

CITY OF WINSTON-SALEM  
AND FORSYTH COUNTY

ANALYSIS OF  
IMPEDIMENTS  
TO  
FAIR HOUSING CHOICE

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A FAIR HOUSING ACTION PLAN  
2009-2014



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## I. INTRODUCTION AND EXECUTIVE SUMMARY OF THE ANALYSIS

### EXECUTIVE SUMMARY

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As the following analysis indicates, there is a dire need for the continuation in the work of the Human Relations Department in affirmatively furthering the city's efforts in eliminating barriers to fair housing. The analysis indicates discrimination continues in the areas of lending and in the sale/rental of housing in Forsyth County. Most of the allegations are specifically from the protected classes based on race, gender, familial status, national origin, and disability.

The vision of the Winston-Salem Human Relations Commission is: **“Winston-Salem: A place where everyone is treated fairly.”** Since the arrival of the current director in November 2001, the Commission continues to make improving its image and visibility in the community a Strategic Action Plan priority. By implementing the director's approach in implementing new systems and streamlining successful procedures, an increase in the number of investigations, special projects, and community outreach efforts have resulted. Specifically, the department continues to disseminate quarterly newsletters and tape a quarterly television show on the Government Channel that features human relations topics, programs, issues, and partners.

The Department continues to focus its investigations on the areas in which it has jurisdiction and enforcement authority. These areas are primarily focused on discrimination issues, as ascribed in the Fair Housing Act. The Department will also continue to mediate, investigate and process landlord/tenant issues, as per North Carolina General Statutes, specifically Chapter 42. Additionally, the Department has forged an historic partnership with the Forsyth County District Court, the City Attorney's Office, and Legal Aid of Northwest North Carolina to implement the Alternative Residential Mediation (ARM) program, which will provide residents with a free, expedient, non-litigious way to resolve landlord/tenant complaints. It is the first of its kind in North Carolina and is expected to generate more potential fair housing complaints since many such complaints are derived from what initially appears to be routine landlord/tenant issues.

The Department continues to participate in the administration of the Fair Housing Assistance Program (FHAP) grant through the U.S. Department of Housing and Urban Development (HUD). The FHAP grant's focus parallels the focus of the Commission by emphasizing the importance of continual community education and outreach. Additionally, the FHAP grant utilizes a system of tracking fair housing investigations that is compatible with the Department's internal system of ensuring a thorough, step-by-step process for enforcing the Fair Housing Act.

The Department will continue its focus on community education and outreach with respect to Fair Housing and landlord/tenant laws. The Department will expand its efforts in ensuring that every segment of the City's population has access to the services of the Department. For instance, the Department's comprehensive web site includes information about the Department's jurisdictional areas of specialty as well as additional resources in the community. The Department will also continue to employ a bilingual Human Relations Specialist who can communicate with members of the Hispanic community. Staff will continue to field questions from the general public via telephone and in person. Staff will also continue conduct and track at least one fair housing outreach and/or training per month.

It is the on-going intention of the Human Relations staff to continue working collaboratively with HUD, the Housing and Neighborhood Development Department, and other community partners in taking on the challenge of affirmatively furthering fair housing in Winston-Salem.

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## INTRODUCTION

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The United States Department of Urban Housing (HUD) requires the City of Winston-Salem to submit Federal grant funding applications for the Community Development Block Grant (CDBG), HOME Investment Partnership (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) as a part of the Consolidated Plan. Previously, these federal grant fund applications were submitted individually throughout the budget year.

This is the second Fair Housing Plan developed by the City of Winston-Salem under the federal guidelines mandated by HUD. As part of its certification to affirmatively further fair housing (AFFH), HUD requires the City to conduct an analysis of impediments to fair housing choice. The City must also take appropriate actions to overcome the effects of any impediments identified in this analysis.

The Federal Housing Administration (FHA) was established by the government to improve housing conditions for Americans. Title VIII of the Fair Housing Act states, "It is the policy of the United States to provide for fair housing throughout the United States." Additionally, the law directs all executive departments and agencies to administer their programs and activities relating to housing and urban development in a manner to further the purposes of the Act.

Title VIII of the Fair Housing Act declares, "It is the policy of the United States to provide, within Constitutional limitations, for fair housing throughout the United States." In addition, the law directs all executive departments and agencies to administer their programs and activities related to housing and urban development in a manner affirmatively to further the purposes of the Act.

Winston-Salem is a progressive southern city that is experiencing significant development. Consequently, Winston Salem has much to offer in addition to its natural beauty, active business sector, strong community based organizations and strong political leadership.

The City of Winston Salem has internally conducted this Analysis of Impediments through its Human Relations Department staff. The Human Relations Department is responsible for administering and enforcing the Fair Housing Act and the local Fair Housing Ordinance in the City of Winston-Salem. As part of its certification to affirmatively further fair housing, HUD has required the City to conduct an analysis of impediments to fair housing choice.

Participants included staff from the departments of Housing/Neighborhood Development, Economic Development, Inspections, the Housing Authority of the City of Winston-Salem, and the City Manager's Office. It should also be noted that Chris, a summer intern with the Housing/Neighborhood Development Department, significantly contributed to the statistical fair lending research and comparative data included in this report.

## **METHODOLOGY USED**

As a part of its duties to enforce the Fair Housing Act within the jurisdictional city limits of Winston-Salem, the Human Relations Department conducted an analysis of fair housing choice for the City of Winston Salem and Forsyth County. HUD defines this procedure as a “comprehensive review of policies, practices and procedures that effect the location, availability and accessibility of housing and the current residential patterns and conditions.” In order to accomplish this task we have examined existing studies and literature, conducted an historical analysis, reviewed the public policies from a fair housing perspective, analyzed the effectiveness of existing fair housing activities and examined barriers to fair housing choice for each protected class.

In this study, we will:

- Identify any barriers to the use of public and private resources by members of protected groups;
- Analyze the extent to which governmental programs or services (or the lack thereof) contribute to fair housing impediments;
- Analyze the extent to which lending institutions policies and programs (or lack thereof ) contribute to community disenfranchisement;
- Analyze the extent of discrimination experienced by protected groups; and
- Analyze the need and resources available for enforcement of fair housing/fair lending laws.

Based upon this analysis, Human Relations has compiled and prepared this report of our findings and recommendations for public comment and review.

## **Funding**

Funding for the Analysis of Impediments study was incurred and derived from in-kind staff time and equipment of the Human Relations Department, with contributions from the Housing/Neighborhood Development Department staff and other city department staff.

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## JURISDICTIONAL BACKGROUND AND DATA

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There are several laws relating to fair housing and affirmatively furthering fair housing choice. Each of these laws is relevant to the City's role in insuring fair housing opportunity to all citizens. A summary of these laws is provided in APPENDIX A.

### CURRENT DEMOGRAPHIC TRENDS AND HISTORICAL BACKGROUND

Forsyth County began as a Moravian settlement in 1753, and was named in honor of Colonel Benjamin Forsyth. After the two settlements of Bethabara and Bethania were established, the town of Salem was begun in 1766 as the central town in Wachovia. Salem grew rapidly both as a religious center and as a center for crafts and trades. Today, Forsyth County has progressed from its rustic past to a modern community which offers a variety of services to its citizens.

Forsyth County experienced tremendous growth between 1990 and 2000. The total population of Forsyth County grew from 265,878 to 306,067, an increase of 15.1 percent. The population of the City of Winston-Salem increased 29.5%. Over 60 percent of the county's population now lives within the city limits.<sup>1</sup>

Forsyth County has a very diverse racial and ethnic population. According to the 2000 census Whites make up 68.5% of the total population. The African-American population is 25.6% of the total county population. Asians and pacific islanders comprise 1% of the population. Six point four percent (6.4%) of the population describe themselves as of Hispanic or Latin origin. According to the census, 6.5% of the population is foreign born, and 9.5% of the population speaks a language other than English in the home. This has created a number of challenges for the community.<sup>2</sup>

Fifty-eight point eight percent (58.8%) of the population of the City of Winston-Salem is White. While nearly half of the White population in Forsyth County lives in Winston-Salem, approximately 87% of the African-American population lives in the city. In fact, over 86% of all minorities reside within the city limits of Winston-Salem.<sup>3</sup> Winston-Salem is racially segregated along the Hwy 52 corridor. These demographic trends have their basis in Southern history. Prior to the civil rights movement of the 1960s, segregation in the South was the rule. Current segregated housing patterns are attributable to the historical legacy of overt discrimination in housing through both public policy and social practices. Residential segregation became an important component of the institutionalized effort to isolate the races.

"In 1912, it was illegal for black families to move into white neighborhoods in Winston."<sup>4</sup> The City of Winston voted in July 1912 to prohibit the purchase of a house in a block where the majority of

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<sup>1</sup> City of Winston Salem Consolidated Plan, Section 1 Community Profile. p.I-1

<sup>2</sup> Forsyth County QuickFacts from the US Census.

<sup>3</sup> City of Winston Salem Consolidated Plan, Section 1 Community Profile.

<sup>4</sup> Winston-Salem Journal, "It Was the Law: City Ordinance mandated segregated housing. April 19,1998.

dwellers were of a different race. The law was modeled after a Richmond, VA ordinance.<sup>5</sup> In 1917 the US Supreme Court ruled that local laws allowing residential segregation were unconstitutional because they violated the 14<sup>th</sup> amendment.

White homeowners used restrictive covenants to keep African Americans, Jews, and Catholics from living in white neighborhoods in Winston-Salem. In 1930 the City adopted a zoning ordinance to prohibit African Americans from moving into white neighborhoods.<sup>6</sup>

In the 1940s, government programs designed to promote homeownership helped to increase racial segregation. These programs, particularly the Federal Housing Administration's (FHA) mortgage policy, heightened racial segregation by encouraging the real estate industry to protect the ethnic characteristics of neighborhoods and by refusing to make loans in black communities because they were deemed too risky.<sup>7</sup>

In addition, federal urban renewal programs in the hands of local coalitions, initiated slum clearance practices, whereby poor blacks were moved into high-density housing projects, often in squalid conditions. With the advent of the Federal Interstate Act, highways provided access to jobs for suburban residents with automobiles, while urban minorities had little access to housing and employment opportunities.

As a result, Winston-Salem has housing patterns that are part of an historical legacy of segregation and discrimination. The results of these public policy decisions remain relevant as the majority of black residents continue to reside East of HWY 52, which serves as the unofficial color line.

## **EMPLOYMENT**

The areas largest employers include R.J. Reynolds, Hanes Brands, Dell, Forsyth Medical Center, North Carolina Baptist Hospitals, Wake Forest University School of Medicine, U.S. Air, Wachovia Bank, and Tyco. In tandem with state and national trends, the composition of Forsyth County employment by industry category has changed dramatically over the past twenty years. There has been a marked decline in manufacturing and trade, and a significant increase in the service industry.

At-place employment in Forsyth County grew by 17.4 percent between 1990 and 2000, before dropping to a -3 percent growth rate between 2000 and 2006. In comparison, the state of North Carolina achieved a 25.7 percent growth rate from 1990 to 2000, before slowing to a 2.1 percent rate of growth during the period of 2000 to 2006 (NC-ESC). While these statistics indicate an overall decline in at-place employment, it also suggests that Forsyth County has performed significantly below the industry standards of the state.

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<sup>5</sup> IBID

<sup>6</sup> IBID

<sup>7</sup>Matthew Charles Bouchard, How Can the State of North Carolina Promote Residential Intergration (Durham: Duke University, 1994), pp. 3-4

From 2000 to 2006, the service industry has experienced a 22.8 percent growth rate, displacing manufacturing as one of the leading stalwarts within the local economy. As a result, many displaced workers in the manufacturing industry have been absorbed by the service industry. Data indicates the presence of health care and social assistance as the prominent employers within the service industry. An aging population, coupled with a weakened economy can be attributed to this trend. Other strong subgroups within the service industry include education as well as accommodation and food services.

## POPULATION

Forsyth County is one-third of the north central metropolitan North Carolina region referred to as the Piedmont Triad. Forsyth County is the 4<sup>th</sup> largest county in North Carolina with a population of 331,289, and is located in the northern Piedmont region of North Carolina. Winston-Salem, the county seat, has a population of 227,000, and is ranked 109<sup>th</sup> in the nation and 4<sup>th</sup> in the state of North Carolina. Centrally located between Atlanta and Washington D.C., Forsyth County is part of several connected metropolitan areas stretching along Interstate 85 from Raleigh to Alabama that includes Greensboro, Charlotte, Greenville, and Atlanta. Forsyth County is no longer an isolated county. It is now a component of one of the largest and fastest growing agglomerations of urban development in the United States.

Forsyth County experienced tremendous growth between 2000 and 2006. During this period, the total population of Forsyth County grew from 306,063 to 331,289, an increase of 8.2 percent. Roughly 69% of the county's population now lives within the city limits.

