate industry depends largely on marketing through the Internet, thereby eliminating much of the initial direct contact. A review of 100 randomly selected real estate sites on the Internet revealed no use of human models that would suggest discriminatory advertising. However, just 54 (54.0%) displayed the HUD fair housing logo somewhere on the website, and many of these did not appear on the agency's "home page", but were associated with specific home listings. In other words, home seekers must delve deeply into the page before realizing the assurances of fair housing practices.

### PRINT MEDIA ADVERTISING

In the context of fair housing, discriminatory advertising is any advertising that indicates any preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status or national origin, 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. Since its creation in 2005, the city's Community Relations Committee has been vigilant in monitoring and correcting such issues as they arise.

## **Section VI: Summary of Progress and Conclusions**

This section presents the Fair Housing Analysis Update for the Charlotte 2010-2015 Consolidated Plan. The following areas are examined in this section:

- Summary of Progress since the 2006 AI
- Impediments to Fair Housing Progress, as presented in the Charlotte-Mecklenburg 2010 Action Plan
- Current Impediments with Suggested Remedies for their Removal
- Important Considerations and Fair Housing Accomplishments
- Additional Fair Housing Accomplishments

It is important to note that the City of Charlotte has one of the most effective local fair housing programs in the Nation and that progress continues to be made on the Fair Housing barriers identified in 2006 AI report.

This update is based on available Public/Private information from the real estate, insurance and banking industries, Charlotte-Mecklenburg Community Relations Committee, Charlotte Housing Authority, North Carolina Human Relations Commission, Affordable Housing as Fair Housing covered by State Law, the Atlanta HUD Office of fair Housing and Equal Opportunity, Community Planning and Development and Public Housing.

### **SUMMARY OF PROGRESS SINCE 2006**

Accessibility and understanding of the State and Federal Fair Housing Laws suggest that fair housing is within reach in Charlotte; however, the two impediments from the previous AI (lack of access to homeownership and gate-keeping of protected classes) do not give the whole picture. Other barriers exist, but, regrettably, they are not quite within the realm of public control. Furthermore, they are not exclusive to the City of Charlotte. These limitations are largely ones that exist within the individuals themselves, such as lack of education, language barriers, suspicion of public agencies and other cultural or social characteristics.

Certainly, it is the civic reasonability of local government to reach out to the less educated, to speakers of other languages, and to those who might not trust government. The City of Charlotte does this, however, overcoming these kinds of cultural impediments is, to a great extent, under the control of the citizens themselves. Each citizen, whether or not a member of a protected class, has the opportunity and responsibility to make fair housing a standard practice, by educating themselves and others regarding the right each American has to live in housing, free of discrimination.

### **Progress Regarding Impediments as Presented in the Charlotte-Mecklenburg 2010 Action Plan**

- Community Relations Committee (CRC) continues to address discrimination against Hispanic/Latino homebuyers and renters by providing education and outreach to inform Hispanic/Latino resident of their fair housing rights and what they can do if those rights are violated. Staff will continue to investigate and resolve any complaints filed with CRC.
- CRC continues to collaborate and partner with organizations like Community Link, Latin American Coalition, Latin American Council of Charlotte and the National Conference for Community and Justice, in support of financial literacy, first time homebuyer programs and anti-predatory lending campaigns in the community.
- CRC continues to develop print and electronic media to provide education and outreach to a variety of groups on the Fair Housing law.
- Neighborhood & Business Services continues to increase its marketing efforts in the HouseCharlotte down payment assistance program, with particular attention paid to minority neighborhoods. Continued collaboration with financial partners, Community Link, Consumer Credit Counseling Services, Charlotte-Mecklenburg Housing Partnership, and SocialService.com to disseminate information about available homeownership education programs and access to loan products tailored for lower income households.

### **CURRENT IMPEDIMENTS AND SUGGESTED REMEDIES**

As stated in the executive summary, the following impediments exist as fair housing barriers within the City of Charlotte:

- Lack of Access to Affordable Homeownership
- Gate-Keeping of Protected Classes
- Increase in Fair Housing Complaints filed by Hispanics

While the state of fair housing within the City of Charlotte appears to be above average due to the combined efforts of the Community Relations Committee and Neighborhood & Business Services, Training & Development Associates (TDI) recommend that the following actions be taken to remedy the barriers to Fair Housing listed above:

- Increased promotion of homeownership education and opportunities for prospective homeowners at the lowest income levels. Through diligent marketing efforts to all socio-economic segments, the City of Charlotte can provide information on available down-payment assistance and other homeownership programs as well as information on access to loans.
- Continue to provide municipal programs targeted at minorities (particularly African-American and Hispanic residents) should include educating the population on the importance of homeownership and how to access local lending resources.

- Develop print and media campaign to provide education and outreach to a variety of groups on the fair housing law. This campaign should be carried out in a variety of languages.
- Survey (through bi-lingual outreach and education) the Latino community to determine what is driving current housing patterns.
- Continue to conduct lending and sales baseline audits to determine what role gate-keeping plays in the lower homeownership rates experienced by African- Americans and Hispanics.
- Offer education and outreach to inform Hispanic/Latino resident of their fair housing rights and testing, the public needs to be apprised of how Hispanics' rights are being violated. Regardless, CRC staff will continue to investigate and resolve any and all complaints filed with CRC.
- CRC continues to collaborate and partner with organizations like Community Link, Latin American Coalition, Latin American Council of Charlotte, and the National Conference for Community and Justice, in support of financial literacy, first time homebuyer programs and anti-predatory lending campaigns in the community.
- CRC continues to develop print and electronic media to provide education and outreach to a variety of groups on the Fair Housing law.
- Neighborhood & Business Services continues to increase its marketing efforts in the HouseCharlotte down payment assistance program, with particular attention paid to minority neighborhoods. Continued collaboration with financial partners, Community Link, Consumer Credit Counseling Services, Charlotte-Mecklenburg Housing Partnership, and SocialService.com to disseminate information about available homeownership education programs and access to loan products tailored for lower income households.

In addition to the above recommendations, access to homeownership based on the **Home Mortgage Disclosure Act (HMDA)** should be addressed in the current Consolidated Plan, as it related to the apparent inequities in homeownership opportunities for protected classes.

An analysis of the HMDA data in this document reveals, for example, that while black residents comprise 32.6 percent of the population, only 19.5 percent of all home purchase mortgage applications come from black households so therefore, it appears that black applicants may be underrepresented. Municipal programs targeted to assist protected classes and low-moderate income households should focus more closely on educating the population on the importance of homeownership and how to access local lending resources.

#### *Suggested Remedial Action Planned*

The City/C-MCRC should conduct lending and sales baseline audits to determine what role unlawful discrimination plays in the lower homeownership rates experienced by African Americans.

The importance of homeownership cannot be overstated, either as a vehicle to increase household wealth or to help stabilize neighborhoods. Local efforts must continue to include homeownership education and opportunities for prospective homeowners at the lowest income levels, including thorough and comprehensive information on access to loans, through diligent marketing efforts that reach all segments.

#### **IMPORTANT CONSIDERATIONS AND FAIR HOUSING ACCOMPLISHMENTS**

##### *Important Considerations*

During this review of the City of Charlotte, 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.

Three key housing related groups in the City—the Neighborhood & Business Services, the non-profit assistance, development sector and the Charlotte 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 guidance on how to lodge a formal complaint. Complaints relative to projects funded with federal dollars are directed to HUD. All other situations are investigated by the Community Relations Committee, as an equivalent agency to HUD.

Throughout the year, the City 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.

Discussions are and should continue to be held with the Chamber of Commerce, government officials, Realtors® and individuals regarding discriminatory practices and complaints lodged and resolved successfully through mediation.

The City joins with Realtors® to disseminate current information on fair housing as training tools for housing industry professionals. In general, Realtors® in the home sales portion of the business do not currently utilize the Equal Opportunity logo effectively in either print or electronic media.

Home Mortgage Disclosure Act (HMDA) data suggests that the lending practices of major lending institutions in the City do not always appear to be fair, reporting some disparities in accessibility to home mortgage financing by race, income and geographic concentration. The City encourages lenders to participate in educational workshops on Fair Housing/Equal Opportunity.

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.



As housing markets expand and become more competitive in the City, instances of NIMBY-ism, 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 works 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 the literacy that relates to employability of the low/moderate income community in the City.

Implementation of activities includes:

- 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.
- Assess proposed policies in the City land use plans, codes and zoning
- Recommending the inclusion of policies allowing for diverse housing types and locations
- Reviewing existing zoning and land development policies for possible revisions to permit more affordable housing
- Evaluating successful models for developing new low-and moderate-income housing by other communities and private developers

The City, through the Community Relations Committee, guides the work of fair housing enforcement and outreach strategies. By approaching the issue of fair housing in a comprehensive way, the City identifies 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 appropriate corrective resources available to residents of Charlotte.

*Fair Housing Accomplishments*

The City of Charlotte, through the opus of the Charlotte-Mecklenburg Community Relations Committee (CRC) does an excellent job of enforcing Fair Housing laws in the community. CRC continues to out-perform regional and national averages for case management and case closings.

The Committee provides education and outreach to a variety of groups on the Fair Housing Law and continues to work with other governmental and nonprofit agencies to develop programs to eliminate discrimination and further Fair Housing.

CRC works closely with the Charlotte Apartment Association and the Apartment Association of North Carolina to provide technical assistance and training to industry professionals on Fair Housing issues.

The City of Charlotte continues to support financial literacy, first time homebuyer programs and anti-predatory lending campaigns in the community. There are a number of active public-private partnerships in the Charlotte community aimed at reducing the number of borrowers who enter the sub-prime market or who are susceptible to predatory loans. Bank of America and Wachovia Bank have both sold their sub-prime affiliates and currently offer portfolio products at affordable rates and relaxed underwriting in the City of Charlotte. Wachovia Bank also sponsors a BORROWSMART financial literacy program in Charlotte.

