

# **Fair Housing Council of Central California Real Estate Sales Testing Project**

## **Overview**

The Fair Housing Council of Central California conducted a testing project of real estate sales within the cities of Fresno and Clovis. These tests were concentrated on newly developed housing tracts located within those cities. The tests were divided into two groups: race and national origin. In total fifty tests were completed; twenty-five tests were conducted on the basis of race and twenty-five tests were conducted on the basis of national origin.

## **Methodology**

The testing project was comprised of fifty paired tests. Paired tests were assigned for twenty-five separate locations located within the cities of Fresno and Clovis. Fifteen test sites were located within the city of Clovis and ten test sites were located within the city of Fresno. All test sites were at newly developed housing tracts for single family homes. These test sites were used for both race-based tests and national origin-based tests.

## **Testers**

Each test site was visited by testing pairs, a control tester and a protected tester. For race-based tests the control testers were Caucasian, non-Hispanic and the protected testers were African-American. For national origin-based tests the control testers were Caucasian, non-Hispanic and the

protected testers were Hispanic. For all paired tests, both the control and protected testers were of the same gender. For all tests both the control and protected testers were provided with specific profiles that depicted family size, household income, employment status and credit-worthiness. In addition, each tester was presented with detailed information matched to each test site that included financial information that qualified the testers for purchasing a home and/or lot at that site. Each tester was profiled as being pre-approved by a financial institution to qualify for the purchase price at each test site. Each tester was profiled as having sufficient personal savings to apply to down payments and closing costs required for purchases. Each tester was profiled as being qualified for a "conventional" mortgage loan requiring a 20% down payment. Both control and protected testing pairs were profiled as equally qualified to purchase at each specific test site.

### Test Sites

Test sites were located in the cities of Fresno and Clovis. Fifteen sites were located in Clovis and ten test sites were located in Fresno. The city of Clovis has seen the most dramatic growth of all cities in Fresno County. While Fresno County's population has increased by 1.1% overall, according to the State of California Department of Finance population report for 2017, the city of Clovis has seen a population increase of 2.5% from 2016-2017. The city of Fresno's population has increased by 1% during that time. Much of the increase in the city of Clovis' population has been fueled by new single-family home developments. All of the new single-family home developments in Clovis are located in previously undeveloped land to the north and east of the city center. In Fresno, new single-family home developments are located in areas throughout the city, including in-fill locations where single-family and multi-family housing currently exist. The sites used for this testing project represent over 90% of all new single-family home developments in both the city of Clovis and the city of Fresno.

## **Testing Results**

### **City of Clovis**

Paired tests were conducted at fifteen new single-family homes developments. All development sites advertised as having available for purchase home lots and/or newly constructed homes. All paired testers engaged licensed real estate sales agents in requests for information regarding the availability of home lots and constructed homes at the developments and the purchasing procedures specific to each development for home lots and/or homes. Purchasing information included home and/or lot pricing, mortgage lending options, such as a development's preferred lender and/or pre-approval by that lender, closing costs options regarding a development's preferred lender that may offset those costs, and down payment requirements to select a home lot and/or constructed home.

#### **Race**

The results of the testing project on the basis of race indicates that African-American testers posing as potential home purchasers were subjected to different treatment, provided with different purchasing information, or different purchase availability 47% of the time. Out of 15 test sites, 7 treated African-American testers differently than their Caucasian tester pair. Differences in treatment include:

- Steering
- Lot/Home Availability
- Terms of Sale

- Purchasing Information/Procedures
- Waiting List

The majority of differences in treatment of the protected testers was in information regarding homes and/or lots available for purchase. Five of the seven instances of different treatment were from different information on availability. Protected testers were told that homes or lots were in scarce supply while control testers were told that many lots or homes were available for purchase. Twice protected testers were pointedly steered to other developments that are not located in Clovis, while no mention was made to control testers of those developments. Both of these times the developments that the protected testers were steered to are located in the westernmost part of the city of Fresno, several miles away. In one instance, the protected tester was told that there was a waiting list for purchasing a home, though not encouraged to be added to the list, while the control tester was not told of the need to be added to a waiting list. In another instance, the protected tester was dismissed by the real estate agent as not properly qualified or serious about purchasing, though that tester made the same inquiries about the site and described the same qualifications as the control tester.

### National Origin

The results of the testing project on the basis of national origin indicate that Hispanic testers posing as potential home purchasers were subjected to different treatment 20% of the time. Out of 15 test sites, 3 treated Hispanic testers differently than their Caucasian tester pair.

Differences in treatment include:

- Lots/Homes Available
- Lots/ Homes Available at Linked Development Sites

All of the differences in treatment of protected testers at these sites were regarding availability of lots/homes for purchase. At all three of these sites, protected testers were given different information about availability than the information given to the control testers. In one instance the protected tester was told that neither lots nor homes were available for purchase at the site, while the control tester was told that homes at the site were available for purchase. In another instance the protected tester was told of fewer newly constructed homes available for purchase and available lots than what was told to the control tester. At another site, the control tester was told of a nearby development that offered more lots/homes that were developed by the same builder, while the protected tester was not informed of that development.

When examining both race-based and national origin-based tests results together for tests sites in the city of Clovis, 10 out of 15 tests sites or 67% indicated discriminatory treatment. Out of 30 paired tests, the overall discriminatory rate for both paired sets, race-based and national origin-based, indicated discriminatory treatment 33% of the time. African-American testers were treated differently than Caucasian, non-Hispanic testers more often than Hispanic testers were treated differently than Caucasian, non-Hispanic testers. Yet, at all of the test sites where Hispanic testers were treated differently, African-American testers were also treated differently than their Caucasian, non-Hispanic testing pair. In other words, those developments that seemed to discriminate, did so equally to both African-American and Hispanic testers. Those developments that did not treat African-American testers differently than Caucasians testers, also did not treat Hispanics testers differently than Caucasian testers.