Forsyth County has a diverse racial and ethnic population. According to the 2005 American Community Survey, Whites make up 68.2% of the total population, while the Black population is 25.3%. 9.7% of the population describe themselves as of Hispanic or Latin origin.<sup>8</sup> Eight percent of the population is foreign born, and 13.2% of the population speaks a language other than English in the home, which has led to a number of challenges for the community.<sup>9</sup>

## HOUSING CHARACTERISTICS

Forsyth County's housing stock reflects the demographic constraints of the county and is notable for the following characteristics:

- **Age of the Housing Stock:** Nearly 27% of all occupied housing units were constructed prior to 1960.
- **Moderate Rent to Own Ratio:** 33% of all occupied units in Forsyth County are rentals, and 77% of all units are owner occupied.
- **Vacancy Rates:** Forsyth County's overall vacancy rate is high at 9.5, indicating a soft rental market.

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<sup>8</sup> 2005 American Community Survey.

<sup>9</sup> 2006 American Community Survey.

The total number of housing units in Forsyth County increased from 95,771 in 1980 to 146,751 in 2005, an increase of 53.2%. The number of occupied units has grown by 42,940 (47.6%), while the number of vacant units has grown by 8,040 (142.9%).

The housing stock in Forsyth County has incurred a strong increase in both ownership and new housing construction. However, most of the growth is related to rental units, particularly multi-family units, while there has been a decrease in single-family housing construction growth.

At the end of the 2005 fiscal year, a total of 5,204 units<sup>10</sup>, or 5.8 percent of the total city housing inventory of 90,120<sup>11</sup>, was substandard. In the 2005-06 fiscal year, over 41 percent of substandard housing units were concentrated in eight Census tracts.

Forsyth County's housing stock is marked by a diverse array of choices. A new resident can choose between new housing developments or historic neighborhoods. While this diversity provides residents with a number of choices it sometimes hides the fact that much of the housing stock in poorer areas is aging and is therefore becoming unsuitable for continued habitation.

According to the 2005 American Community Survey, the median contract rent of occupied rental units in Forsyth County increased by 15.6 percent (from \$435 to \$503 per month), or an annual average percentage increase of 3.1 percent between 2000 and 2005. Conversely, the Consumer Price Index grew at 2.3% between 2000 and 2005. Consequently, rent increases have consistently increased at a rate greater than the rate of increase in consumer prices in general.

In Forsyth County, an annual income of approximately \$20,112 would be required to afford the median contract rent of \$503 per month in 2005--up from \$17,400 in 2000. This is 44.6 percent of the 2005 median household income of \$45,046 for Forsyth County. Factoring in inflation, the 2000 figure of \$17,400 would be \$19,703, still less than what is required in 2005 to afford the median contract rent.

According to the 2005 American Community Survey, between 2000 and 2005, the median value of owner-occupied units in Forsyth County increased from \$108,900 to \$135,500 at a rate of 24.4%, or at an average annual rate of 4.9 percent. With inflation factored in, the 2000 median value would still be \$12,184 less than the current median value of 2005.

Over one quarter of all owner-occupied units were valued under \$100,000, and one quarter were valued at \$175,000 or more. An annual income of approximately \$39,060 would be required to afford the median priced unit, an amount roughly equivalent to 86.7 percent of the 2005 county median household income of \$45,046.

Owner housing units that are affordable to low- and moderate-income households are unevenly distributed throughout the county. A low- and moderate-income household—earning up to 80 percent

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<sup>10</sup> City of Winston-Salem, Housing and Neighborhood Services Department

<sup>11</sup> 2005 American Community Survey

of the county median income, or \$36,037—could afford to buy a house that cost the median value of owner-occupied units in the county, or \$135,500.

Rental housing units that are affordable to low- and moderate-income households are unevenly distributed throughout the country. . A low- and moderate-income household—earning up to 50 percent of the county median income, or \$22,523—could afford a monthly rent of approximately \$563.

According to the 2005 American Community Survey, of 32,616 Black or African-American households, 16,103 (49.4%) are owner households and 16,513 (50.6%) are renter households.

The Winston-Salem Regional Association of Realtors provided data on sales of closings in Forsyth County between 2003 and 2006. The data shows that over 4,700 units sold in 2003, and over 5,400 units sold each subsequent year. Homes listed from \$100,001 to \$150,000 accounted for over 34 percent of all sales each year. Data also showed an increasing trend in home sales over \$300,001 and a decrease in homes under \$50,000. Moreover, homes in the \$150,001 to \$200,000 range earned a consistently higher market share between 2003 and 2006.

#### **IV. IDENTIFICATION OF IMPEDIMENTS TO FAIR HOUSING CHOICE**

##### **Public Policy**

The Fair Housing Act makes it unlawful

- To utilize land use policies or actions that treat groups of persons with disabilities less favorably than groups of non-disabled persons.
- To take action against or deny a permit for a home because of the disability of individuals who live or would live there.
- To refuse to make reasonable accommodation in land use and zoning policies and procedures where such accommodations may be necessary to afford persons or groups of persons with disabilities an equal opportunity to use and enjoy housing.
- What constitutes a reasonable accommodation is a case-by-case determination.
- Not all requested modifications of rules or policies are reasonable. If a requested modification imposes an undue financial or administrative burden on a local government, or if a modification creates a fundamental alteration in a local government’s land use and zoning scheme, it is not a “reasonable” accommodation.

## **Public Sector**

Winston-Salem is undergoing several major neighborhood revitalization efforts that will have a direct and significant impact on employment, housing, and transportation.

The Neighborhood Revitalization Strategy Area (NRSA) is an effort that includes the area of the city with the lowest incomes. This section includes significant portions of downtown. The Neighborhood Revitalization Strategy provides a context for monitoring the progress of attainment of established target benchmarks within the areas of the community with the highest needs (upper quartile of low income census tracts) as reflected in the various elements of the Consolidated Plan. Renewed HUD approval additionally provides increased flexibility in the use of CDBG funds for housing and economic development activities. These activities increase access to housing and economic opportunities. Additionally, the Triad Research Park, the Triad Business Park, and the Winston-Salem baseball stadium are major economic development projects that are expected to employ large numbers of the city's residents.

The City of Winston-Salem has a small business loan program called the Economic Development Revolving Loan Program. This program is available to businesses located in the Neighborhood Revitalization Strategy Area (NRSA), and must create jobs that benefit low to moderate income individuals. The goals of the economic development projects include economic and workforce development which will include low-income residents who have been traditionally minorities and socio-economically disadvantaged. The goal of neighborhood revitalization efforts is to achieve sound, safe, and enriching neighborhoods and to maintain geographic loyalty in retaining existing and attracting new residents. As job development and wealth creation remain central, continued emphasis is given to quality of life issues encompassing quality of housing, transportation access, recreation, open space, community facilities, safety and the physical environment in general. It is also recognized that institutional and social development programs must be in place, to assure the sustainability of physical improvements. Physical improvements in a neighborhood send a positive message that people have indeed received a return on their investment of time. It is for these reasons that the physical aspects of neighborhood revitalization are viewed as particularly important. Furthermore, the economic development projects cover areas that meet HUD's description of low-income areas. These areas are also a part of the Anti-Poverty Strategy. The Anti-Poverty Strategy is administered by the Northwest Piedmont Council of Governments (COG).

According to its website, the Northwest Piedmont Development Corporation has been a Certified Development Corporation (CDC) since 1984 and administers the U.S. Small Business Administration (SBA) 503/504 program in the northwest piedmont region of North Carolina. The purpose of the Small Business Administration 504 program is to create employment opportunities by providing financing to help small businesses acquire or construct fixed assets (land, buildings, and long-life machinery). If the required number of jobs is not created, a project must meet a public policy goal (such as veteran, minority, female-owned, or rural business development).

COG handles workforce development for the local community. COG is also a resource that serves a valuable partner agency to city government. COG is accessible to city government for trainings and meetings that will foster an awareness for the need for workforce development for all of the city's residents which will, in turn, have a direct impact on affordable housing and be a deterrent for

housing discrimination. There is some overlap of the Neighborhood Revitalization Strategy and the Antipoverty Strategy. The Antipoverty Strategy ties together economic opportunity and neighborhood revitalization to pursue goals of job creation, wealth creation, workforce development, and social and physical development. A key point of the Antipoverty Strategy is that the City partners with other organizations, such as COG and Experiment in Self Reliance, who are engaged in activities. Such activities include Workforce Development and the Individual Development Accounts program, which help people build income and wealth. These efforts relate the Fair Housing Act in that both strategies often impact minorities and others who are historically impacted by unaffordable and limited housing opportunities.

The Housing Authority for the City of Winston-Salem (HAWS) is another community resource for identifying its charge of providing affordable housing to the population’s low and moderate-income residents. Such resources provided by HAWS included assisted/insured housing provider tenant selection procedures, housing choices for certificate and voucher holders, and public housing/section 8 waiting lists. Specifically, HAWS administers the Section 8 Program which consists of 3896 tenant-based vouchers, 327 project-based vouchers, and 226 moderate rehabilitation units. The agency administers approximately 130 special use vouchers for other agencies. The waiting list for Section 8 tenant-based housing has approximately 2,500 families and the waiting list has been closed since October 2004. Presently, of those who are still listed on the Section 8 waiting list, the fair housing protected classification statistics are:

**Race/National Origin/Color**

Black/African American	645
White/Caucasian	38
Native Hawaiian/Other Pacific Islander	2
Hispanic	11
American Indian or Alaskan	2

**Gender**

Female – 545  
 Male – 155

**Disabled – 110**

**Family Status (children under 18)- 267**

The number of HAWS owned and/or managed units are headed by African-Americans, Caucasians, Asians, Native Americans, and Hispanics are:

<b>Race</b>	<b>Number</b>
African Americans	881
Caucasians	119
Asians	3
Native Americans	0
Hispanics	53

Of these HAWS owned and/or managed units, 674 are headed by females versus 382 that are headed by males. HAWS officials further estimate that HAWS-owned and/or managed units including families with a child or children under the age of 18 is approximately 540. Additionally, HAWS officials estimate that 377 of HAWS-owned and/or managed units are occupied by the disabled.

The Forsyth County Tax Office has information available on the internet that shows property values and revaluation of housing stock in the county and city. A sampling of comparable houses with similar square footage, amenities, and lot size were compared within various wards that have been historically defined by race and socio-economic status. The review of this data warrants further research as to why there is a difference in pricing and value.

The Planning and Zoning Board and Building/Inspections Department are city departments that provide information that is germane to identifying fair housing impediments. Local amendments to city ordinances were also reviewed for their effects on the protected classes under the Fair Housing Act. Specifically, UDO-163 (approved 12/14/06) UDO Text Amendment proposed by Winston-Salem Council on Homelessness and City of Winston-Salem staff to amend Chapters A and B of the Unified Development Ordinances to create new definitions and provisions for Shelters for the Homeless, Temporary Shelters, and Emergency Shelters. One effect of the amendment was to cap each shelter at 100 beds, which resulted in the homeless council having to open an overflow shelter this winter. Traditionally, the disabled tend to be disproportionately represented among the homeless, particularly the chronically homeless who are by definition disabled. UDO-120 (approved 5/13/04), a Zoning Text Amendment proposed by Winston-Salem City Council, added section 6-1.6 "REQUEST FOR REASONABLE ACCOMMODATION" to the UDO. This amendment allows some recourse for disabled persons.

The City-County Planning Department and City-County Planning Board promulgate development and zoning regulations that may impact fair housing. Of specific note was a local ordinance that was instituted in June 2004 that allows any person eligible under the Federal Fair Housing Act to request relief from requirements of local development ordinances through the granting of a reasonable accommodation by the local elected body if it is found that the accommodation is (1) reasonable and (2) necessary to afford handicapped persons equal opportunity to use and enjoy housing.

The City-County Inspections Department administers and enforces the North Carolina State Building Codes (NCSBC) that also have a direct impact on the disabled. Under the provisions of NCSBC, all new privately or publicly owned covered multi-family residential facilities must comply with the accessibility requirements of the building codes for both "Type A" & "Type B" dwelling units. Existing privately or publicly owned covered multi-family residential facilities that are altered or remodeled also must comply with the accessibility requirements of the building codes, but only for "Type A" dwelling units. In existing covered multi-family facilities, alterations would also trigger "Path of Travel" improvements to upgrade the accessibility of existing building or site features. However, expenditures for path of travel improvements do not have to exceed 20% of the cost of building improvements to the altered dwelling units. For example, if building renovations to existing covered dwelling units cost \$100,000, at least \$20,000 has to be spent making the building or site more accessible.

## **Private Sector**

Private Sector lending policies and practices can also be barriers to fair housing. The city's Tandem Loan Committee represents city departments and major banking and lending institutions in Winston-Salem. From this group, reviews of lending policies and practices of the companies and organizations that are represented on the committee were valuable resources.