The City of Charlotte offers a number of excellent programs and services to the Charlotte community through the HouseCharlotte program. The City of Charlotte plays an active role in promoting and participating in these activities and provides financial support to the community organizations that are responsible for implementing the housing counseling and financial literacy programs. For example, the City of Charlotte provides \$2.1 million dollars in down-payment assistance through the HouseCharlotte initiative.

The City also spends approximately \$210,000 per year to support homeownership counseling and provides \$240,000 per year to support Mortgage Default/Rental Delinquency Counseling in the City of Charlotte.

The City continues to conduct education and outreach activities to the Muslim and Middle Eastern Communities. Since September 2001, many people in these communities may fear seeking assistance from Governmental agencies. It is important for the community to inform them of their Fair Housing rights under the law.

The City continues to implement strategies concentrating on increasing local activities to identify and reduce barriers to fair and affordable housing choices in all areas of the City and offers a number of activities to increase the availability of affordable housing opportunities throughout the Charlotte-Mecklenburg area. The City has developed programs to preserve

existing housing stock throughout the community including a program to assist investors in rehabilitating substandard housing stock in an effort to keep those units affordable once renovations have been completed.

The City also operates a number of programs to expand the number of affordable housing units available throughout the City. The City of Charlotte's policies attempt to ensure that affordable units are constructed throughout the community and are not concentrated in areas with high concentrations of low-income households. The Charlotte-Mecklenburg Housing Partnership and the Charlotte Neighborhood Fund are two programs that also serve as models for other municipalities.

Finally, the City operates and supports a number of programs to increase family self-sufficiency and to prepare renters for homeownership opportunities through financial literacy, credit counseling and rental assistance. The City also provides and supports a number of initiatives to assist low-to-moderate income homebuyers with down-payment assistance, default delinquency counseling, anti-predatory lending counseling and homeless prevention programs.

Consistent implementation of existing and new programs will ensure constant Fair Housing compliance and a continued strong housing climate in Charlotte.

## Appendix A

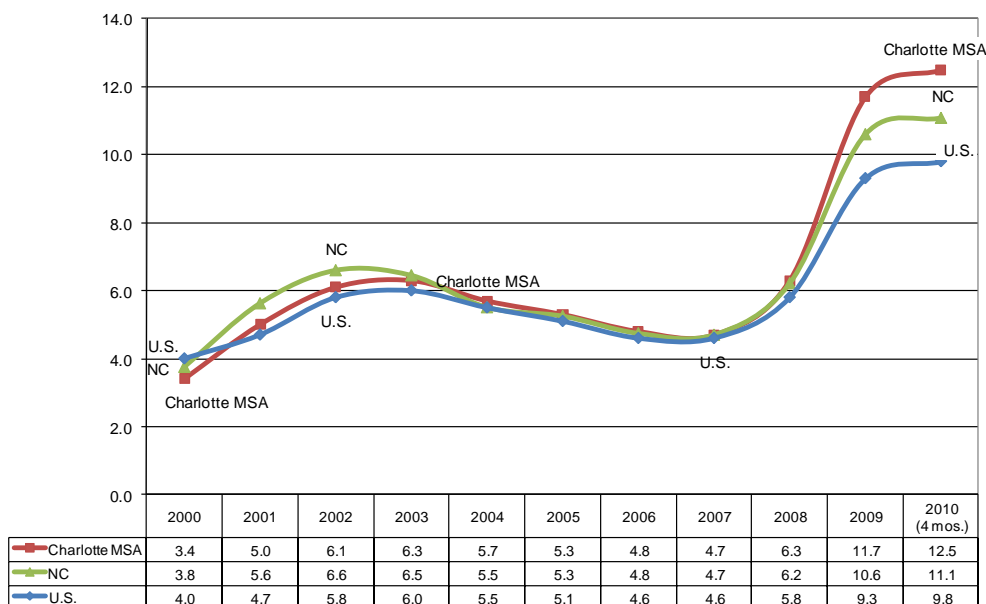
### AMERICAN COMMUNITY SURVEY 2006-2008 CITY OF CHARLOTTE

#### DEMOGRAPHIC AND ECONOMIC UPDATE

The 1990 Census reported a labor force of 226,627 persons in the City of Charlotte. In 2000, Census data reported a labor force of 302,505 and a calculated unemployment rate of 5.5 percent (down from 4.2 in 1990). The American Community Survey 2006-2008 data estimate 378,584 persons in the labor force and a calculated unemployment rate of 7.1 percent. However, Bureau Labor Statistics data show a 2008 unemployment rate of 6.3 percent in the MSA, up from 3.4 in 2000.

By comparison, the 2000 unemployment rate for the State of North Carolina was 3.8 percent, 0.2 points below the national rate. More recent full-year data show the 2009 unemployment rate for the State of North Carolina to be 10.6 percent, as compared to a national rate of 9.3 percent. The first four months' data for 2010 show that unemployment rates have increased to 9.8 percent nationally, 11.1 percent in North Carolina, and 12.5 percent in the Charlotte MSA.<sup>14</sup>

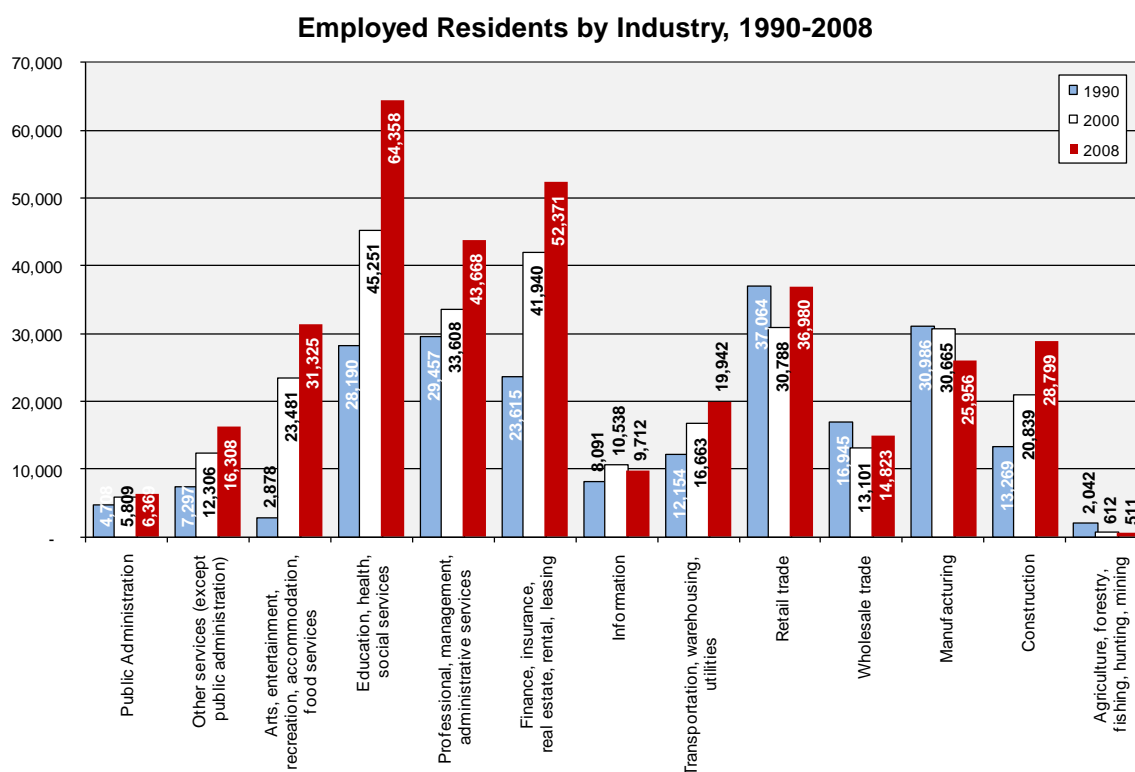
#### Unemployment Rate History



Source: Decennial Census (1990, 2000), 2006-8 ACS 3-year estimates, Bureau of Labor Statistics

<sup>14</sup> Bureau of Labor Statistics, Unemployment Rates for Metropolitan Areas, accessed 5/14/10.

American Community Survey 2006-2008 data showed that the largest numbers of residents within the City of Charlotte were employed in the education, health and social services industry (22.5 percent), followed distantly by finance, insurance, real estate, rental and leasing (18.3 percent) and professional, management and administrative services (15.3 percent). All of these industries ranked in the same positions in 2000 (at 15.8, 14.7 and 11.8 percent, respectively). Ten years earlier, retail trade ranked first (17.1 percent) and manufacturing, second (14.3 percent). In 1990, professional, management and administrative was ranked third at 13.6 percent. The graph below shows the distribution of the City of Charlotte employed residents by industry in all three years.