The development sites tested in the city of Clovis were located within 4 designated census tracts. According to Federal Financial Institutions Examining Council, FFIEC, the population demographics of these tracts range between 64% Caucasian residents and 77% Caucasian residents. The next highest number of residents within these tracts are Hispanic. The State of California Department of Treasury's Fair Housing Task Force released a report in December 2017 of a study of affordable housing placement throughout California. Included in this report was a breakdown by census tracts of opportunity/resource factors such as education, services

and population segregation. One of the census tracts where FHCCC paired testing was conducted was identified in the Fair Housing Task Force's report as a segregated area composed of primarily Caucasian residents. That tract, along with two of the other census tracts were listed as having the highest resources for residents.

### **City of Fresno**

Paired tests were conducted at ten new single-family homes developments. All development sites advertised as having available for purchase home lots and/or newly constructed homes. All paired testers engaged licensed real estate sales agents in requests for information regarding the availability of home lots and constructed homes at the developments and the purchasing procedures specific to each development for home lots and/or homes. Purchasing information included home and/or lot pricing, mortgage lending options, such as a development's preferred lender and/or pre-approval by that lender, closing costs options regarding a development's preferred lender that may offset those costs, and down payment requirements to select a home lot and/or constructed home.

### **Race**

The results of the testing project on the basis of race indicates that African-American testers posing as potential home purchasers were subjected to different treatment, provided with different purchasing information, or different purchase availability 30% of the time. Out of 10 test sites, 3 treated African-American testers differently than their Caucasian testing pair.

Differences in treatment include:

- Steering
- Purchasing Information

There were few differences in treatment of protected, African-American testers overall than control, Caucasian testers. On two occasions, testers were steered toward other developments. In one instance the protected tester was steered far away from the test site to another new home development that is located in an area with a high minority population. The control tester was never told about that other new home development. However, in another instance a control tester was steered away from a development in a high minority populated area towards another new home development located in an area adjacent to the city of Clovis that has a low minority population. The protected tester was never told about that other new home development. At another test site, the control tester was given detailed information regarding the purchasing procedures at that new home development, while the protected tester was not given any information regarding purchasing procedures, even after the testers made repeated requests for that information.

### National Origin

The results of the testing project on the basis of national origin indicate that Hispanic testers posing as potential home purchasers were subjected to different treatment 40% of the time. Out of 10 test sites, 4 treated Hispanic testers differently than their Caucasian tester pair.

Differences in treatment include:

- Lot/Home Availability
- Purchasing Information
- Steering
- Special Invitations

Differences that occurred most often in the treatment of protected, Hispanic testers were about the availability of lots/homes for purchase. In three instances the protected, Hispanic testers were provided with different information regarding the availability of lots and/or homes for purchase. In all three of these instances, Hispanic testers were told of the scarcity of lots and/or homes for purchase, while the control, non-Hispanic Caucasian testers were told that many lots and/or homes were available. In one particular instance, the Hispanic tester was told that only a very few homes were available to purchase (all of which were the highest priced designs) while the control tester was told that many homes were still available at different price levels and that a new stage of the same development would be opening in just a few weeks with all lots and home designs available for purchase. The protected tester was not informed of the new stage opening. At that same location, the control tester received a special invitation to attend an informational seminar presented by the developer that included lunch and an opportunity to reserve home lots at the newer addition to the development site. The protected tester did not receive this invitation. At another development site, located in an area with a high minority population, the control tester was told about other new home development sites that are located several miles away in a low minority populated area, while the protected tester was not told about those new home developments.

When examining both race-based and national origin-based tests results together for tests sites in the city of Fresno, 7 out of 10 test sites, or 70%, indicated discriminatory treatment of protected testers. Out of 20 paired tests, the overall discriminatory rate for both paired sets, race-based and national origin-based, indicated discriminatory treatment 35% of the time. Hispanic testers were treated differently more often than African-American testers. Discriminatory treatment occurred at the same new home development sites 75% of the time for both protected testers. If an African-American tester was treated differently than a non-Hispanic Caucasian tester, the Hispanic tester was 75% more likely to also encounter discriminatory treatment. There was only one instance where the protected, African-American tester did not encounter discriminatory treatment where the protected, Hispanic tester did encounter such treatment.



## **Conclusion**

Both the cities of Clovis and Fresno indicate inordinately high levels of discriminatory treatment of protected tester in this Real Estate Sales Testing Project. The test sites located within the city of Clovis are all in census tracts with a low minority demographic. The tests sites located within the city of Fresno are in census tracts with various demographic totals. The growth of new single-family home developments in Clovis are all located in the northeast, whereas Fresno's new single-family home developments are located to the north, south, east and west. The test results for both cities indicate that discriminatory treatment for both the federally protected classes of race and national origin was most likely to occur at the same places. Tests sites that did not indicate discriminatory treatment for one protected class were likely not to engage in discriminatory treatment of the other protected class. A total of twenty-five new single-family home development sites were part of this testing project and of those sites, protected testers, whether race-based or national origin based, encountered discriminatory treatment 68% of the time. Those test sites where no discriminatory treatment was discerned (32%) provided exactly the same information and treatment to control and protected testers. The clarity of the information testers received concerning factors such as lot/home availability and purchasing procedures, provided a marked contrast to those test sites where discriminatory treatment was observed. Real estate sales agents are aware of what is for sale at new home developments, are aware of what the purchasing requirements/procedures are, and where associated developments are located. That many of these development sites provided different information to protected testers than the information provided to control testers seems to indicate a conscious willingness to discourage those protected testers from the opportunity to live in those developments in housing of their choice.