The Community Reinvestment Act (CRA) requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal financial supervisory agency to take into account a relevant depository institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.

An instance of a local major lender being reviewed for its community reinvestment efforts as well as its Home Mortgage Disclosure Act (HMDA) activities was Branch Banking and Trust (BB&T), which is based in Winston-Salem.

According to a Federal Reserve Board's 2006 press order: "Beginning January 1, 2004, the HMDA data required to be reported by lenders were expanded to include pricing information for loans on which the annual percentage rate (APR) exceeds the yield for U.S. Treasury securities of comparable maturity by 3 or more percentage points for first-lien mortgages and by 5 or more percentage points for second-lien mortgages. Although the preliminary 2005 HMDA data for BB&T's subsidiary banks and non-bank mortgage lenders indicate that a greater percentage of higher priced loans were made to African-American or Hispanic borrowers relative to non-minority borrowers, HMDA data provide an insufficient basis by themselves on which to conclude whether BB&T or its subsidiaries are excluding or imposing higher costs on any racial or ethnic group on a prohibited basis. The Board reviewed 2004 and preliminary 2005 HMDA data reported by BB&T's subsidiaries, including data for North Carolina."

HMDA data alone provide only limited information about the covered loans, specifically outreach efforts that may attract one community more than another, credit history problems, excessive debt levels relative to income, and high loan amounts relative to the value of the real estate collateral (reasons most frequently cited for a credit denial or higher credit cost) are not available from HMDA data. Furthermore, BB&T's records indicate that the institution takes steps to ensure compliance with fair lending and other consumer protection laws. It also has an internal second-review process for home loan applications that would otherwise be denied and regularly analyzes its HMDA data and disparities in its lending rates for select products and markets.

Finally, the Federal Reserve Board found that BB&T provides fair lending training to its lending personnel, including training to help ensure that loan originators consistently disseminate credit-assistance information to applicants. The Board also has considered the HMDA data in light of other information, including the CRA performance records of each of BB&T's subsidiary banks. Based on all the facts of record, the Board concluded that BB&T's established efforts and record demonstrate its commitment to meeting the credit needs of all facets of the community. As a result, there is no evidence that BB&T violated the Fair Housing Act by engaging in discriminatory lending practices.

A state-based organization, the Community Reinvestment Association of North Carolina (CRA-NC) was formed in 1986 as an advocate for change in the lending practices of financial institutions and to promote wealth building in minority and low-income communities. It works to eradicate predatory lending practices that strip the wealth from vulnerable neighborhoods and communities.

By challenging bank mergers, CRA-NC negotiated agreements with financial institutions that enabled more than \$40 billion directed through the Community Reinvestment Act to local low-income neighborhoods. CRA-NC worked with other local groups to help pass the 1999 North Carolina anti-predatory lending legislation. CRA-NC has produced a video and has launched a public education campaign to inform borrowers of excessive interest rates on their loans.

## **Public and Private Sector**

### **FAIR HOUSING ENFORCEMENT**

Fair housing enforcement is the responsibility of the Winston-Salem Human Relations Commission (WSHRC). A review of WSHRC records from 2002-2007 shows a strong commitment to the elimination of illegal housing discrimination and to the promotion of fair housing choice.

The Winston Salem Human Relations Commission has successfully continued its Fair Housing Assistance Program grant which is based on the Commission's investigating fair housing complaints as well as educating housing industry and the general public about fair housing laws.

The WSHRC has established an ongoing relationship with industry groups and routinely makes presentations and conducts workshops concerning fair housing for property managers, tenants, and the local Association of Realtors. The WSHRC has worked to develop the capacity of the local bar and legal services program by sponsoring and participating in Continuing Legal Education (CLE) programs regarding fair housing.

### **INFORMATIONAL PROGRAMS**

Since 2001, the WSHRC has averaged 12 workshops or presentations per year to local community groups informing them of their fair housing rights under the law. Further, the WSHRC has run public service announcements and participated in other outreach activities to reach citizens and inform them of their rights. Specific programs include the Nexus TV Show on the local government channel and the Nexus Newsletter, both of which are produced quarterly. Furthermore, Human Relations has partnered with the Marketing and Communications Department and Housing Neighborhood Services Department to produce an educational Spanish television show on the government channel in 2008. The show will inform Spanish speakers about the various services that are offered by city government. The goal is to foster a level of trust between government and Hispanic immigrants.

The WSHRC ordered a baseline audit to determine the level of discrimination in the Winston-Salem area in 1999. It plans to order another one in 2009. In the past, the WSHRC has also trained its own auditors for compliance testing. The enforcement statistics of the WSHRC Commission are equal to its peer agencies and superior to the Atlanta Regional HUD Enforcement Center.

## **VISITABILITY IN HOUSING**

Visitability in housing is considered an extra effort beyond mere accessibility to housing, as required by the Fair Housing Act and the Winston-Salem Fair Housing Ordinance. More broadly, it should be considered in Universal Design, so that disabled citizens will be able to visit homes, not just businesses.

According to HUD's model guidelines, although not a requirement, it is recommended that all design, construction and alterations incorporate, whenever practical, the concept of visitability **in addition** to the requirements under Section 504 and the Fair Housing Act.

Visitability is a design concept, which for very little or no additional cost, enables persons with disabilities to visit relatives, friends, and neighbors in their homes within a community.

### **Design Considerations**

Visitability design incorporates the following in all construction or alterations, in addition to the applicable requirements of Section 504 and the Fair Housing Act, whenever practical and possible for as many units as possible within a development:

- Provide a 32" clear opening in all bathroom and interior doorways
- Provide at least one accessible means of egress/ingress for each unit.

### **Benefits**

Visitability also expands the availability of housing options for individuals who may not require full accessibility. It will assist project owners in making reasonable accommodations and reduce, in some cases, the need for structural modifications or transfers when individuals become disabled in place. Visitability will also improve the marketability of units.

According to HUD, housing that is "visitable" has a very basic level of accessibility that enables persons with disabilities to visit friends, relatives, and neighbors in their homes within any community. Visitability can be achieved for little cost, with the use of the two simple design standards mentioned above.

HOME is the largest Federal block grant to State and local governments designed exclusively to create affordable housing for low-income households. Each year it allocates approximately \$2 billion among the States and hundreds of localities nationwide. The program was designed to reinforce several important values and principles of community development. In many cities, HOME funds are allocated to those who wish to make their residences or places of business visitable. At this time, the City of Winston-Salem encourages and welcomes HOME fund proposals that incorporate HUD's visitability standards into their design and construction features, but at this time the City does not make funding decisions based on whether visitability is a component.

The City of Winston-Salem has implemented these concepts in all government-owned buildings and facilities. In many jurisdictions throughout the United States, private incentives are offered for public and private buildings to implement visitability to ensure people with disabilities have an option to receive integrated, community-based services.

## **V. ASSESSMENT OF CURRENT PUBLIC AND PRIVATE FAIR HOUSING PROGRAMS AND ACTIVITIES IN THE JURISDICTION**

### **The Role of City Government in Fair Housing**

The Winston-Salem Human Relations Department and Commission provide the voice and the opportunity for people to be afforded equal rights in their real estate transactions, including the buying and renting of their homes by enforcing the Fair Housing Act. The Department not only provides conciliation possibilities for citizens to work out their alleged housing discrimination complaints, but it also conducts investigations into discrimination allegations. Upon the completion of the investigations, a final determination is made by the Director to decide whether there is reasonable cause to believe discrimination has taken place. If reasonable cause is determined, the parties are advised and the City Attorney's Office will take over the case. If reasonable cause is not determined, the parties are advised that there appears that no discrimination occurred. Despite the determination, the parties always have the right to pursue the matter with their own personal attorneys through a court of law.

The Human Relations Department and Commission also provide mediation for landlords and tenants regarding disputes and concerns about their rights as mandated by North Carolina General Statute Chapter 42. While the Department staff does not have the jurisdictional authority to enforce the landlord/tenant mediation agreements, many citizens have found that such mediation agreements are very helpful to them in resolving their landlord/tenant issues.<sup>12</sup>

The final major function of the Department and Commission is to encourage and promote positive community and cultural relations throughout the city. The Department staff promotes interpersonal relations and interactions amongst its citizens by providing various town hall meetings, roundtable discussions, and other community events that promote and celebrate the theme of cultural diversity.

In 1968, the City of Winston-Salem also established its local Fair Housing Ordinance. As such, the ordinance is substantially equivalent to the Federal Fair Housing Act administered by the U.S. Department of Housing and Urban Development (HUD).

In 1975, the Winston-Salem Human Relations Commission was established as an advisory board by city ordinance by the Board of Aldermen (now the "City Council"), pursuant to the provisions of G.S. 160A-492. The duties of the commission were established to:

- (1) Study problems of discrimination in any or all fields of human relationship and encourage fair treatment and mutual understanding among all ethnic groups in the city;
- (2) Promote equality of opportunity for all citizens;
- (3) Provide channels of communication among all ethnic groups;
- (4) Encourage the employment of qualified people of all ethnic groups;

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<sup>12</sup> City of Winston-Salem Department of Human Relations, 2007.

- (5) Encourage youth to become better trained and qualified for employment opportunities;
- (6) Anticipate and discover those practices most likely to create animosity and unrest among racial and ethnic groups and by consultation seek a solution as these problems arise or are anticipated;
- (7) Hold such meetings as the commission may deem necessary or proper to assist in carrying out its functions;
- (8) Make recommendations to the city council for action it deems necessary for the furtherance of harmony among racial and ethnic groups in the city;
- (9) Perform duties consistent with general law as may be assigned it from time to time by the city council;
- (10) Perform such other duties as necessary to enforce the powers assigned it in accordance with Article IV, the Fair Housing Ordinance of the City of Winston-Salem, of Chapter 38 of the City Code; and
- (11) Facilitate partnerships with fair housing and cultural community organizations to further the purpose of the commission.

The nature and the extent of its policies and programs are determined and set by the commission and shall be implemented within accepted policies and procedures of the city.

In 1978, the Human Relations Department was established. The Department was staffed to enforce the jurisdictional authority of the Human Relations Commission. Shortly thereafter, the city established a formal cooperative agreement with HUD, for the Human Relations Department staff to enforce fair housing laws in Winston-Salem under the city's ordinance by sharing funding for processing, investigating, and disposing of housing discrimination complaints filed within the city limits of Winston-Salem, with the exception of complaints filed by complainants against public housing agencies (W-S Housing Authority or tax credit property). In these cases, HUD has original jurisdiction, but may refer the complaint back to the Department for investigation and disposition.

The number of housing discrimination and landlord-tenant complaints received by the commission rose from 214 in 2003-04 to 483 in 2004-05, the last year in which complete figures are available.<sup>13</sup> The number of cases that resulted in full-fledged investigations tripled from five in 2003-04 to 15 in 2004-05.<sup>14</sup>

The majority of the complaints that the commission receives are settled through mediation.

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<sup>13</sup> Winston-Salem Journal, "Summit puts Focus on Housing Problems." April 21, 2006

<sup>14</sup> Ibid.

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## TYPES OF DISCRIMINATION FACED BY PROTECTED CLASS MEMBERS

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### RACE/ COLOR

#### AFRICAN-AMERICANS

##### *Race*

The greatest impediment to fair housing choice for African-Americans is residential segregation and the economic disparities that foster it. A recent study conducted by the University of Minnesota suggests "residential segregation is an example of a negative constraint for the access to housing markets of African Americans which, in turn, hampers their ability to accumulate wealth.

Based on the Human Relations Department's caseload from fiscal years 2005-2006 and 2006-2007, there is a strong perception of housing discrimination based on race. This perception is based on incontrovertible data that reflect the fact that the majority of housing discrimination cases filed during these recent fiscal years were filed based, at least in part, on race. For instance, in 2005-2006, 60% of fair housing complaints based on a single protected class were based on race. In the same year, 100% of fair housing complaints based on more than one protected class listed race as a basis. Comparatively, in 2006-2007, 50% of all single-based fair housing complaints were based on race. In that same year, 50% of fair housing complaints based on more than one protected class listed race as a basis. In particular, most of the race-based cases were filed by African-Americans.

In the past, the North Carolina Fair Housing Center conducted audits to determine the level and type of discrimination faced by African-Americans in the Winston Salem/Forsyth rental market 1999.

"Testing" or auditing, is a simulated search technique, which is used to obtain comparative data on differential treatment. It is a process that has been accepted by the courts, the U.S. Department of Justice and the U.S. Department of Housing and Urban Development. Testing team partners are sent, at closely spaced intervals, to seek information about apartment availability. In general, testers are assigned identical characteristics, except for income, in the race and national origin tests, which, by design, is more favorable for the protected tester -- thus presenting him or her as the more qualified applicant under generally accepted industry standards. In familial status tests, testers are assigned identical characteristics except for the number of children. The sites selected for auditing are chosen at random by the Center.