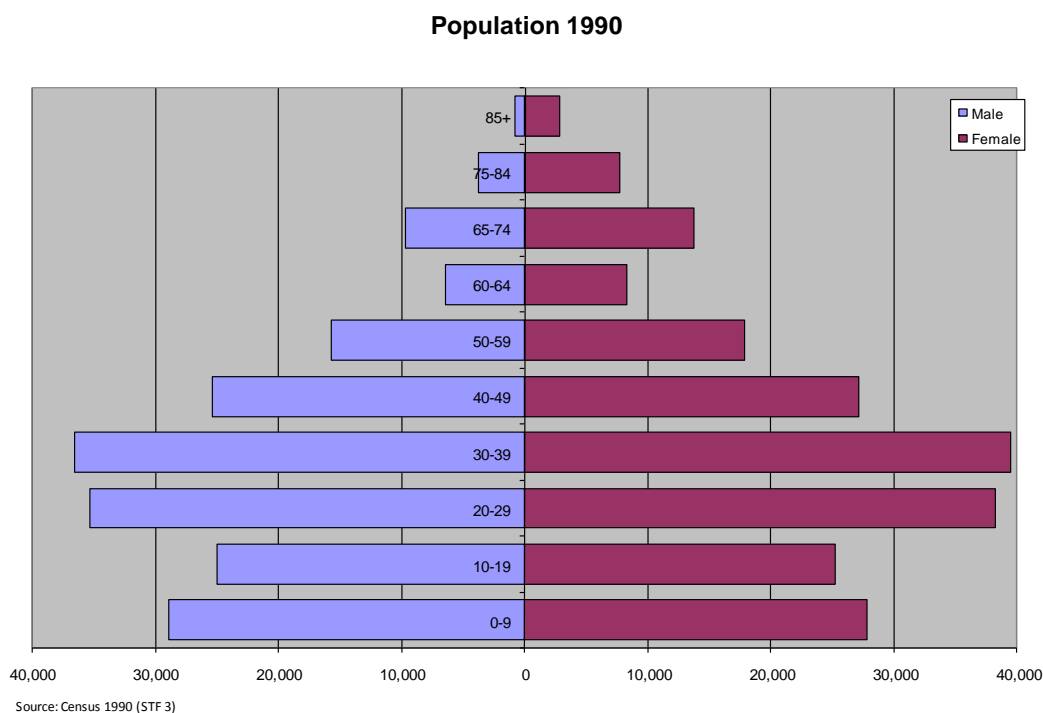
## Demographic Profile

### POPULATION

The population of the City of Charlotte rose by 36.9 percent between 1990 and 2000 (from 396,003 to 542,131), while the population throughout the county increased by a slightly slower rate of 36.0 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 those aged 30-39 years (19.2 percent), followed by those aged 20-29 (18.6 percent) and 0-9 (14.3 percent), when

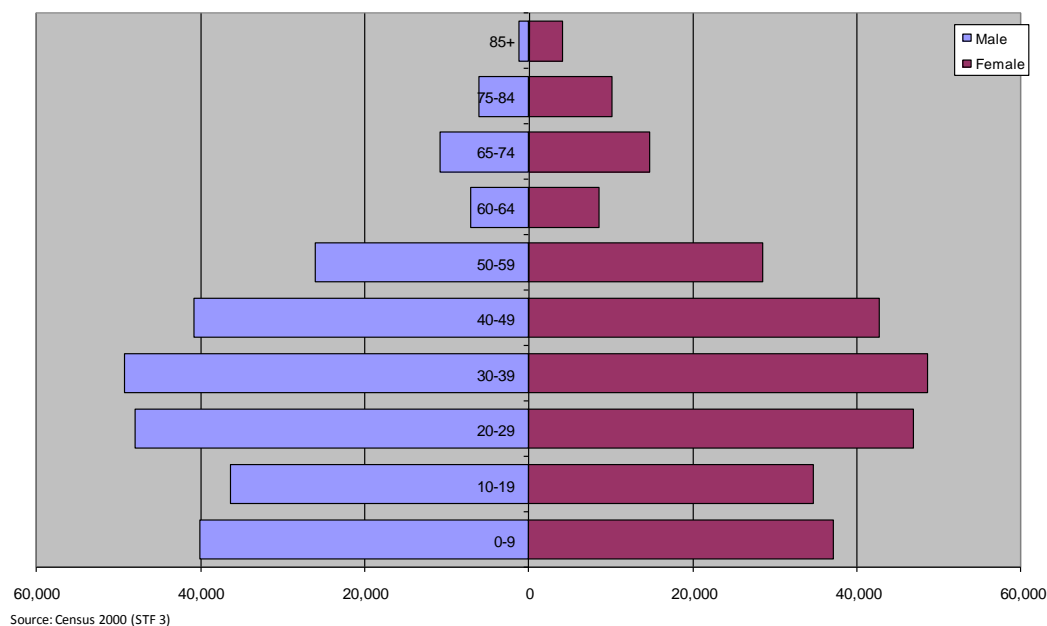
these three groups together comprised 52.1 percent of the population essentially representing families with young children.



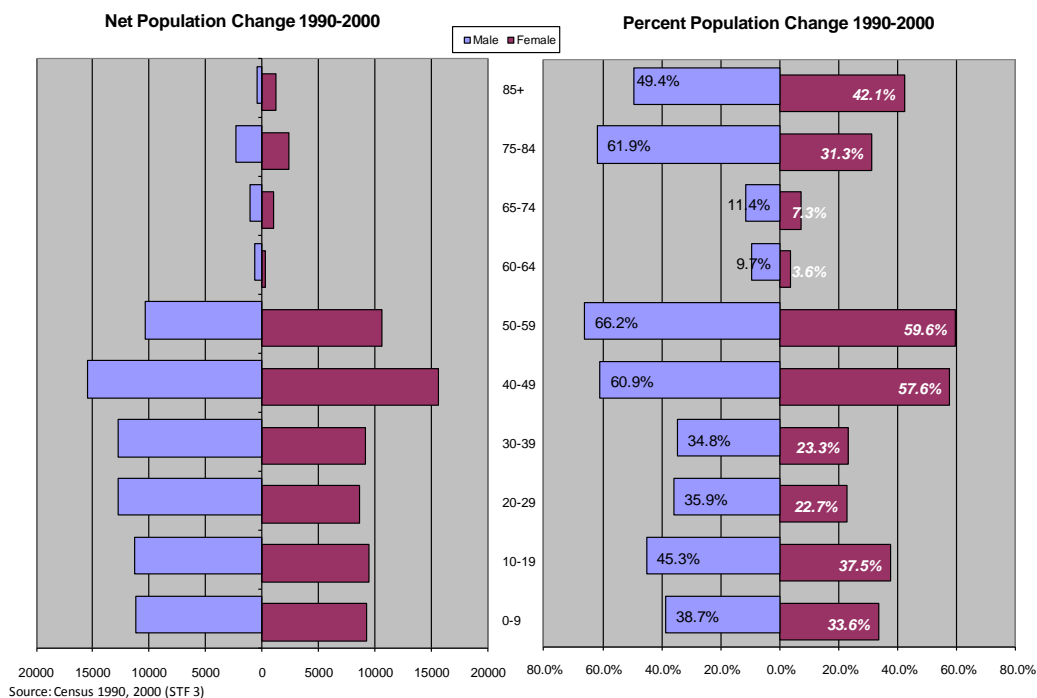
The 2000 pyramid illustrates very little shift in age distribution. As in 1990, those aged 30-39 represented the largest cohort, but in a slightly smaller proportion than ten years earlier (now, 18.1 percent). The same is true of those aged 20-29, who represented 17.5 percent of the population in 2000. Those aged 40-49 comprised the third largest cohort at a significantly higher rate to ten years previously, (15.4 percent as compared to 13.3 in 1990). Together, these three cohorts made up 51.0 percent of the total population in 2000, and the child infant (those aged 0-9) comprised just 14.2 percent of the population by that year.

The fastest growth from 1990 to 2000 was experienced among those aged 40-49, growing by 2.2 points to comprise 15.4 percent of the population, while the cohort represented by ages 65-74 lost the greatest percent in the population, causing their ratio to drop by 1.2 points. All cohorts under age 40 declined in terms of their percent in the population, except the child cohort (comprised of those aged 10-19), but this increase was by less than one-half of one percent. While some cohorts grew more slowly than others and their representation of the population changed between 1990 and 2000, no cohort numerically lost population.

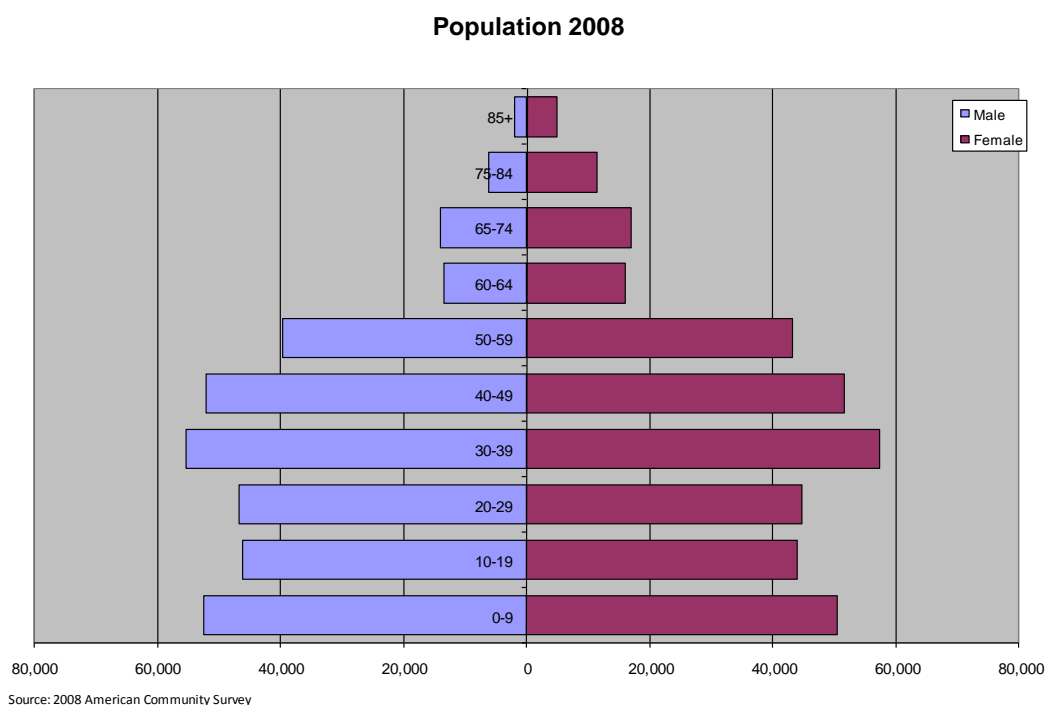
Population 2000



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, which does not occur in any cohort from 1990 to 2000.

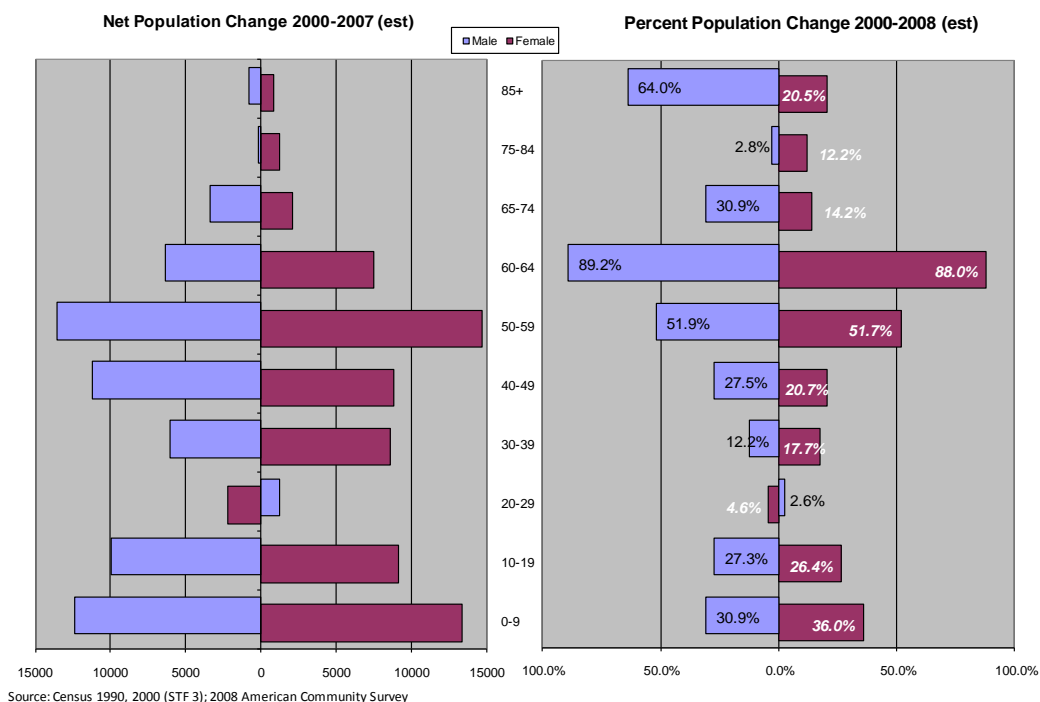


American Community Survey 2008 data estimate that the largest cohort continues to be those aged 30-39, although now small in proportion (16.8 percent). By 2008, those aged 40-49 comprised the second largest cohort in the City of Charlotte (15.5 percent), with the “infant cohort” of those aged 0-9 close behind (15.4 percent).



The greatest point gain was among persons aged 50-59, which increased by 2.3 points. Where the three largest cohorts in 2000 were made up of those aged 20 to 49, (comprising 51.0 percent of the population), the three largest cohorts in 2008 were those aged from 30 to 49, and 0 to 9, inclusive, comprising 47.7 percent of the population. In part, this supports the increasing median age of the population over the study period. At the same time, those aged 20 to 29 experienced the greatest population loss (3.8 percent representing nearly 3,500 individuals). While age cohorts from 20-39 and 65 and over declined in percent of representation in the population, only the 20-29 cohort actually lost numerical population between 2000 and 2008.



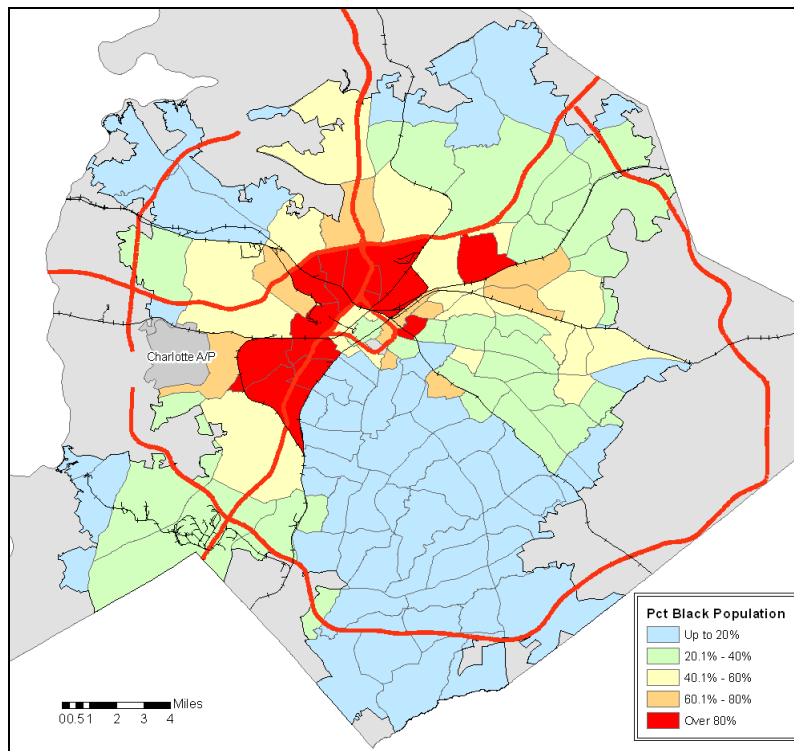


## RACE/ETHNICITY

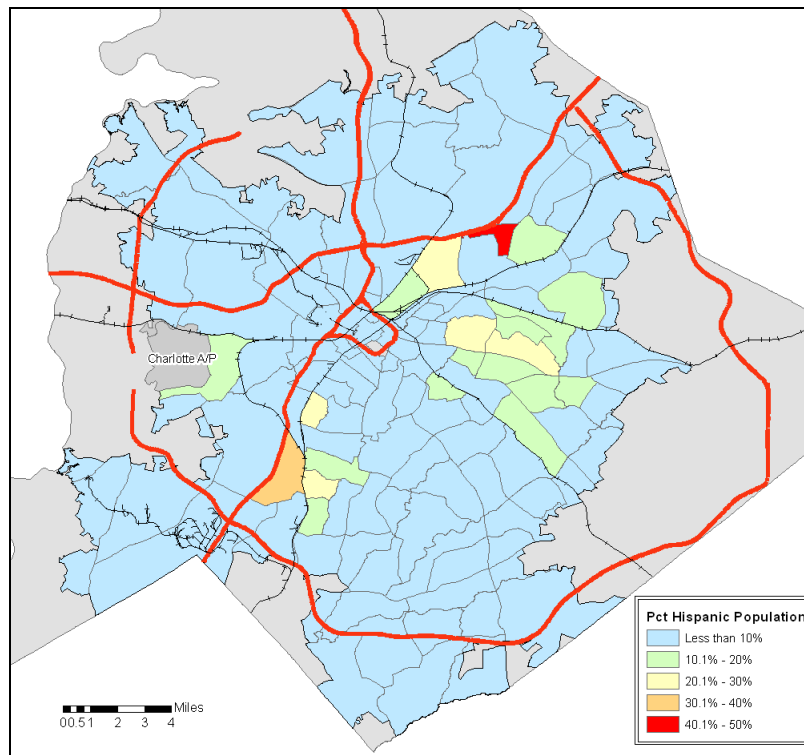
In 2000, the City of Charlotte's population was 58.3 percent White, 32.6 percent Black, 0.4 percent American Indian/Alaska Native, 3.2 percent Asian, 3.6 percent some other race and 1.9 percent two or more races. The Hispanic population comprised 7.4 percent of the city's total population.

2006-2008 American Community Survey estimates report a slight shift in population composition, indicating the population to be 55.5 percent White, 33.5 percent Black, 0.4 percent American Indian/Alaska Native, 4.1 percent Asian, 4.7 percent Other and 1.8 percent two or more races. The Hispanic population had increased to 11.2 percent.

The map below illustrates the distribution of the black population in the City of Charlotte in 2000. Shaded red on the map below, the highest concentration is indicated north of the city center south of I-85, where the black population comprises more than 80 percent of each of the adjacent census tracts (36, 37, 38.02, 39.02, 41, 45, 46, 47, 48, 49, 50, 51 and 52), and census tracts 8 and 53.03. (Note: Census tract 2 inside the I-277 bypass appears to be shaded blue, but is actually gray. This census tract has a population count of 0.)



In 2000, the City of Charlotte's Hispanic population was primarily concentrated in two census tracts. More than 40 percent of the population of census tract 53.04, located adjacent to I-85 east of the city center, is Hispanic. Between 30 and 40 of the population in census tract 38.04, located southwest of the city center adjacent to I-85, is Hispanic. (Note: Census tract 2 inside the I-277 bypass appears to be shaded blue, but is actually gray. This census tract has a population count of 0).



### HOUSEHOLD CHARACTERISTICS

While continuing to decline from 1990, families were still the most prevalent type of household, comprising 60.3 percent of all households in 2000. Of these, 82.2 percent were small (2 to 4 persons) family households. According to 2006-2008 American Community Survey estimates, family households have become less prevalent in Charlotte, declining to fewer 60.3 percent of all households.

The table below shows the total number of households by type in the City of Charlotte in 1990, 2000 and 2008. Households with persons 65 years or older accounted for 11.8 percent of all households in 2000.