In audits conducted in Winston-Salem and Forsyth County in 1998-99 by the North Carolina Fair Housing Center, African Americans experiences significant levels of discrimination 48% of the time.

In 48% of the audits conducted the African-American tester was offered fewer units than the control or white tester. Racial steering occurred in 16% of the audits conducted. African-American testers were required to show ID or pay a fee in order to be told about apartment availability, and African-Americans were quoted higher rental rates or were not shown model apartment dwellings in 10% of the tests, respectively. In 6% of the audits conducted African-Americans were offered different and less favorable specials than the White tester. This level of discrimination is significantly higher than audits conducted at the state and national levels.

It is accurate and fair to note that the trend for African-American complainants' in alleging the same types of treatment has only increased over the past few years. It is arguable whether this increase in alleged housing discrimination based on race is due to an actual increase in discriminatory treatment or whether there is an increased awareness of when a potential fair housing violation has occurred.

It is the goal of the Human Relations Department to implement updated testing administration during the 2009 calendar year. Implementing testing in 2009 will allow staff to compare data that was reported just prior to the previous census.

Also, there is strong statistical evidence, supported by limited testing evidence, that African-Americans experience a significant level of possible discrimination by lenders. African-Americans lack access to capital by commercial banks and financial institutions. Subprime and predatory lenders then target these same communities with high cost products. African-Americans are disproportionately located in the subprime market. When all factors other than race are excluded, it appears that at least 30 % of African-Americans in the subprime market are A borrowers and are entitled to significantly lower interest rates.

In 2005, the FFIEC reported 12,706 applications received for conventional home-purchase loans in the amount of \$1,511,384,000. Of the 12,706 applications received, 8,767 (69%) originated in the amount of \$1,103,447. 1,677 (13.2%) were denied, and 2,262 (17.8%) were either: approved but not accepted, withdrawn, or closed as a result of incomplete files.

Of the 12,706 applications originally received, almost a quarter (71.4%) came from White borrowers, with 14.5 percent attributed to African-American borrowers, and the rest distributed among other races. This trend continued with Whites accounting for 76.3 percent of loans originated, and African-Americans accounting for 11.4 percent. This pattern changes, however, when looking at application denials. White borrowers accounted for 59.5 percent of all conventional home-purchase loan application denials, while African-Americans accounted for 23 percent. FFIEC data indicates that African-American borrowers incurred a 21 percent denial rate, while only 11 percent of White borrowers were denied loans. This suggests that African-Americans were turned down for conventional home-purchase loans almost twice as much as Whites. This data is represented in the following table.

Disposition for Conventional Home-Purchase Loans by Race Winston-Salem MSA, 2005									
	Applications Received		Loans Originated		Applications Denied		Other <sup>1</sup>		
		\$000's		\$000's		\$000's		\$000's	
Native American	39	3384	23	1905	7	651	9	828	
Asian	192	25,550	120	17,816	31	2907	41	4827	
Black	1838	184,518	996	102,479	386	35,058	456	46,981	
Pacific Islander	43	4237	22	1883	14	1440	7	914	
White	9,068	1,132,207	6689	882,404	997	89,100	1382	160,703	
2+ Minority Races	3	355	2	230			1	125	
Joint (White/Minority)	81	10,689	53	7,262	16	1,792	12	1,635	
Race N/A	1,442	150,444	862	89,468	226	20,930	354	40,046	
<b>Total</b>	<b>12706</b>	<b>1511384</b>	<b>8767</b>	<b>1103447</b>	<b>1677</b>	<b>151878</b>	<b>2262</b>	<b>256059</b>	

<sup>1</sup> Includes: Applications approved but not accepted, applications withdrawn, and files closed for incompleteness

Source: Federal Financial Institutions Examination Council

As a result, it is the goal of the Human Relations and Housing and Neighborhood Development Departments to create a position that will be, in part, responsible for investigating subprime and predatory lending complaints in addition to other fair housing investigating and outreach.

**Applications Received for FHA, FSA/RHS, and VA Home-Purchase Loans**

In 2005, a total of 1,496 FHA, FSA/RHS, and VA Home-Purchase loan applications were received in the Winston-Salem MSA (FFIEC). 67.2 percent (1,005) of all total loan applications received came from White adults, in comparison with 22.1 percent (331) from Black residents. Of total applications received, 35.1 percent were submitted by males, 30.9 percent by females, and 34 percent were submitted jointly. In addition, roughly 10 percent were submitted by people identifying themselves as Hispanic or Latino, and 90 percent were submitted by those identifying themselves as Non-Hispanic/Latino. Of the 1,496 total applications received, by far the greatest proportion was 38 percent (568) submitted by those in the income bracket of 50-79 percent of the MSA’s median income of \$38,197 (2005 American Community Survey). The majority of applications received—73.6% or 1,101—were by those under the median MSA income. The total loan amount requested in the application process was approximately \$177,538,000. The following table breaks down the applications received by race:

**Applications Received for FHA, FSA/RHS, and VA Home-Purchase Loans by Race  
Winston-Salem MSA,  
2005**

	Applications Received	\$000's	% Total Applications Received
Native American	4	541	0.3
Asian	14	1,865	0.9
Black	331	40,227	22.1
Pacific Islander	4	457	0.3
White	1,005	117,217	67.2
2+ Minority Races	1	10	0.1
Joint (White/Minority)	16	1,919	1.1
Race N/A	121	15,302	8.1
<b>Total</b>	<b>1496</b>	<b>177538</b>	<b>100</b>

Source: Federal Financial Institutions Examination Council

**Loans Originated for FHA, FSA/RHS, and VA Home-Purchase Loans**

The FFIEC documented a total of 1,170 loans (around 78.2% of all applications received) in the amount of \$141,514,000 originating in 2005. Of that total, 67.7 percent (790) were from White borrowers, and 22.8 percent (267) came from African-American borrowers. These rates are consistent with the statistical stratifications of applications received. Loans originated by race are profiled in the table below.

**Loans Originated for FHA, FSA/RHS, and VA Home-Purchase Loans by Race  
Winston-Salem  
MSA, 2005**

	<b>Loans Originated</b>	<b>\$000's</b>	<b>% Total Loans Originated</b>	<b>% Originated Within Each Race</b>
<b>Native American</b>	3	331	0.3	75.0
<b>Asian</b>	13	1,781	0.9	92.9
<b>Black</b>	267	33,004	22.1	80.7
<b>Pacific Islander</b>	3	382	0.3	75.0
<b>White</b>	792	93,788	67.2	78.8
<b>2+ Minority Races Joint (White/Minority)</b>	13	1,535	1.1	81.3
<b>Race N/A</b>	79	10,693	8.1	65.3
<b>Total</b>	1170	141514	100.0	78.2

Source: Federal Financial Institutions Examination Council

The pattern of correlation repeats itself when looking at gender. In 2005, 33.2 percent (378) loans originated from male borrowers, 31.3 percent (357) from female borrowers, and 35.5 percent (405) originated jointly. Accordingly, 9.5 percent (105) of loans originated from the Hispanic/Latino population, while 90.5 percent (996) originated from non-Hispanic borrowers. We can thus ascertain that there is no discernable bias in the transformation from application to origination on the basis of strictly gender or ethnicity alone.

**Denials for FHA, FSA/RHS, and VA Home-Purchase Loans**

Of the 1,496 loan applications originally received in 2005, 152 (10.2%) were denied overall. 61.8 percent (94) of the loan denials were given to White borrowers, 23 percent (35) to African-Americans, and over 13 percent (20) could not be identified with race. This indicates a slight proportional shift, as loans are denied to African-Americans at a slightly higher increment when compared to the rate of applications received, and loan origination. Conversely, application data for White borrowers suggests a decrease in denials in proportion to applications received and loans originated. However, it is important to note that insufficient data comprised 13.2% of applications denied, which certainly has an undetermined effect on the data. This is illustrated in the table below:

**Disposition of Applications for FHA, FSA/RHS, and VA Home-Purchase Loans by Race  
Winston-Salem  
MSA, 2005**

	Applications Received		Loans Originated		Applications Denied		Other <sup>1</sup>	
		\$000's		\$000's		\$000's		\$000's
Native American	4	541	3	331			1	210
Asian	14	1,865	13	1,781			1	84
Black	331	40,227	267	33,004	35	3,868	29	3,355
Pacific Islander	4	457	3	382	1	75		
White	1,005	117,217	792	93,788	94	9,997	119	13,432
2+ Minority Races	1	10			1	10		
Joint (White/Minority)	16	1,919	13	1,535	1	139	2	245
Race N/A	121	15,302	79	10,693	20	2,184	22	2,425
<b>Total</b>	<b>1496</b>	<b>177538</b>	<b>1170</b>	<b>141514</b>	<b>152</b>	<b>16273</b>	<b>174</b>	<b>19751</b>

<sup>1</sup> Includes: Applications approved but not accepted, applications withdrawn, and files closed for incompleteness

Source: Federal Financial Institutions Examination Council

-This table can be collapsed if you think that categories such as: Pacific Islanders, Native Americans.etc. can be condensed into an "others" category-

Males experienced a higher rate of application denials (40.6%), than either females (34.3%), or joint couples (25.2%). In terms of ethnicity, the Hispanic/Latino population experienced an 8.6 percent (12) denial rate, while those not identified as being of Hispanic or Latino ethnicity suffered a 9.8 percent (123) denial rate. Those of Hispanic ethnicity incurred 12 denials (8.9%) out of the 135 total denials, while the non-Hispanic population accounted for the other 91.1% or 123 denials.

81.6 percent (124) of all applications denied were incurred by the population below the median income level for the MSA. The following table illustrates the great demand for home loans concentrated below the median income level of \$38,197.

**Disposition of Applications for FHA, FSA/RHS, and VA Home-Purchase Loans by Income  
Winston-Salem MSA, 2005**

	Applications Received		Loans Originated		Applications Denied		Other <sup>1</sup>	
		\$000's		\$000's		\$000's		\$000's
Less Than 50% of MSA Median	242	20,313	173	14,520	42	3,454	27	2,339
50-79% of MSA Median	568	62,835	437	48,635	65	7,280	66	6,920
80-99% of MSA Median	291	37,156	241	30,965	17	1,995	33	4,196
100-119% of MSA Median	179	25,348	150	21,464	12	1,595	17	2,289
120%+ of MSA Median	182	27,905	157	24,339	8	1,029	17	2,537
Income N/A	34	3,981	12	1,591	8	920	14	1,470
<b>Total</b>	<b>1496</b>	<b>177,538</b>	<b>1170</b>	<b>141,514</b>	<b>152</b>	<b>16,273</b>	<b>174</b>	<b>19,751</b>

<sup>1</sup> Includes: Applications approved but not accepted, applications withdrawn, and files closed for incompleteness

Source: Federal Financial Institutions Examination Council

## Others

Roughly 14.9 percent (174) of total loans originated valuing \$19,751,000 did not make it through to completion for a variety of reasons. The three reasons given for these terminations are 1.) The application was approved but not accepted; 2.) The application was withdrawn; 3.) The file was closed for incompleteness.

## **Disposition of Applications for Home Improvement Loans**

In 2005, the FFIEC reported 2,567 home improvement loan applications received in the amount of \$157,976,000. Of the applications received, 38.3 percent (984) originated in the amount of \$56,367,000. Furthermore, 40.3 percent (1,034) of the applications were denied, and 21.4 percent (549) were either: approved but not accepted, withdrawn, or closed for incompleteness.

Of the 2,567 home improvement loan applications received, 57.5 percent (1,477) came from White borrowers, 19.3 percent (496) came from African-American borrowers, and 2.9 percent (75) came from borrowers of other racial backgrounds (Asian, Pacific Islander, multi-racial). In addition, 20.2 percent (519) of the applications received could not be determined by racial background.

68 percent (669) of the total loans that were originated were associated with White borrowers, 16.5 percent (162) were associated with African-American borrowers, and 1.5 percent (15) came from borrowers of other racial backgrounds. In addition, 14 percent (138) of the loans that originated could not be determined by racial background.

Within each respective racial bracket, the rate of loan origination is as follows: White (45.3%), Black (32.7%), Overall (38.3%).