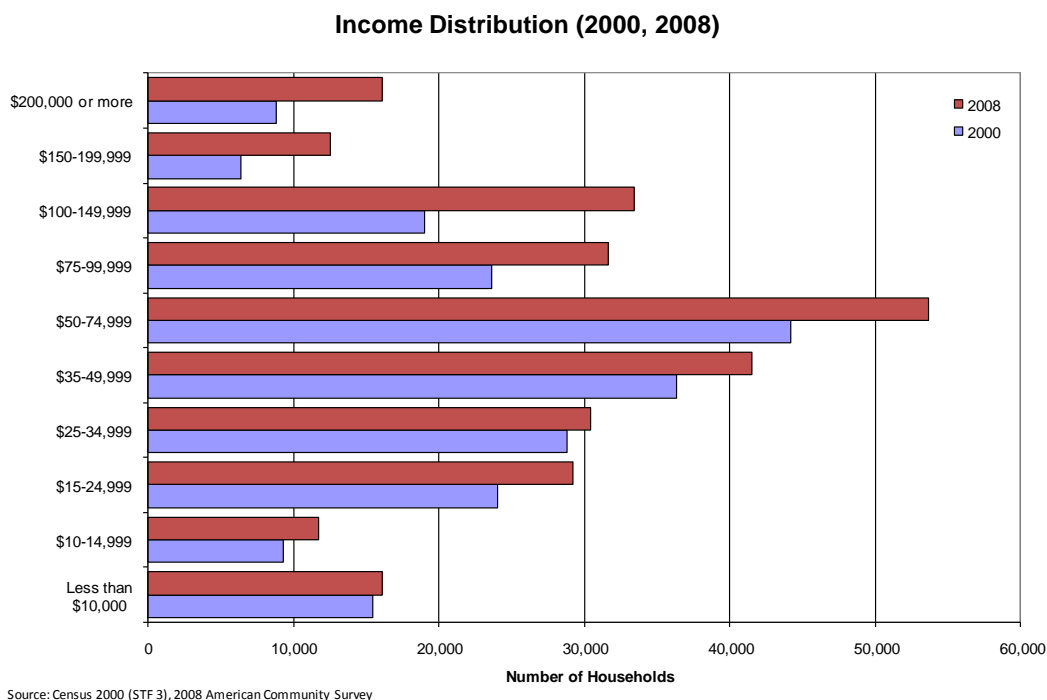
Households by Type						
	1990		2000		2008	
Household Type	Number	% of Total	Number	% of Total	Number	% of Total
Total Households	158,946	100.0%	215,803	100.0%	276,244	100.0%
Family Households	103,442	65.1%	133,957	62.1%	166,594	60.3%
Non-Family Households	55,504	34.9%	81,846	51.5%	109,650	39.7%
Large Families (5 or More)	N/A	N/A	18,755	17.8%	N/A	N/A
Small Families (2 to 4)	N/A	N/A	98,334	82.2%	N/A	N/A
65 and older (families & non-families)	N/A	N/A	32,713	11.8%	N/A	N/A

### INCOME PROFILE

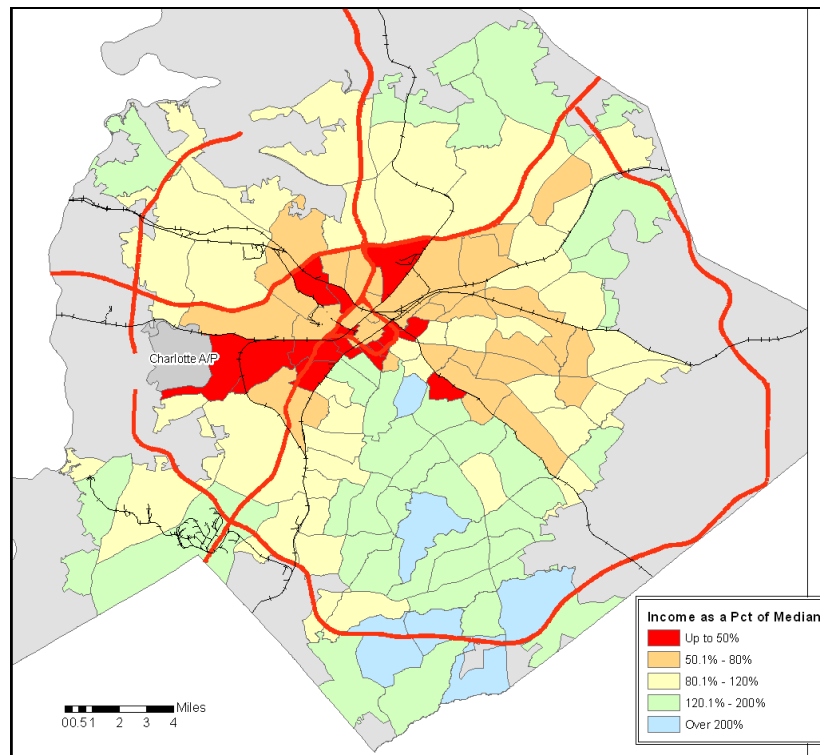
The City of Charlotte's median income in 2000 was \$46,975, which is 7.1 percent below the overall county median income of \$50,579. In 2000, the income range with the highest percent of households in the City of Charlotte was from \$50,000 to \$74,999, with 20.5 percent of the population earning in this range. The second highest earning level was \$35,000 to \$49,999, with 16.8 percent of households at this level. At the same time, 7.1 percent of households earned less than \$10,000, 4.3 percent earned between \$10,000 and \$14,999 and 11.1 percent earned between \$15,000 and \$24,999. Together, 22.6 percent of the city's households had incomes of less than \$25,000 per year.

By 2008, the median income was estimated to have risen to \$53,125, a 13.1 percent increase. At the same time, the median income in the county overall was estimated to be \$56,766, representing a 12.2 percent increase countywide. The effect of the higher increase citywide than throughout the county resulted in the city median income dropping from 7.1 to 6.4 percent below that of the county.

ACS 2006-2008 estimates indicate that the highest percent of households still earned between \$50,000 and \$74,999 (19.4 percent), followed by those earning between \$35,000 and \$44,999 (15.0 percent). Those earning less than \$10,000 and households earning from \$15,000 to \$24,999 are still represented by more than 20 percent of the population (5.8 and 14.8, respectively).



The map below geographically displays economic stratification in the City of Charlotte, comparing each census tract's median income to that of the entire city. A band of low income census tracts is readily apparent by the red and orange shading from west to east, beginning at the Charlotte Douglas International Airport. The census tracts with the lowest median incomes (represented in red) are located primarily west, but also north of the city center, south of I-85. Seven of these census tracts, (8, 36, 37, 39.02, 45, 47 and 51) are also those with the highest concentrations of black population (over 80 percent). The remaining five (3, 4, 6, 23 and 39.01) are comprised of populations that are at least 40 percent black. [Wealthier households, predominate south of the city center, extending out beyond I-485.] (Note: Census tract 2 inside the I-277 bypass is shaded red, indicating an income level of below 50 percent of the area's median. In actuality, this census tract has a population count of 0.)



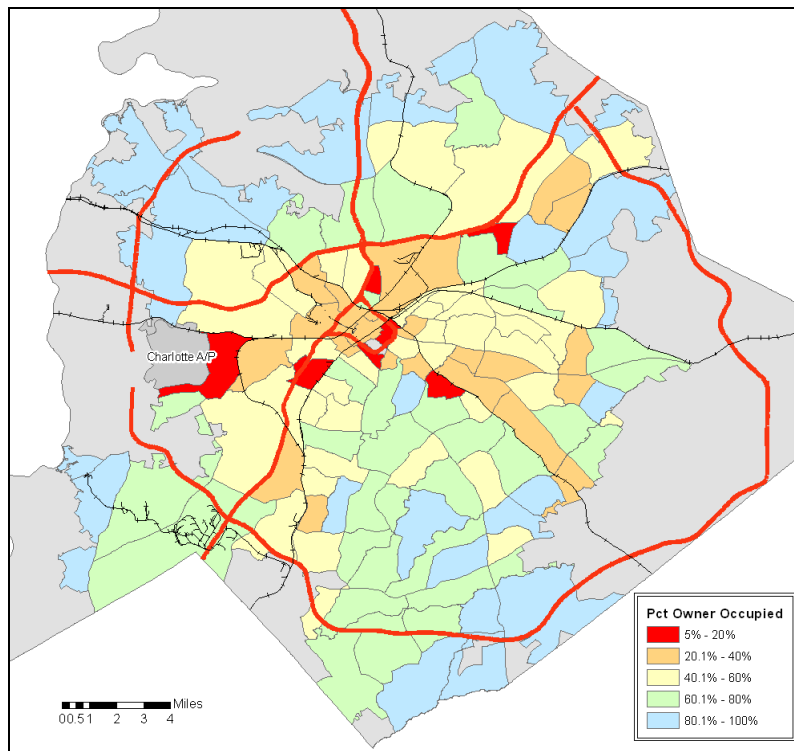
According to HUD, the current (2010) median income for a family of four in the City of Charlotte is \$66,500. The table below provides 2010 income limits by family size.<sup>15</sup>

Income Limits 2008						
Family Size	1	2	3	4	5	6
Income Limit	37,250	42,550	47,900	53,200	57,450	61,700

#### TENURE

Tenure is calculated as tenant or owner occupancy as a proportion of occupied housing units. In 1990, the city's homeownership rate was 55.0 percent, which was less than 5 points below the county rate of 59.7 percent, and lower than the national rate of 66.2 percent. The rate increased to 57.5 in 2000, while the county rate rose to 62.3 percent. Both rates were estimated to have increased slightly in 2008 when the county rate was estimated at 63.8 percent and homeownership in the City of Charlotte was an estimated 59.8, while the estimated 2008 national rate was 66.9 percent. The map below shows the distribution of the 124,057 owner-occupied households throughout the City of Charlotte in 2000.