Disposition of Applications for Home Improvement Loans by Race Winston-Salem MSA, 2005								
	Applications Received	\$000's	Loans Originated	\$000's	Applications Denied	\$000's	Other <sup>1</sup>	\$000's
Native American	17	1,860	1	48	5	175	11	1,637
Asian	18	948	5	433	8	237	5	278
Black	496	26,763	162	6,853	231	10,514	103	9,396
Pacific Islander	14	644	4	118	8	461	2	65
White	1,477	88,384	669	39,794	517	25,399	291	23,191
2+ Minority Races	3	209	1	101	2	108		
Joint (White/Minority)	23	1,863	4	174	16	1,275	3	414
Race N/A	519	37,305	138	8,846	247	13,204	134	15,255
<b>Total</b>	<b>2,567</b>	<b>157,976</b>	<b>984</b>	<b>56,367</b>	<b>1,034</b>	<b>51,373</b>	<b>549</b>	<b>50,236</b>

<sup>1</sup> Includes: Applications approved but not accepted, applications withdrawn, and files closed for incompleteness

Source: Federal Financial Institutions Examination Council

Of the applications received, White non-Hispanic borrowers applied for home improvement loans at a rate of over 2:1 when compared with other minority groups. In addition, White non-Hispanic borrowers incurred both a significantly lower denial rate (33.9%) than other minority groups (48.3%), as well as a higher loan origination rate (46.6%) than other minority groups (31.1%).

Disposition of Applications for Home Improvement Loans by Minority Status Winston-Salem MSA, 2005								
	Applications Received		Loans Originated		Applications Denied		Other <sup>1</sup>	
		\$000's		\$000's		\$000's		\$000's
<b>White Non-Hispanic (Total)</b>	1353	82276	630	38067	458	23264	265	20945
Male	429	24059	178	9147	177	8105	74	6807
Female	317	14780	132	6165	129	4962	56	3653
Joint	599	42743	316	22655	149	9926	134	10162
<b>Others, Including Hispanic (Total)</b>	640	35406	199	8804	309	14297	132	12305
Male	190	9949	58	2929	97	4247	35	2773
Female	225	9790	68	2359	113	4715	44	2716
Joint	218	13510	73	3516	97	5315	48	4679

<sup>1</sup> Includes: Applications approved but not accepted, applications withdrawn, and files closed for incompleteness

Source: Federal Financial Institutions Examination Council

Of the applications received, White non-Hispanic borrowers applied for home improvement loans at a rate of over 2:1 when compared with other minority groups. In addition, White non-Hispanic borrowers incurred both a significantly lower denial rate (33.9%) than other minority groups (48.3%), as well as a higher loan origination rate (46.6%) than other minority groups (31.1%).

Disposition of Applications for Home Improvement Loans by Minority Status Winston-Salem MSA, 2005								
	Applications Received		Loans Originated		Applications Denied		Other <sup>1</sup>	
		\$000's		\$000's		\$000's		\$000's
<b>White Non-Hispanic (Total)</b>	1353	82276	630	38067	458	23264	265	20945
Male	429	24059	178	9147	177	8105	74	6807
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Male	190	9949	58	2929	97	4247	35	2773
Female	225	9790	68	2359	113	4715	44	2716
Joint	218	13510	73	3516	97	5315	48	4679

<sup>1</sup> Includes: Applications approved but not accepted, applications withdrawn, and files closed for incompleteness

Source: Federal Financial Institutions Examination Council

2.8 percent (71) of the home improvement applications received in 2005 came from the Hispanic sector. Conversely, nearly 75 percent (1,897) of the applicants were not of Hispanic/Latino ethnicity, and 22 percent (579) of the data could not be related to ethnicity. 2 percent (20) of the total originations were borrowers of Hispanic/Latino descent, while 82 percent (807) were not of

Hispanic/Latino ethnicity. 4.3 percent (44) of the total loan denials were denied to those of Hispanic/Latino descent, while 69.1 percent (712) were not of Hispanic/Latino ethnicity.

Within each respective ethnic group, those of Hispanic/Latino ethnicity incurred a 28.2 percent origination rate and a 62 percent denial rate. Comparatively, those of non-Hispanic/Latino ethnicity incurred a 42.5 percent origination rate and a 37.6 percent denial rate. Overall, the total origination rate was 38.3 percent and the denial rate was 40.3 percent.

#### Disposition of Applications for Home Improvement Loans by Ethnicity

##### Winston-Salem MSA, 2005

	Applications Received		Loans Originated		Applications Denied		Other <sup>1</sup>	\$000's
		\$000's		\$000's		\$000's		
Hispanic or Latino	71	2924	20	750	44	1466	7	708
Not Hispanic or Latino	1897	111992	807	46182	714	36013	376	29797
Joint	20	1138	6	463	12	545	2	130
Data N/A	579	41922	151	8972	264	13349	164	19601
<b>Total</b>	<b>2567</b>	<b>157976</b>	<b>984</b>	<b>56367</b>	<b>1034</b>	<b>51373</b>	<b>549</b>	<b>50236</b>

<sup>1</sup> Includes: Applications approved but not accepted, applications withdrawn, and files closed for incompleteness

Source: Federal Financial Institutions Examination Council

## Disposition of Applications to Refinance Homes (Winston-Salem MSA)

In the Winston-Salem MSA, the FFIEC reported 21,030 applications (in the amount of \$2,367,081,000) received to refinance home loans in 2005. Of the applications received, 58 percent (12,195) were generated by the White population, 16.9 percent (3,557) came from the African-American population, and the rest were dispersed among the other races with 23.2 percent (4,883) of the data unavailable by race.

Of the 21,030 applications received, 40.6 percent (8,547) originated, with White borrowers comprising 72.7 percent (6,213) of the originations, and African-American borrowers comprising 13.9 percent (1,190) of the total originations. 11.6 percent (990) of the origination data was not available by race.

31.7 percent (6,658) of the applications were denied, with White borrowers comprising 48 percent (3,194) of the total denials, and African-Americans comprising 22 percent (1,464) of the total denials. 28.2 percent (1,879) of denial data was not available by race.

Racially, White borrowers had both the highest origination rate (50.9%) and the lowest denial rate (26.2%). In comparison, African-Americans had an origination rate of 33.5 percent and a denial rate of 41.2 percent. Overall, the origination rate was 40.6 percent, and the denial rate was 31.7 percent.

**Disposition of Applications to Refinance Loans by Race**  
**Winston-Salem MSA, 2005**

	Applications Received	\$000's	Loans Originated	\$000's	Applications Denied	\$000's	Other <sup>1</sup>	\$000's
Native American	86	7,727	30	2,115	23	1,991	33	3,621
Asian	98	12,797	32	3,902	36	4,722	30	4,173
Black	3,557	346,469	1,190	109,778	1,464	145,546	903	91,145
Pacific Islander	43	4,276	12	1,022	16	1,851	15	419
White	12,195	1,410,701	6,213	732,765	3,194	353,663	2,788	324,273
2+ Minority Races	14	1,549	8	911	4	476	2	162
Joint (White/Minority)	154	18,146	72	7,599	42	5,157	40	5,390
Race N/A	4,883	565,416	990	109,916	1,879	208,254	2,014	247,246
<b>Total</b>	<b>21030</b>	<b>2,367,081</b>	<b>8547</b>	<b>968,008</b>	<b>6658</b>	<b>721,660</b>	<b>5825</b>	<b>676,429</b>

<sup>1</sup> Includes: Applications approved but not accepted, applications withdrawn, and files closed for incompleteness

Source: Federal Financial Institutions Examination Council

Of the 21,030 refinancing applications received in 2005, the FFIEC reports that 74.2 percent (15,614) of the applicants were identified as *non*-Hispanic/Latino, while 2 percent (414) were of Hispanic or Latino ethnicity. Furthermore, less than one percent (121) of potential borrowers were considered of joint ethnicity, and 23.2 percent (4,881) were not identified by ethnicity.

Of the 8,547 refinancing loans that originated in 2005, 85.3 percent (7,293) belonged to the non-Hispanic/Latino category, while less than 2 percent (161) were dispersed to Hispanics or Latinos. Moreover, White borrowers incurred 69.6 percent (4,634) of the total 6,658 loan denials, while the Hispanic/Latino sector incurred 2.2 percent (145) of total refinancing loan denials in 2005.

Within their respective ethnicities, the Hispanic/Latino group received both the *highest* loan denial rate (35%) as well as the *lowest* loan origination rate (38.9%). By comparison the non-Hispanic/Latino population incurred an origination rate of 46.7 percent, as well as a denial rate of 29.7 percent. Overall, the total origination rate was 40.6 percent, and the denial rate was 31.7 percent.

**Disposition of Applications to Refinance Loans by Ethnicity**  
**Winston-Salem MSA, 2005**

	Applications Received	\$000's	Loans Originated	\$000's	Applications Denied	\$000's	Other <sup>1</sup>	\$000's
Hispanic or Latino	414	40,081	161	14,362	145	14,744	108	10,975
Not Hispanic or Latino	15,614	1,749,437	7,293	830,642	4,634	500,566	3,687	418,229
Joint	121	14,514	58	6,981	39	4,895	24	2,638
Data N/A	4,881	563,049	1,035	116,023	1,840	201,455	2,006	245,571
<b>Total</b>	<b>21030</b>	<b>2,367,081</b>	<b>8547</b>	<b>968,008</b>	<b>6658</b>	<b>721,660</b>	<b>5825</b>	<b>677,413</b>

<sup>1</sup> Includes: Applications approved but not accepted, applications withdrawn, and files closed for incompleteness

Source: Federal Financial Institutions Examination Council

## Disposition of Loan Applications in Forsyth County

### FHA, FSA/RHS & VA

According to the FFIEC, 81.4 percent (926) loans in the amount of \$115,306,000 were originated from 1,137 FHA, FSA/RHS and VA home-purchase loan applications in Forsyth County for 2005. 8.6 percent (98) of the loan applications were denied, while the rest were withdrawn, closed for incompleteness, or approved but not accepted.

### Conventional

The FFIEC reported out of 10,271 conventional home-purchase loan applications received in 2005, 70.6 percent (7,254) were originated, while 11.8 percent (1,217) were denied. Furthermore, 17.5 percent (1,800) were either: withdrawn, closed for incompleteness, or approved but not accepted.

The following table illustrates the disposition of home-purchase loan applications in Forsyth County in 2005.

<b>Disposition of Home-Purchase Loan Applications Forsyth County, 2005</b>				
	<b>FHA, FSA/RHS &amp; VA</b>		<b>CONVENTIONAL</b>	
	Number	\$000's	Number	\$000's
Loans Originated	926	115,306	7,254	902,387
Approved, Not Accepted	32	3,739	703	73,564
Denied	98	12,443	1,217	116,127
Withdrawn	72	9,316	926	109,941
Closed for Incompleteness	9	984	171	21,814
<b>TOTAL</b>	<b>1137</b>	<b>141,788</b>	<b>10,271</b>	<b>1,223,833</b>

Source: Federal Financial Institutions Examination Council

### Refinancing

In 2005, the FFIEC reported 15,565 loan applications received for refinancing in Forsyth County in the amount of \$1,781,013,000. Of these applications received, 41.2 percent (6,416) were originated, while 30.7 percent (4,776) were denied. Of the rest, 28.1 percent (4,373) were either: withdrawn, closed for incompleteness, or approved but not accepted.

<b>Disposition of Refinancing Loan Applications Forsyth County, 2005</b>		
	Number	\$000's
Loans Originated	6,416	747,771
Approved, Not Accepted	1,269	126,186
Denied	4,776	523,689
Withdrawn	2,527	305,680
Closed for Incompleteness	577	77,687
<b>TOTAL</b>	<b>15,565</b>	<b>1,781,013</b>

Source: Federal Financial Institutions Examination Council

## **Denial of Applications for FHA, FSA/RHS, and VA Home-Purchase Loans—Winston-Salem MSA**

The FFIEC identified 162 FHA, FSA/RHS, and VA Home-Purchase Loans loan denials in the Winston-Salem MSA in 2005. Of the 162 denials, 39 (24%) of these loans were denied to African-Americans, while 102 (62.9%) White borrowers were denied loans. Additionally, 4 (2.4%) loans were denied to those of other races, and 17 (10.4%) loan denials could not be associated with the borrower's race.

### **Reasons for Denials**

Of the 162 denials, 32 (19.7%) loans were denied due to debt-to-income ratio, 7 (4.3%) due to employment history, 65 (40%) due to credit history, 12 (7.4%) due to collateral issues, 10 (6.1%) due to insufficient cash, 8 (4.9%) due to unverifiable information, 6 (3.7%) due to incomplete credit applications, and 22 (13.5%) due to unspecified other reasons. It is clear that credit history is the greatest obstacle to obtaining these kinds of home-purchase loans.

### **Race**

51 percent (20) of African-American borrowers were turned down because of credit history issues, while 23 percent (9) were denied as a result of debt-to-income ratio. The remaining 26 percent (10) of Blacks were denied as a result of various other reasons. Comparatively, 36 percent (37) of White borrowers were turned down because of credit history issues, while 16 percent (16) were denied as a result of debt-to-income ratio.

### **Ethnicity**

12 (7.4%) of the 162 loan denials were incurred by people of Hispanic or Latino ethnicity. Of these denials, 33 percent (4) were directly linked to credit history problems, 25 percent (3) due to employment history, and 8 percent (1) as a result of debt-to-income issues.

### **Minority Status**

36.7 percent (54) of all denials were incurred by minorities. In addition, 46 percent (25) of minorities in the MSA were denied because of credit history issues, while 20 percent (11) were denied due to debt-to-income ratios.

## **Denial of Applications for Conventional Home-Purchase Loans**

### **Race**

In 2005, the FFIEC reported 1,710 conventional home-purchase loan application denials in the Winston-Salem MSA. Of these 1,710 denials, 1,078 (63%) were denied to White borrowers, and 361 (21.1%) were denied to Blacks. In addition, 62 (3.6%) loan applications were denied to borrowers of

other races (Asian, Pacific Islander, American Indian), while 16 (0.9%) were denied to borrowers of joint (White/Minority) race. Finally, 193 (11.2%) denials could not be associated with race.

Of the 1,078 conventional home-purchase loan application denials incurred by White borrowers, 346 (32%) were due to credit history, 128 (12%) were due to collateral issues, and 126 (12%) were due to debt-to-income ratio. These were the primary issues that prevented White borrowers from obtaining these types of loans. However, other issues such as employment history, insufficient cash, unverifiable information, and incomplete applications, played a lesser role.

The most significant obstacles faced by Black borrowers were: credit history (29%), and debt-to-income ratio (16%).

### **Ethnicity**

Hispanic or Latino borrowers accounted for 181 (10.5%) of the 1,710 denials. Of denials by ethnicity, Hispanic/Latino borrowers were mainly denied due to: credit history (29%), collateral (12%), and unverifiable information (12%).

Non-Hispanic/Latino borrowers made up 1,350 (78.9%) of the total denials, and were denied mainly as a result of credit history (31%) and debt-to-income ratio (12%).

### **Minority Status**

60.1 percent of conventional home-purchase loans were denied to White non-Hispanic borrowers, mainly because of credit history (32%), debt-to-income ratio (12%), and collateral (12%). Comparatively, minorities constituted 39.8 percent of conventional home-purchase loan denials, mainly due to credit history (29%), and debt-to-income ratio (14%).

### **Denial of Applications for Home Improvement Loans**

In 2005, the FFIEC reported 796 home improvement loan applications denied in the Winston-Salem MSA. Of these denials, 378 (47.4%) were incurred by White borrowers; 168 (21.1%) by African-American borrowers; 20 (2.5%) by other races; and 230 (28.8%) not available by race.

Across the board, credit history was the biggest reason for home improvement loan application denials. Among the races, both Black and White borrowers were denied at a rate of 49% due to credit history. Similarly, both female and joint borrowers experienced a 49% denial rate (males had a 46% denial rate) due to their credit history. Borrowers of all income levels incurred a denial rate in the 40s (%) due to credit history. One can logically assume that credit history played the biggest role in home improvement loan application denials.

### **Denial of Applications to Refinance Loans – Winston-Salem MSA 2005**

In 2005, the FFIEC reported 5,252 applications to refinance loans on 1 to 4- families and manufactured homes were denied in the Winston-Salem MSA. Of these 5,252 denials, 1,009 (19.2%)

were incurred by African-American borrowers, and 2,390 (45.5%) were incurred by White borrowers. Furthermore, 1,734 (33%) could not be determined by race, and 119 (2.2%) were incurred by other races (including: American Indian, Asian, Pacific Islander, and multi-racial).

Minorities (including Hispanics) incurred 1,250 (35.9%) denials, while White non-Hispanic borrowers experienced 2,224 (64%) application denials.

## **Reasons for Denial Rates**

### **Credit History**

Black/African-American- 32%

White- 29%

Hispanic/Latino- 34%

Non- Hispanic/Latino- 29%

### **Debt-to-Income Ratio**

Black/African-American- 13%

White- 18%

Hispanic/Latino- 22%

Non- Hispanic/Latino- 16%

### **Collateral**

Black/African-American- 14%

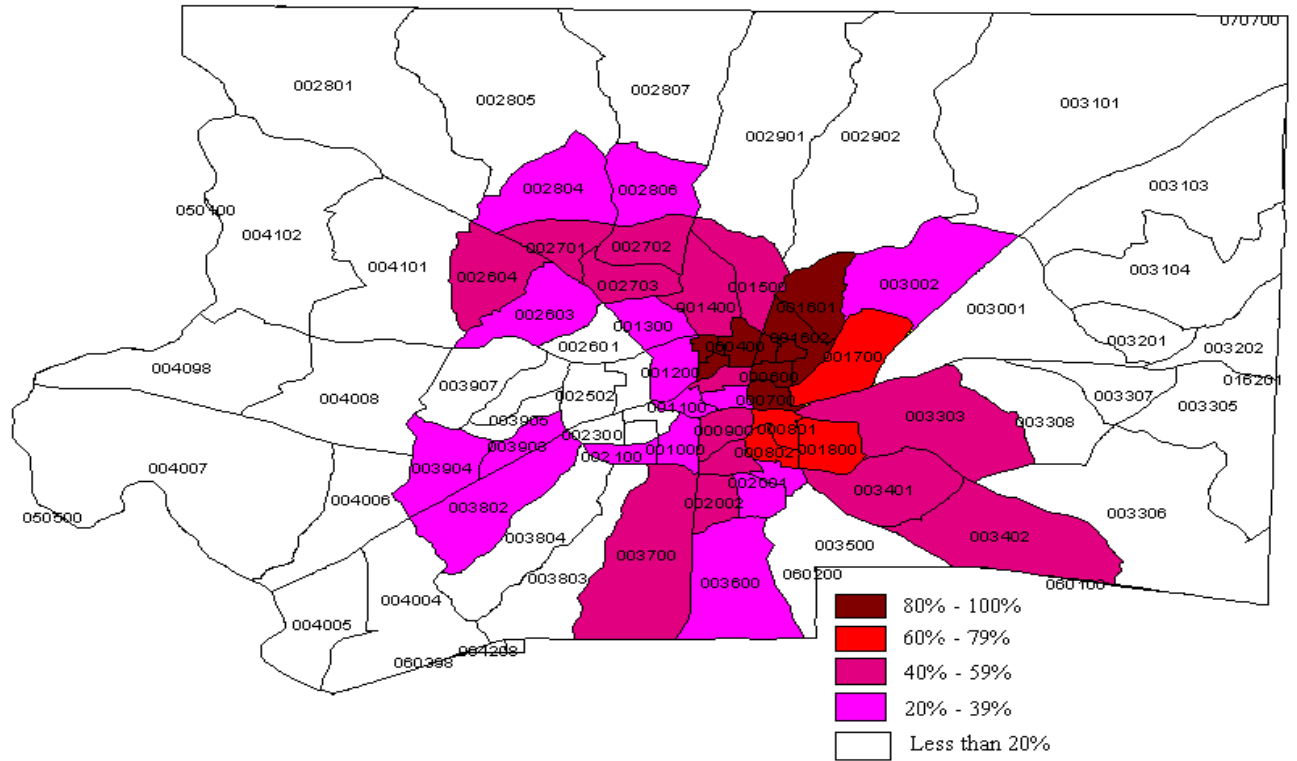
White- 19%

Hispanic/Latino- 13%

Non- Hispanic/Latino- 17%



# \*Winston Salem, Forsyth County African American Renting Population



## NATIVE AMERICANS

The North Carolina Fair Housing Center conducted a survey of Native Americans through their tribal councils. Native American leaders were concerned that current methodologies would not capture a lot of their complaints because they are often listed as "other".

Native Americans may experience COLOR discrimination. Native Americans are often mistaken for persons of Middle Eastern descent or for Hispanics and are treated differently because of their color.

## ASIANS

There are no reported cases where race alone was a factor for Asians. Most Asians filed complaints on the basis of their National Origin. There is no statistical evidence that indicates Asians are discriminated against by lenders.

## RELIGION

During the past two decades, North Carolina, once commonly referred to as the heart of the Bible Belt, has experienced a growing diversity in religions and religious expression. This influx of new religions and cultures serves as a ripening basis for housing discrimination based on religion.

### ISLAM

Winston-Salem has a growing population of the Islamic faith. Since the tragedy of September 11, 2001, members of the Islamic faith continue to report being subjected to unfair treatment and stereotyping in all social aspects of their lives.

As the result of interfaith programming efforts by the Human Relations Department, staff has learned that many Muslims are continuously categorized as terrorist members of the extremist Al-Qaeda. This type of stereotyping continues to increase as the national "War on Terror" continues. Based on the housing discrimination caseload, none of these incidents were housing related or in Forsyth County.

### EASTERN RELIGIONS

The emerging presence of eastern religions continues to be relatively new for the majority of Winston-Salem residents. Over the past couple of decades, the prevailing eastern religion with which most residents are familiar is the Greek Orthodox faith. During the past several years, however, a burgeoning Ethiopian Orthodox population has grown significantly in Winston-Salem and the Triad at large. The Human Relations Department has conducted community outreach in order to educate the public about the differences in eastern religion and cultures. The hope is to thwart instances of housing discrimination based on religion.

The North Carolina Fair Housing Center has received a number of inquiries and requests for technical assistance from housing providers around various rituals and requirements of tenants of certain Eastern belief systems. Many housing providers have adopted religious accommodation policies and procedures in an effort to address these issues.

The most common issues involve religions that prohibit anyone from wearing shoes in the dwelling. Most housing providers inform tenants that they will honor this request except where the health and safety of employees is at issue. For example, if an employee is asked to come in to repair an overflowing toilet or clean up a sewage spill or other hazard, the Center has recommended that employees wear surgical booties over their shoes. Most tenants have found this acceptable.

As the eastern practice of feng shui continues to become popular in the United States, including Winston-Salem, more homebuilders are faced with accommodating homebuyers who wish to build houses based on the principals of feng shui. For many homebuyers, these principals have eastern religious roots. In contrast, some tenants wish to live in apartments or houses facing certain directions. Many Realtors and property managers in the Triad area have begun carrying compasses to accommodate these persons.

#### SEX

Housing discrimination complaints filed with the Human Relations Department often list sex, or gender, as a basis for discrimination in conjunction with another protected class. The most frequently protected class that is coupled with sex discrimination is race discrimination. In the majority of the cases, females who are African-American are filing these complaints.

In the 2003-2008 Analysis of Impediments report, testing conducted by the Fair Housing Center found gender discrimination occurred in 33% of the lending tests completed. Statistical data also suggested that women experienced a high level of discrimination in the lending market. A single woman was 61% more likely to be turned down for a loan than male-female applicant pairs. This is a significant barrier to housing choice. Current trends indicate a significant increase in the number of single female headed households in Forsyth County.

Conventional home-purchase loan applications were distributed fairly evenly between males (33.5%), females (27.1%), and joint-couples (39.3%). Females constituted roughly a quarter (25.9%) of loans originated, while males accounted for 31.3 percent and joint borrowers 42.9 percent. However, males made up a significantly higher proportion (42%) of application denials than both females (28.8%) and joint borrowers (29.3%). Among their respective gender brackets, males had the highest denial rate (16.5%), followed by females (13.9%), and joint couples (9.7%). This data is indicated in the following table:

Disposition for Conventional Home-Purchase Loans by Gender								
Winston-Salem MSA, 2005								
	Applications Received	\$000's	Loans Originated	\$000's	Applications Denied	\$000's	Other <sup>1</sup>	\$000's
Male	4030	453,040	2603	293,858	663	57,116	764	83,040
Female	3258	323,297	2153	221,760	454	38,981	651	62,566
Joint (Male/Female)	4726	682,014	3571	542,554	462	45,931	693	93,529
Total	12014	1,458,351	8327	1,058,172	1579	142,028	2108	239,135

<sup>1</sup> Includes: Applications approved but not accepted, applications withdrawn, and files closed for incompleteness

Source: Federal Financial Institutions Examination Council

Of the home improvement loan applications received in 2005, 31.9 percent (730) came from male borrowers, 27.6 percent (632) came from female borrowers, and 40.5 percent (927) from joint (male/female) borrowers. Of the total loans that originated, males accounted for 29.7 percent (274), females for 25.3 percent (233), and joint borrowers for 45 percent (415). Of the total loans that were denied, males accounted for 35.9 percent (314), females for 31.3 percent (274), and joint borrowers for 32.8 percent (287).

Within each respective gender, females incurred both the *lowest* origination rate (36.9%) and the *highest* denial rate (43.4%). Conversely, joint borrowers incurred the *highest* origination rate (44.8%) as well as the *lowest* rate of loan denials (31%). Males had an origination rate of 37.5 percent, and a denial rate of 43 percent.