<sup>15</sup> U.S. Department of Housing & Urban Development: Annual Income Limits for the CD Program, May 2010



It is not surprising that areas with high income levels also have high rates of homeownership. (Note: Census tract 2 inside the I-277 bypass appears to be shaded blue, but is actually gray. This census tract has a population count of 0.) In general, the City of Charlotte has rather low homeownership rate.

## Housing Profile

### OVERVIEW OF HOUSING SUPPLY

In 2000, there were 230,556 housing units in the City of Charlotte, a net increase of 35.3 percent over that in 1990.<sup>16</sup> The housing stock increased by an additional 32.7 percent between 2000 and 2008 to an estimated 305,912 total housing units<sup>17</sup>.

<sup>16</sup> 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),

<sup>17</sup> Census 2000, Summary File 3, HO27: Tenure By Year Structure was Built (Housing Units) and 2006-2008 American Community Survey 3-Year Estimates, B25034: Year Structure Built (Housing Units).

Housing Units by Tenure						
Units	2000		2008		Change	
	Number	Percent	Number	Percent	Number	Percent
Owner-Occupied	124,057	53.8%	165,219	54.0%	41,162	33.2%
Renter-Occupied	91,688	39.8%	111,025	36.3%	19,337	21.1%
Vacant	14,811	6.4%	29,668	9.7%	14,857	100.3%
Total	230,556	100.0%	305,912	100.0%	75,356	32.7%

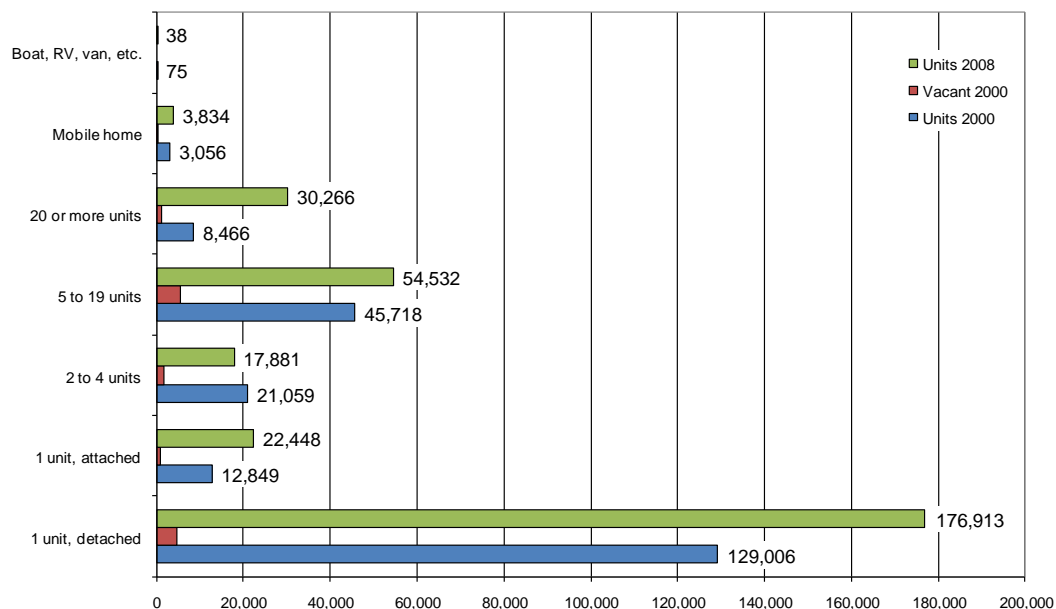
In 2000, single-family detached housing was the most prevalent type among the city's housing stock. The graph below provides an overview of the housing types in the city. In total, single family detached housing represented 61.5 percent of all housing in the city (numbering 141,855). The majority of multi-family housing, that is, housing in more than 4 units per structure, was located in buildings that contain 5 to 9 units (10.2 percent), followed closely by structures containing 10 to 19 units (9.6 percent). Mobile homes represented just 1.3 percent of all housing.<sup>18</sup>

In 2008<sup>19</sup>, it is estimated that the 199,361 single-family housing units represented 65.2 percent of the housing stock. Most multi-family housing was located in buildings that contained 10 to 19 units per structure (10.1 percent), followed closely by that located in buildings containing 20 or more units (9.9 percent). The graph below illustrates housing distribution in 2000 and 2008, and vacancies by unit types for 2000.

<sup>18</sup> Census 2000, Summary File 3, H32: Tenure By Units in Structure

<sup>19</sup> 2006-2008 American Community Survey, B25024: Units in Structure

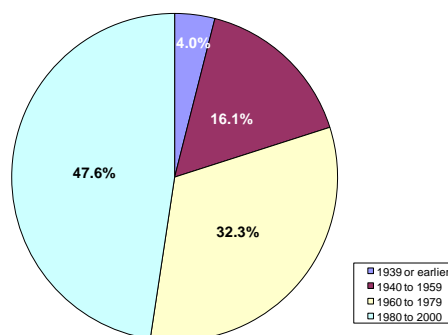


**Housing Stock by Type**

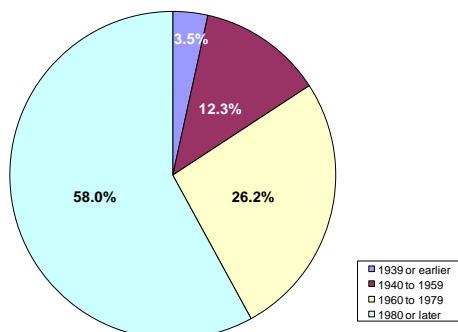
Source: Census 2000 (STF 3), 2006-2008 ACS

**AGE AND CONDITION**

Based on the 2000 census, 20.0 percent of the total housing stock in the City of Charlotte was built in 1959 or earlier, and is, therefore, now more than 50 years old. These data also indicate that a total of 52.4 percent of the housing stock was built prior to 1980, making lead-based paint a potential hazard.

**Age of Housing Stock (2000)**

Source: Census 2000 (STF 3)

**Age of Housing Stock (2008, est)**

Source: 2006-2008 American Community Survey

2006-2008 American Community Survey estimates indicate that 15.8 percent of the city's housing stock was built prior to 1959, suggesting that some older housing stock was lost in the seven-year interim against the addition of new stock. Additionally, the percent of housing stock built prior to 1980 decreased to 15.8 percent, primarily reflecting an increase in newer housing units.

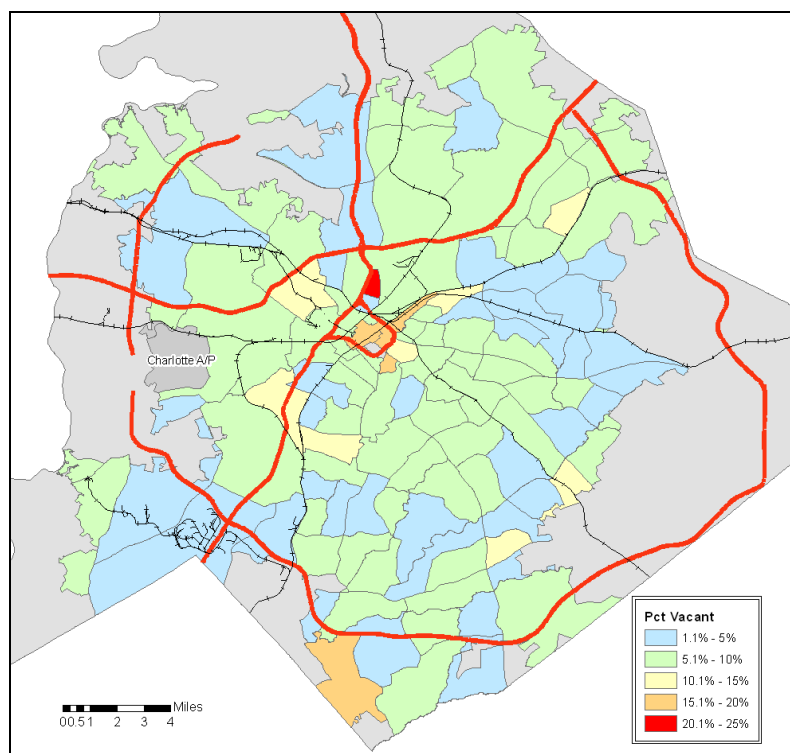
When compared to the national average of 56.0 percent built since 1980, the City of Charlotte's housing stock is on par; yet many units will still need substantial financial investments in major structural systems to remain sound and livable. For low-income owners, these repairs are frequently unaffordable and deferred maintenance hastens the deterioration of their units. For low-income renters, their housing often does not generate enough revenue for landlords to make improvements without raising rents.

### VACANT UNITS

Vacancy is a proportion of unoccupied units to all housing units. This rate was 6.7 percent in 1990 and declined to 6.4 percent by 2000. American Community Survey estimates indicate that this rate rose to 9.7 percent by 2008. The map below shows the distribution of vacancies throughout the City of Charlotte.

The highest vacancy rate (21.2 percent) is found in census tract 50, a small area located just east of I-77 and south of I-85. This census tract was described above as having a median income between 50 and 80 percent of the city's median, and an owner-occupancy rate of about 14 percent. It is comprised of over 80 percent black residents with a Hispanic population of less than 10 percent.

The census tracts illustrated in yellow and orange below also have vacancy rates significantly above the city's overall vacancy rate, as described above. In 2000, these census tracts had vacancy rates ranging from 10 to over 20 percent.



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## HOUSING DEMAND VERSUS SUPPLY

In April 2007, the City of Charlotte contracted with an independent consulting firm to review net affordable rental housing needs throughout Mecklenburg County. The study was subsequently reviewed in March of 2008. While there are certainly similarities between the April 2007 study and the analysis performed for this report, the studies differ on several measures.

**Tenure**—The 2007-2008 study was limited to rental housing; this analysis encompasses both rental and owner housing

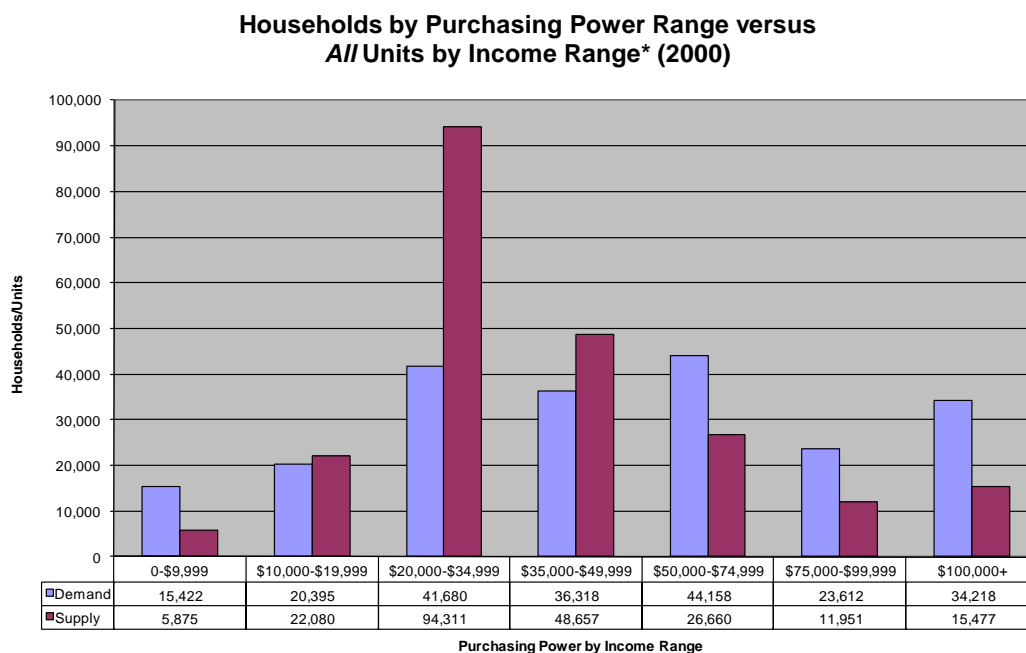
**Geography**—The 2007-2008 study covered all of Mecklenburg County, addressing each of the seven planning districts; this analysis is limited to the City of Charlotte, evaluated by census tract

**Scope**—The 2007-2008 study included needs projections to 2012; this analysis is a review of HUD and Census Bureau data that reflect estimates of counts that are from two to ten years old

Despite these differences, the results are similar: there continues to be an unmet housing need for households earning less than \$15,000 per year.

The following two graphs compare the housing demand versus the housing supply in the City of Charlotte 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 rented and owned, occupied and vacant, valued at appropriate affordability for each income level.

In 2000, there were 15,422 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 Charlotte, there were 5,875 homes valued in this range, falling short by nearly two-thirds in housing for households at this income level.



Source: Census 2000 (STF 3)

\* for all households

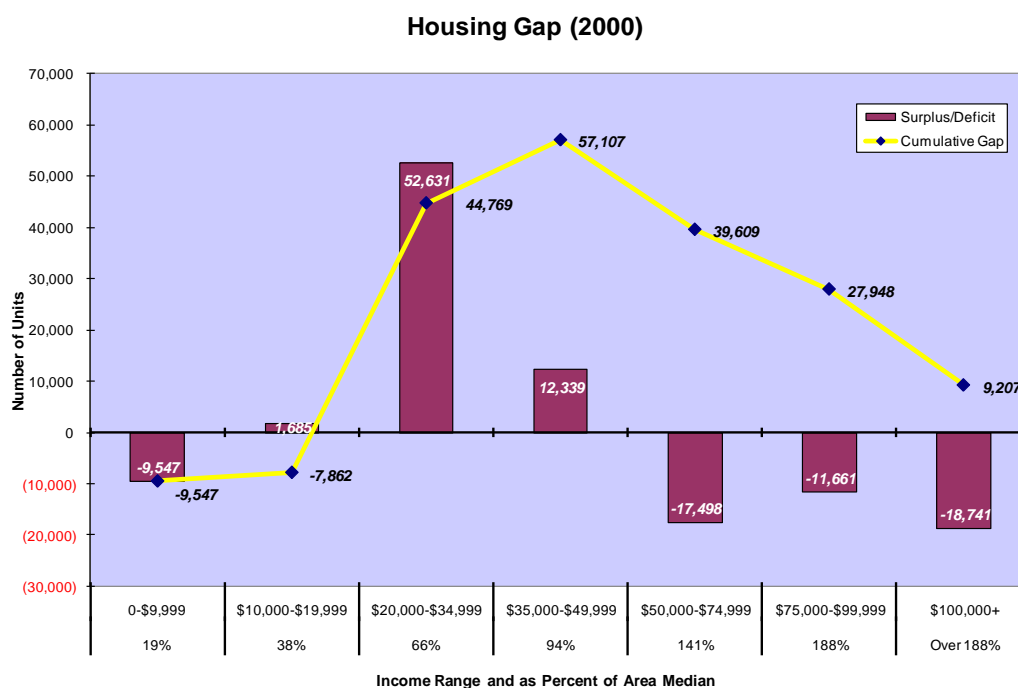
There is also a lower supply than demand for all income levels above \$49,999, illustrating that high-income households purchase homes below their affordability levels, causing them to compete for housing with those at lower incomes.

The graph below shows the gap between the supply and demand of housing units at each income level. For example, the demand for 15,422 units and supply of 5,875 (above) creates a gap of 9,547 units (see graph below and table above). In other words, there were 9,547 more households earning up to \$9,999 annually seeking housing than there were housing units in their affordability range.

At the next level, the demand of 20,395 units and supply of 22,080 creates a gap of 1,685 units in excess of demand. When households from the income level below accept housing at a higher level than they can afford, the cumulative effect is a combined deficit of 7,862 units for households earning less than \$20,000. Finally relief is found at the next level, where the demand of 41,680 and supply of 94,311 more than adequately meet the demand of those earning between \$20,000 and \$34,999, with 52,631 units available to satisfy the demand from lower income levels. Combining these with the deficit of 7,862 units from the previous income levels creates a net surplus of 44,769 housing units for households at these three income levels combined.

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 9,207 units (as of the 2000 Census). This surplus indicates that there are sufficient units for all households earning more

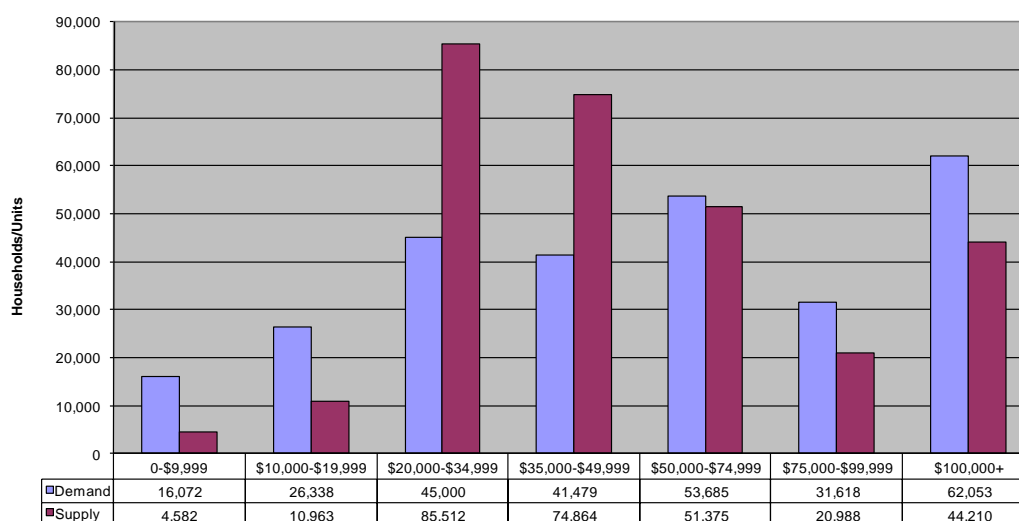
than \$19,999 that accept living in housing at or below their affordability levels. However, the shortage of housing for households earning incomes above \$50,000 means that households in Charlotte are competing for housing priced in the affordability range that corresponds to those earning between \$20,000 and \$49,999.



Source: Census 2000 (STF 3)

Estimates from the 2006-2008 American Community Survey suggest the shifts as illustrated in the following graphs. Housing availability appears to have improved for households earning from \$35,000 to \$49,999, but still falls short of demand at the lowest levels.