Disposition of Applications for Home Improvement Loans by Gender								
Winston-Salem MSA, 2005								
	Applications Received	\$000's	Loans Originated	\$000's	Applications Denied	\$000's	Other <sup>1</sup>	\$000's
Male	730	43,475	274	15,044	314	14,328	142	14,103
Female	632	30,934	233	11,047	274	11,281	125	8,606
Joint (Male/Female)	927	66,923	415	27,209	287	17,325	225	22,389
Total	2,289	141,332	922	53,300	875	42,934	492	45,098

<sup>1</sup> Includes: Applications approved but not accepted, applications withdrawn, and files closed for incompleteness

Source: Federal Financial Institutions Examination Council

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<sup>1</sup> Includes: Applications approved but not accepted, applications withdrawn, and files closed for incompleteness

Source: Federal Financial Institutions Examination Council

Refinancing by gender showed that 30.8 percent of all applications received came from male borrowers, 26 percent from females, and 43.3 percent from joint (male/female) borrowers. Furthermore, males comprised 26.9 percent of all loan originations, while females made up 24.6 percent, and joint borrowers 48.5 percent. Male borrowers comprised 34.1 percent of all loan denials, while females made up 27.1 percent, and joint borrowers 38.8 percent. Within each gender grouping, joint borrowers accrued both the highest origination rate (48.6 %) and the lowest denial rate (27.6%). By comparison, male borrowers had the *lowest* origination rate (37.9 %) and the *highest* denial rate (34.1 %).

#### Disposition of Applications to Refinance Loans by Gender

##### Winston-Salem MSA, 2005

	Applications Received	\$000's	Loans Originated	\$000's	Applications Denied	\$000's	Other <sup>1</sup>	\$000's
Male	5,751	650,727	2,181	251,438	1,959	212,734	1,611	186,555
Female	4,859	469,018	1,990	188,707	1,558	148,412	1,311	131,899
Joint (Male/Female)	8,087	979,993	3,932	479,687	2,229	260,122	1,926	240,184
Total	18,697	2,099,738	8,103	919,832	5,746	621,268	4,848	558,638

<sup>1</sup> Includes: Applications approved but not accepted, applications withdrawn, and files closed for incompleteness

Source: Federal Financial Institutions Examination Council

### Denial of Applications for FHA, FSA/RHS, and VA Home-Purchase Loans—Winston-Salem MSA

40.7 percent (66) of these loans were denied to males, while 30.8 percent (50) were denied to females, and 22.2 percent (36) to joint borrowers. 6.1 percent (10) of the denials could not be determined by gender.

Proportionally, females were denied at the highest rate due to both credit history issues (46%) and debt-to-income ratio problems (24%), as well as for having insufficient cash (12%).

### Denial of Applications for Conventional Home-Purchase Loans

Males made up 39.4 percent of total conventional home-purchase loan denials, while females made up 27.8 percent, and joint borrowers constituted 28 percent. Data was not available for 4.6 percent of the applicants by gender.

Of the 674 male denials, 190 (28%) were due to credit history, 93 (14%) were due to debt-to-income ratio, and 71 (11%) were due to collateral issues. 154 (32%) female borrowers were denied because of their credit history, while 65 (14%) were denied as a result of debt-to-income ratio. 165 (34%) joint borrowers were denied due to poor credit history, while 55 (11%) were denied due to collateral issues, and 45 (9%) due to debt-to-income ratio. Overwhelmingly, credit history played the biggest role in conventional home-purchase loan denials.

## **Denial of Applications for Home Improvement Loans**

Males incurred 245 (30.7%) denials, while females incurred 185 (23.2%) denials in 2005. Joint (male/female) borrowers incurred 218 (27.3%) denials, and 148 (18.5%) of the denials could not be associated by gender.

## **Denial of Applications to Refinance Loans – Winston-Salem MSA 2005**

Males incurred 1,622 (30.8%) application denials; females 1,176 (22.3%); joint borrowers 1,593 (30.3%). Data was not available by gender for 861 (16.3%) applicants.

## **Reasons for Denial Rates**

### **Credit History**

Male- 27%  
Female- 28%

### **Debt-to-Income Ratio**

Male- 14%  
Female- 16%

### **Collateral**

Male- 16%  
Female- 13%

## **NATIONAL ORIGIN**

Winston-Salem experienced an 831% growth in its Hispanic Population since the last census, which currently comprises 6.4% of the population. This rapid influx of Hispanics has created unique barriers to fair housing choice. In this short period of time a segregated housing pattern is emerging. There are currently nine (9) census tracts where Hispanics make up more than 14% of the population and two census tracts that are more than 25% Hispanic. This type of isolation cannot be explained away by self-segregation.



Over the past five years, the Human Relations Department has been heavily involved in investigating housing complaints originating from the Hispanic community. The majority of such complaints were reported by Hispanic community advocates and were not officially filed by actual complainants that were harmed by the alleged discriminatory conduct. The most common complaints have been based on refusals of landlords to make repairs and limiting the number of people who can reside in a rental unit. In 2005-2006, there were no fair housing complaints filed based on national origin. However, in 2006-2007, 6% of fair housing complaints based on a single protected class were based on national origin. During that same year, 40% of fair housing cases were listed national origin as one of the protected classes.

As a result of reports of housing discrimination against Hispanics, the Human Relations Department partnered with Hispanic community activists and organizations to identify where the bulk of the alleged discrimination was occurring. It was quickly concluded that the vast majority of complaints stemmed from a housing community that was once historically considered African-American. This community, Lakeside Apartments, also happens to lie in the eastern part of Winston-Salem, which is also east of Hwy. 52, the perceived color line. This co-habitation of Hispanics and African-Americans resulted in increased tensions between the two. In response, the Human Relations staff developed an outreach program, "Beyond Soul and Salsa: African-American and Hispanic Relations," which is a series of forums designed to address issues of stereotyping that often resulted in potential housing discrimination allegations. The response to and interest in the series of forums have proven to be beneficial and educational.

Lakeside Apartments is 95% Hispanic. Hispanic advocates complained that the apartment units were deplorable and in violation of basic standards for human habitation. Human Relations partnered with other city departments and the Mayor to create a line of communication between the property management and the tenants. It was quickly discovered that language was a primary barrier. It was also deduced that significant cultural differences constituted a large part of the issue. Specifically, the property management complained that as soon as they made repairs to the apartment units, tenants would not attempt to maintain or upkeep their homes. In contrast, Hispanic tenants communicated that they did not know or understand the rules for repairs and property maintenance.

The result of hearing both sides' issues was an immediate request by Human Relations and its partners for all tenant-relevant information to be translated into Spanish and disseminated to all tenants. Shortly thereafter, it was discovered that the majority of the tenants were functionally illiterate in Spanish. In response to this identified barrier, a city-sponsored educational video, in both English and Spanish, was suggested to explain the rights and responsibilities of both landlords and tenants. In partnership with several city departments and the Winston-Salem Regional Association of Realtors, the English video has already been produced and disseminated to all interested property managers and landlords within the city. Some time in 2008, the Spanish version of the educational video will be produced and disseminated as well.

It is hoped and anticipated that such community and educational outreach will address some, if not most, of the allegations of housing discrimination in the Lakeside community as well as other Hispanic households.

The North Carolina Fair Housing Center conducted audits in 1999 to determine the level and type of discrimination faced by Hispanics/Latinos in the Winston Salem/Fosyth County rental market.

In 59% of the audits conducted significant levels of discrimination were found. In 59% of the sites audited the Control (white) applicant was informed of more units than the Variable (Hispanic) applicant. In twenty percent (20%) of the sites audited the Variable applicant was given a higher rental price than the Control applicant. Testing data indicate that there exists recurring stereotypes related to Hispanics that undermine their ability to secure the housing of their choice. For example, in 59% of the tests completed involving Hispanic Testers, the tester was asked how many people would be staying in the apartment compared to 23% of the time for African-American testers and 14% for white testers.

Hispanics and other immigrants also experience discrimination in the terms and conditions of occupancy. Many times landlords refuse to carry out repairs and routine maintenance for immigrant tenants. Hispanic tenants are often segregated into mobile home parks that have failing septic systems and mobile homes that could not be placed in any manufactured housing park if that one is condemned. Hispanics are also subjected to different lease terms such as charging rent by the number of occupants. These serve as significant barriers to housing opportunity for Hispanics.

Language and culture also serve as significant barriers to housing opportunity for persons of Hispanic/Latino background. Many Latinos come from countries where there was very little trust in government and there were often negative consequences for going to government agencies for assistance. This suspicion causes many victims of illegal discrimination to shy away from reporting violations to appropriate agencies. Language also serves as a significant barrier for many Hispanic/Latinos who have difficulty in understanding complex legal documents such as leases and mortgages that are often only available in English. As a result, the Human Relations Department hired a full-time bilingual Human Relations Specialist who is responsible for investigating housing discrimination complaints originating from Hispanic complainants. The Specialist also serves as the Hispanic Outreach Coordinator who creates and addresses the need for public education regarding the Hispanic culture.

#### MIDDLE EASTERN

Immigrants from different countries like India, Syria, Jordan, Palestine, Saudi Arabia, UAE, Egypt, Sudan, Morocco, Algeria, Tunisia, Bosnia, Afghanistan, Guyana, Pakistan, Somalia, Malaysia, and Ethiopia, have come to call Winston-Salem home. Since September 11, 2001 there have been no reported cases of housing discrimination in the Winston-Salem area although several persons have reported discrimination in employment and public accommodations according to CAIR.



### Disposition of Applications for Conventional Home-Purchase Loans by Ethnicity

Winston-Salem MSA, 2005

	Applications Received	\$000's	Loans Originated	\$000's	Applications Denied	\$000's	Other <sup>1</sup>	\$000's
Hispanic or Latino	663	56,548	363	33,648	163	11,554	137	11,346
Not Hispanic or Latino	10,467	1,291,452	7,470	970,090	1,256	118,393	1,741	202,969
Joint	96	10,960	60	7,448	19	1,363	17	2,149
Ethnicity Data N/A	1,480	152,424	874	92,261	239	20,568	367	39,595
<b>Total</b>	<b>12706</b>	<b>1,511,384</b>	<b>8767</b>	<b>1,103,447</b>	<b>1677</b>	<b>151,878</b>	<b>2262</b>	<b>256,059</b>

<sup>1</sup> Includes: Applications approved but not accepted, applications withdrawn, and files closed for incompleteness

Source: Federal Financial Institutions Examination Council

## Denial of Applications for Home Improvement Loans

In addition, 39 (4.8%) home improvement loans were denied to Hispanic/Latino borrowers, while 495 (62.1%) loans were denied to those identified as Non-Hispanic/Latino. Furthermore, 7 (0.8%) home improvement loans were denied to those of joint ethnicity, while 255 (32%) could not be identified by ethnicity. Out of the 2005 home improvement loan denials, 40.9 percent were identified as minorities (including Hispanic).

## Denial of Applications to Refinance Loans – Winston-Salem MSA 2005

128 (2.4%) of the total denials were incurred by those of Hispanic or Latino ethnicity, while 3,383 (64.4%) were not of Hispanic or Latino ethnicity. In addition, 32 (0.6%) borrowers were of joint ethnicity, and ethnicity data was not available for 1,709 (32.5%) of the borrowers whose applications were denied.

Minorities (including Hispanics) incurred 1,250 (35.9%) denials, while White non-Hispanic borrowers experienced 2,224 (64%) application denials.

## Reasons for Denial Rates

### Credit History

Black/African-American- 32%

White- 29%

Hispanic/Latino- 34%

Non- Hispanic/Latino- 29%

### **Debt-to-Income Ratio**

Black/African-American- 13%  
White- 18%  
Hispanic/Latino- 22%  
Non- Hispanic/Latino- 16%

### **Collateral**

Black/African-American- 14%  
White- 19%  
Hispanic/Latino- 13%  
Non- Hispanic/Latino- 17%

### **FAMILIAL STATUS**

Large families continue to have difficulty finding affordable units in the Winston-Salem market. Over the past five years, the Human Relations Department has conducted investigations into allegations of discrimination based on familial status. The most common complaint is based on landlords imposing a different set of rules for children than adults for the full use and enjoyment of the rental property's amenities and facilities.

In 1999, The North Carolina Fair Housing Center conducted audits to determine the level and type of discrimination faced by families with children in the Winston-Salem rental market. Overall, the audit uncovered little evidence of widespread discrimination based upon familial status in the Winston-Salem rental market.

The testing performed by the North Carolina Fair Housing Center found that testers with children experienced significant levels of discrimination in 34.7% of the tests completed.

Familial status discrimination tends to be very overt. In cases where discrimination was implicated, overt statements objecting to children occurred 35% of the time compared to 8% for race and 0% for National Origin. This indicates that there are many property owners who are unaware that familial status is protected under the law.

Comparatively, in 2005-2006, the Human Relations fair housing case load indicates that 10% of all fair housing complaints filed were based on familial status. For cases that were based on more than one protected class during the same time period, 50% included familial status as a protected class. In 2006-2007, the case load did not include any fair housing complaints based solely on familial status. However, 40% of fair housing complaints filed based on more than one protected class named familial status as a basis.

### **EMERGING ISSUE**

The North Carolina Division of Aging has cited that the fastest growing household type in the state is that of the elderly head of household with children under age 18. This has

grave implications for the future. Many of the households that fall into this category are low-income.

Federal Law the Housing for Older Persons Act states that housing communities designated for persons 62 or older, and housing communities designated for persons 55 and older are exempt from the familial status provisions of the Fair Housing Act.

#### HANDICAP

Handicap is the legal term used under the Fair Housing Act. Handicap is defined as a person with a physical or mental impairment that substantially limits one or more major life activities or has a history of or is perceived to have such impairments. Major life activities include but are not limited to walking, talking, breathing, standing, ability to work, ability to care for oneself, and procreation.

The Human Relations Department has received complaints of discrimination based on both physical and mental handicap over the past five years. The most common complaint has been based on landlords treating service animals as pets and charging tenants pet fees for having a service animal on the premises. In 2005-2006, 15% of the fair housing complaints received were based solely on disability. When examining cases that were based upon more than one protected class of persons, 25% included disability as a basis. In 2006-2007, 18% of the fair housing complaints received were based solely on disability. In contrast, fair housing complaints based on more than one protected class listed disability 10% of the time.

The North Carolina Human Relations Commission reports that 33% of the cases filed in 1999 were on the basis of Handicap. This is higher than the national average of 26%.

#### DESIGN AND CONSTRUCTION REQUIREMENTS

The Federal Fair Housing Act requires that all ground floor units in covered multi-family buildings ready for first occupancy on or after March 13, 1991 and all units in buildings with elevators must meet seven accessibility requirements.

The seven standards are as follows:

1. an accessible building on an accessible route;
2. accessible and usable public and common use areas;
3. useable doors;
4. accessible route into and through the covered dwelling unit;
5. accessible light switches, electric outlets, thermostats and other environmental controls in accessible location;
6. reinforced walls for grab bars;
7. Usable kitchens and bathrooms.

All ground floor units in covered multi-family buildings ready for first occupancy on or after March 13, 1991 are required to meet the above requirements. A covered multi-family building is comprised of four or more attached units.

Testing performed by the N.C. Fair Housing Center found that 92.5% of all buildings tested for compliance over a three-year period were out of compliance with the law.

1. an accessible building on an accessible route; **50% noncompliance**
2. accessible and usable public and common use areas; **80% noncompliance**
3. useable doors; **50% noncompliance**
4. accessible route into and through the covered dwelling unit; **70% noncompliance**
5. accessible light switches, electric outlets, thermostats and other environmental controls in accessible location; **40% noncompliance**
6. reinforced walls for grab bars; **unable to determine**
7. Usable kitchens and bathrooms. **70% noncompliance**

Evidence of illegal steering was noted in several of the audit reports.

Based on the audit results, a number of enforcement actions were taken by the Winston Salem Human Relations Commission to increase the availability of housing for persons with disabilities. In addition, numerous training sessions were designed for architects, builders and developers in the Winston-Salem area.

Information received from disability advocates in the Winston-Salem area indicate that there is still a shortage of accessible housing units in Winston-Salem and that there is still significant noncompliance although there has been some improvement. It was also reported that many persons with disabilities are faced with landlords' perceptions that a person with disabilities will require more attention than other tenants and are reluctant to rent to them.

## VI. CONCLUSIONS AND RECOMMENDATIONS

*Continue to provide effective enforcement of Fair Housing Laws.*

The Human Relations Commission does an excellent job of enforcing Fair Housing laws in Winston-Salem. The Human Relations Commission continues to outperform regional and national averages for case management and case closings.

Continue with the print and media campaign to provide education and outreach to a variety of residents from various national, ethnic, and socio-economic backgrounds.

*Continue to work with other governmental and nonprofit agencies to develop programs to alleviate discrimination and further Fair Housing.*

The Commission works closely with the Winston-Salem Regional Association of Realtors, particularly the Property Management and Cultural Outreach Committees, to

provide technical assistance and training to industry professionals on Fair Housing issues. It also works closely with other city departments, such as Neighborhood Services, Housing and Neighborhood Development, Marketing and Communications, the Office of the Mayor, and the Winston-Salem Police Department in order to communicate city residents' rights and responsibilities in both English and Spanish through the city's Neighborhood Improvement Program and programming on the government channel.

*Review survey results that were conducted through outreach and education in the Hispanic community to determine what is driving current housing patterns.*

Recent surveys were conducted of the Hispanic community by a private consultant hired by the city. As a result of the survey results, Hispanic outreach programs, included within the Neighborhood Improvement Plan, Beyond Soul and Salsa, the renters' educational video, and the planned Spanish television program will be implemented in order to ascertain, study and review feedback from Hispanic advocates, organizations, and residents to identify cultural and housing barriers. The information will also be used to find out how residents found their communities, what made those communities attractive to them and what can be done to encourage greater housing choice for this community.

*Conduct lending and sales baseline audits to determine what role unlawful discrimination plays in the lower homeownership rates experienced by African Americans.*

Human Relations plans to conduct testing during the 2009 calendar year.

*Conduct a study of the appraisal industry in the Winston-Salem Forsyth communities to determine what role unlawful discrimination plays in the lower housing values of African American.*

Human Relations plans to conduct testing during the 2009 calendar year.

*Continue 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 Winston-Salem community aimed at reducing the number of borrowers who enter the sub prime market or who are susceptible to predatory loans. Winston Salem serves as a Regional Banking Center and benefits from the substantial community investments of BB&T and Wachovia Bank. As a result, Human Relations created the Fair and Affordable Housing Summit. This annual program has been a huge success since its implementation four years ago. Housing professionals from all industries gather to discuss housing trends, policies, legislation, and barriers to fair and affordable housing in Forsyth County and state-wide. Human Relations also supports the annual American Dream Weekend, which is conducted by the Winston-Salem Regional Association of Realtors.

*Continue to conduct education and outreach activities to the Muslim and Middle Eastern Communities.*

Since 9/11/01 many persons 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. In order to build trust between the government and this community, Human Relations will continue to develop its Interfaith Committee and create programs that unite all major faiths for dialogue. Human Relations has also created a Global Festival Series that will spotlight a different emerging culture in the city and introduce food, music, clothes, and dance to the community from that particular culture.

*Continue 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.*

The City offers a number of activities to increase the availability of affordable housing opportunities throughout the Winston-Salem/Forsyth area. The City has developed programs to preserve existing housing stock throughout the community in an effort to keep units affordable.

Specifically, Human Relations created the Fair and Affordable Housing Summit. This annual program has been a huge success since its implementation four years ago. Housing professionals from all industries gather to discuss housing trends, policies, legislation, and barriers to fair and affordable housing in Forsyth County and state-wide. Human Relations also supports the annual American Dream Weekend, which is conducted by the Winston-Salem Regional Association of Realtors. This program is aimed at first-time homebuyers and provides a one-stop-shop for them to learn their credit score, seek financing, and learn about affordable housing choice programs and communities.

Finally, the City co-trains with local homeownership agencies to provide fair housing law information while supporting housing opportunities through financial literacy, credit counseling and rental assistance.

## *Appendix A*

### **Relevant Civil Rights Laws**

#### **Civil Rights Act of 1866**

The Civil Rights Act of 1866 prohibits all racial discrimination in the sale or rental of property.

#### **Section 1982**

Section 1982 of Title 42 of the U.S. Code—part of the Civil Rights Act of 1866—protects citizens of the United States from racial discrimination in, among other things, private and public rental housing. Although Hispanics are not technically a race (the group consists of many races), the statute prohibits discrimination against Hispanic citizens in rental housing because Section 1982 defines racial discrimination as Congress considered it in 1866. Thus Section 1982 protects citizens against discrimination based not only on racial characteristics but also on ethnic characteristics and ancestry that were considered racial in the nineteenth century. Hispanics were considered a race in 1866.

#### **Section 1981**

Section 1981 of Title 42 of the U.S. Code—another part of the Civil Rights Act of 1866—prohibits discrimination based on race in the making of contracts. Section 1981 grants to all people the same rights as “white citizens” to make and enforce contracts. The statute is broad enough to cover housing discrimination cases alleging refusal to rent or to grant privileges that normally accompany rental contracts. Section 1981 applies to private as well as public discrimination. Like Section 1982, Section 1981 protects all people who were considered to be nonwhite in 1866. Section 1981 is broader than Section 1982, however, because it protects all people (including aliens), not just citizens.

#### **The Equal Protection Clause**

The Equal Protection Clause of the U.S. Constitution requires courts to scrutinize strictly any governmental distinctions based on “suspect classifications,” which include race, national origin, and alienage (whether or not a person is a citizen). To recover monetary damages for a violation of the U.S. Constitution, a plaintiff must sue under the Civil Rights Act of 1871, which is codified as Section 1983 of Title 42 of the U.S. Code. The purpose of Section 1983 is to allow people to seek compensation from local governments for violations of federally protected rights. A plaintiff may sue a private defendant under Section 1983 only when some nexus, or connection, exists between the private defendant’s action and the state. In other words, there must be some governmental, or state, action. The mere fact that a private landlord has received federal or state funding or is subject to heavy governmental regulation may not by itself provide a sufficient nexus for the court to find state action under Section 1983. The lower courts are in conflict about whether there is sufficient governmental action when a private landlord participates in the federal Section 8 program under Section 1437 of Title 42 of the U.S. Code, which

provides vouchers or certificates for low-income people, to subsidize the cost of private rents.

## **North Carolina Fair Housing Act**

The state Fair Housing Act (Chapter 41A of the North Carolina General Statutes) makes illegal the same actions as the federal Fair Housing Act. The protected classes are race, color, sex, national origin, handicapping condition, and familial status. The state Fair Housing Act designates the North Carolina Human Relations Commission, which was created in 1963 to promote civil rights and equal opportunities for North Carolina residents, as the enforcing agency.

## **The Equal Credit Opportunity Act**

The Equal Credit Opportunity Act makes discrimination unlawful with respect to any aspect of a credit application on the basis of race, color, religion, national origin, sex, marital status, age or because all or part of the applicant's income derives from any public assistance program.

## **Americans with Disabilities Act**

Title III of the Americans with Disabilities Act prohibits discrimination against persons with disabilities in places of public accommodations and commercial facilities.

## **FAIR HOUSING ACT**

### **Summary**

Title VIII of the Civil Rights Act of 1968 (Fair Housing Act), as amended, prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents of legal custodians, pregnant women, and people securing custody of children under the age of 18), and handicap (disability).

### **What the Fair Housing Act Prohibits**

***In the Sale and Rental of Housing:*** No one may take any of the following actions based on race, color, national origin, religion, sex, familial status or handicap:

- Refuse to rent or sell housing
- Refuse to negotiate for housing
- Make housing unavailable
- Deny a dwelling

- Set different terms, conditions or privileges for sale or rental of a dwelling
- Provide different housing services or facilities
- Falsely deny that housing is available for inspection, sale, or rental
- For profit, persuade owners to sell or rent (blockbusting) or
- Deny anyone access to or membership in a facility or service (such as a multiple listing service) related to the sale or rental of housing.

***In Mortgage Lending:*** No one may take any of the following actions based on race, color, national origin, religion, sex, familial status or handicap (disability):

- Refuse to make a mortgage loan
- Refuse to provide information regarding loans
- Impose different terms or conditions on a loan, such as different interest rates, points, or fees
- Discriminate in appraising property
- Refuse to purchase a loan or
- Set different terms or conditions for purchasing a loan.

***In Addition:*** It is illegal for anyone to:

- Threaten, coerce, intimidate or interfere with anyone exercising a fair housing right or assisting others who exercise that right
- Advertise or make any statement that indicates a limitation or preference based on race, color, national origin, religion, sex, familial status, or handicap. This prohibition against discriminatory advertising applies to single-family and owner-occupied housing that is otherwise exempt from the Fair Housing Act.

#### ADDITIONAL PROTECTION IF YOU HAVE A DISABILITY

If you or someone associated with you:

- Have a physical or mental disability (including hearing, mobility and visual impairments, chronic alcoholism, chronic mental illness, AIDS, AIDS Related Complex and mental retardation) that substantially limits one or more major life activities
- Have a record of such a disability or
- Are regarded as having such a disability

your landlord **may not:**

- Refuse to let you make reasonable modifications to your dwelling or common use areas, at your expense, if necessary for the disabled person to use the housing. (Where reasonable, the landlord may permit changes only if you agree to restore the property to its original condition when you move.)
- Refuse to make reasonable accommodations in rules, policies, practices or services if necessary for the disabled person to use the housing.