**Households by Purchasing Power Range versus  
All Units by Income Range\* (2008, est)**



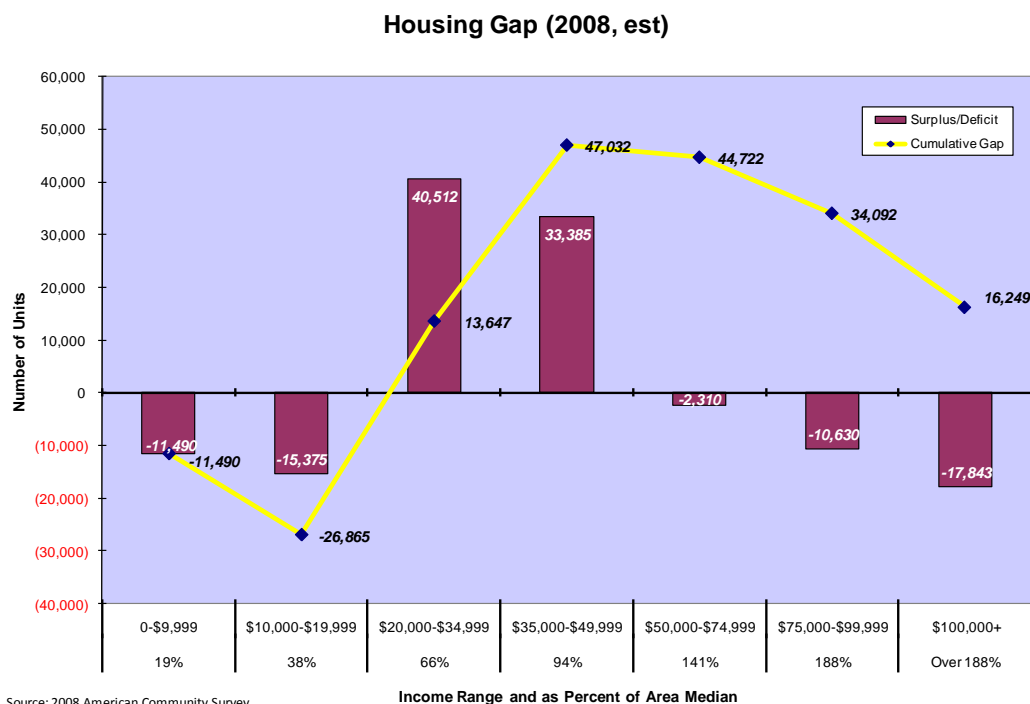
Source: 2008 American Community Survey

Purchasing Power by Income Range

\* for all households

The demand for 16,072 units and supply of 4,582 at the lowest level reveals a gap of -11,490 considerably larger 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 21 percent of the area's median income. By 2008, this home was available to those earning just 19 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.

At the next price point, the demand for 26,338 units and supply of 10,963 units does not meet the needs of households earning from \$10,000 to \$19,999, and represents a growing deficit of housing for those with incomes below 40 percent of the area's median. Relief for the unmet needs of the high demand and low supply does not occur until the excess of 13,947 housing units for those who earn 66 percent of the area's median income (up to \$34,999). Furthermore, the continued shortage of housing units at the highest levels causes the highest earners to compete with those from lower income levels for housing priced near and well above the median. Ultimately, the City of Charlotte has an estimated net surplus of 16,249 housing units.



## 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 Charlotte, the current median cost for a home is \$187,900<sup>20</sup>. Presuming a down payment of 5 percent (\$9,395) and an interest rate of 4.75 percent<sup>21</sup>, an estimated monthly payment (PITI) of \$965 makes the home affordable to a household earning \$39,781 (or 74.9 percent of the area's median income).

According to the National Low-Income Housing Coalition's "Out of Reach" database, in 2010, the City of Charlotte's median gross rent for a two-bedroom unit was \$726. As 30 percent of annual income, this rent would be affordable to a household earning \$29,040 or 54.7 percent of the area's median income. Three-bedroom rental housing was reported to cost \$806. Affording this rent requires an annual income of \$32,240 and is affordable to households earning 60.7 percent or more of the area's median income. In general, rental housing in the City of Charlotte is highly affordable for those who earn an income above 60 percent of the city's median.

<sup>20</sup> Retrieved from [www.realtor.com](http://www.realtor.com), accessed 5/14/10.

<sup>21</sup> Retrieved from [www.hsh.com](http://www.hsh.com), accessed 5/14/10.

The first table on the following page illustrates the income needed to afford a home of the 2010 median home value in the City of Charlotte, based on interest rates of 4.75 and 5.25 percent with a 5-percent down payment.

The second table illustrates the price of a home that households paying the 2010 Fair Market Rent (FMR) for two-and three-bedroom units can afford, if they were to own rather than rent. These charts assume an affordable rental housing cost to be 30 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 2010 is affordable to a household earning between \$39,781 and \$42,229 (or from 74.9 to 79.5 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 Charlotte in comparison to the cost of homeownership. A household paying the 2010 fair market rent (FMR) for a 2-bedroom rental unit with no funds available for a down payment can afford a home between 65 and 69 percent of the 2010 median home value in the City of Charlotte; that is, a home priced between \$122,754 and \$130,308. A household paying the 2010 fair market rent (FMR) for a 3-bedroom rental unit with no funds available for a down payment can afford a home between 73 and 77 percent of the 2010 median home value in the City of Charlotte; or, one that is priced between \$136,280 and \$144,667. A current search of homes for sale revealed the lowest priced home in the City of Charlotte to be \$10,000 for a condominium, and \$15,900 for a detached home, with 4,863 homes priced at or below \$187,900.<sup>22</sup>

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<sup>22</sup> Search conducted 5/14/10 at [www.realtor.com](http://www.realtor.com).



Homeowner and Rental Housing Affordability							
				Area Median Income	\$ 53,125.00		
				Affordable Monthly Housing Cost	28% monthly income		
Homeowner Housing							
Annual Wage (and % AMI) and Down Payment Needed to Buy Various Priced Homes (at 4.75% interest rate)							
	Sales Price	Down Payment	Mortgage Amount	Monthly Mortgage at 5.0% interest	Total Monthly Cost**	Required Annual Income	Percent of AMI
Median Value of Owner-Occupied Unit, 2010*	\$187,900	\$9,395	\$178,505	\$928	\$965	\$39,781	74.9%
Annual Wage (and % AMI) and Down Payment Needed to Buy Various Priced Homes (at 5.25% interest rate)							
	Sales Price	Down Payment	Mortgage Amount	Monthly Mortgage at 5.5% interest	Total Monthly Cost**	Required Annual Income	Percent of AMI
Median Value of Owner-Occupied Unit, 2010*	\$187,900	\$9,395	\$178,505	\$985	\$1,025	\$42,229	79.5%
* Median Home Value source: calculated from data retrieved from www.realtor.com on 5/14/10							
** Includes property taxes, homeowner & mortgage insurance (if required)							

Rental Housing						
Comparable Monthly Rent and Mortgage/Tax/Insurance Payments						
	Monthly Housing Expense	Comparable Monthly Mortgage	Affordable Purchase Price 4.75% interest	Affordable Purchase Price 5.25% interest	Required Annual Income	Percent of AMI
2010 FMR (2-bedroom)	\$726	\$678	\$130,308	\$122,754	\$29,040	54.7%
2010 FMR (3-bedroom)	\$806	\$752	\$144,667	\$136,280	\$32,240	60.7%

## 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, 33.2 percent of the City of Charlotte renters (30,414) were cost-burdened in 2000, including 14.9 percent (13,649) who were severely cost-burdened. A significantly smaller percent of homeowners with a mortgage experience this housing problem: 21.6 percent (26,803) were cost-burdened, including 7.5 percent (9,307) who were severely cost burdened.

According to the 2000 Census, 959 households (0.4 percent) lacked adequate plumbing facilities—328 owners (0.3 percent) and 631 renters (0.7 percent). At the same time, 888 households (0.4 percent) lacked complete kitchen facilities—217 owners (0.2 percent) and 671 renters (0.7 percent). American Community Survey data are inconclusive.

In 2000, 11,336 (5.3 percent) of the City of Charlotte households were overcrowded. These were comprised of 2,410 owner-occupied households or 1.9 percent of all owner-occupied households. Considerably more tenant-occupied households were overcrowded: 8,926 or 9.7 percent of all renters.

American Community Survey estimates reported substantial improvement by 2008, indicating that overall, 1.8 percent of households were overcrowded (5,027), comprised of 1,187 owners (.07 percent of all owners) and 3,840 renters (3.5 percent of all renters).

## Recommendations

Increase housing options for households at the lowest and highest income levels to relieve the competition for median-priced homes.

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 of the race, ethnicity or income levels of its residents.

## Analysis of Impediments to Fair Housing Draft Document Review & Public Hearing Notice



### City of Charlotte Analysis of Impediments to Fair Housing Draft Document Review & Public Hearing Notice

The City of Charlotte is preparing its submission of the Analysis of Impediments to Fair Housing Report to the U.S. Department of Housing and Urban Development (HUD). The report outlines the progress toward carrying out Fair Housing practices within the City of Charlotte.

The purpose of citizen participation is to obtain comments and recommendations from the public regarding how Fair Housing practices are implemented within the City of Charlotte are addressed. Copies of the Analysis of Impediments Executive Summary are available for review from July 22, 2010 through August 5, 2010.

Your participation in this review process will help ensure that the needs of Charlotte's citizens are understood and that fair housing impediments are eliminated. Please take advantage of this opportunity by reviewing the Executive Summary of the document at one of the following locations. The full draft of the report will be available on July 22, 2010 online at [neighborhoods.charmeck.org](http://neighborhoods.charmeck.org).

#### **Neighborhood & Business Services**

600 E. Trade Street, Charlotte, NC

#### **Charlotte-Mecklenburg Library**

310 North Tryon Street, Charlotte, NC

#### **Freedom Regional Library**

1230 Alleghany Street, Charlotte, NC

#### **Independence Regional Library**

6000 Conference Drive, Charlotte, NC

#### **Sugar Creek Library**

4045 N. Tryon Street, St. A, Charlotte, NC

#### **Charlotte Housing Authority**

1301 South Boulevard, Charlotte, NC

#### **Belmont Regional Center**

700 Parkwood Drive, Charlotte, NC

#### **Hickory Grove Library**

5935 Hickory Grove Road, Charlotte, NC

#### **Plaza-Midwood Library**

1623 Central Avenue, Charlotte, NC

#### **West Boulevard Library**

2157 West Boulevard, Charlotte, NC

(Note: For Public Libraries hours of operation, please visit [www.plcmc.org/locations/](http://www.plcmc.org/locations/).)

On Monday, August 23, 2010, 7:00 pm, at the Charlotte-Mecklenburg Government Center (located at 600 East 4<sup>th</sup> Street – Council Chamber), a Public Hearing regarding the draft Analysis of Impediments to Fair Housing Report will be held during the City Council meeting. You are invited to attend and provide comments.

