

CITY OF BATTLE CREEK

Treatment of People of Hispanic or Burmese National Origin in Rental Housing

Introduction – The Fair Housing Center of Southwest Michigan promotes integration and works to eliminate housing discrimination through education, advocacy, and enforcement of the fair housing law. In partnership with the City of Battle Creek, Michigan, FHCSWM conducted a rental housing systemic housing investigation to assess the quality of information generated, the units available, and the potential for discrimination in the City of Battle Creek on the basis of Hispanic and Burmese national origin. [Contract 2014-043R]

Methodology – All national origin and rental housing tests used for contract 2014-043R utilized a match-pair methodology with testers trained by a HUD-approved process - two test parts are assigned to one site, one test part consisting of a social service representative for Hispanic and Burmese immigrants, one test part consisting of a social service representative for United States veterans. The purpose of these paired tests was to determine whether people of Hispanic, Burmese, and United States national origin who are seeking rental housing in the City of Battle Creek receive the same information, service, treatment, and access to available rental housing.¹

76 test parts were completed, or 38 matched pairs. Independent landlords, some who serve as both landlord and owner and some who serve as property managers were tested, in addition to all-age apartment complexes and senior living facilities.

Independent Landlords

38% of independent landlords did not answer or call back representatives of Hispanic and Burmese national origin, while 33% did not answer or call back representatives of United States national origin. Of landlords who did not call back, 40% did not call back either party.

29% of independent landlords hung-up the phone on representatives of Hispanic and Burmese national origin. 0% hung-up the phone on representatives of United States national origin².

50% of independent landlords treated people of Burmese, Hispanic, or United States national origin with discrimination, all being in favor of United States national origin. If including the hang-ups that in some cases count as incomparable matched-pairs, 64% of

¹ Representatives of Hispanic/Burmese people used a "313" area code. Representatives of U.S. Veterans used a "616" area code.

² One tester representation someone with a United States national origin was hung-up on, but the owner has less than three properties.

rental housing agents gave unfavorable treatment to people of Hispanic or Burmese national origin.

Independent landlords provided 10 cumulative unit options to representatives of U.S. national origin and 4 options to representatives of Hispanic and Burmese national origin.³

Complexes

45% of complex representatives did not answer or call back representatives of Hispanic and Burmese national origin, while 36% did not answer or call back representatives of United States national origin. Of landlords who did not call back, 80% did not call back either party.

71% of complex representatives treated Hispanic, Burmese, and United States representatives equally.

14% of complex representatives treated Hispanic, Burmese, and United States representatives with discrimination.⁴

Senior Living Facilities

40% of senior living facility representatives did not answer or call back representatives of Hispanic, Burmese, or United States national origin.

67% of senior living facility representatives treated Hispanic, Burmese, and United States representatives equally.

33% of senior living facility representatives treated Hispanic, Burmese, and United States representatives with discrimination.

Summary of Findings- In this investigation, independent landlords were likely to discriminate against people of Hispanic or Burmese national origin by not calling back, hanging up, or providing fewer options of available rental housing. Collectively, these independent landlords own hundreds of single family homes, duplexes, townhomes, and small apartment buildings. The majority of both apartment complexes and senior living facilities treated people of all national origins equally, but housing discrimination is better prosecuted on a case-by-case basis. Regardless, some agents did behave in a discriminatory fashion and some outright denied available rental units.

³ One independent landlord provided the option for two single rooms in their own home to the representatives of Hispanic and Burmese national origin, but Mrs. Murphy exemption applies.

⁴ An agent who graciously helped a United States representative sounded nervous when the second tester said he represented Hispanic and Burmese immigrants. The agent then forwarded the second tester's phone call to another agent who provided less quality information.

CITY OF BATTLE CREEK

CRIMINAL BACKGROUND AND RACE - RENTAL HOUSING

Introduction - The Fair Housing Center of Southwest Michigan promotes integration and works to eliminate housing discrimination through education, advocacy, and enforcement of the fair housing law. In partnership with the City of Battle Creek, Michigan, FHCSWM conducted a criminal background policy in rental housing systemic investigation to assess the quality of information generated, the locations provided, and the potential to alter criminal background policies and procedures on the basis of race. [Contract 2014-043R]

Methodology - All rental tests used for contract 2014-043R utilized a match-pair methodology with testers trained by a HUD-approved process—two test parts are assigned to one site, one test part consisting of a protected tester, here the testers were Black; and one test part consisting of a comparison tester, here the testers were White. Both testers were assigned to contact the rental housing agent and inquire about rental unit availability. The purpose of these paired tests was to determine whether comparably qualified Black and White prospective renters, both holding a comparable criminal background, receive the same information, service, treatment, and access to available rental housing.

It should be noted protected testers (Black testers) are assigned characteristics to make them better-qualified tenants. Both testers request the same specifications, execute actions as similarly as possible. Tests are structured in such a way to grant Black testers the advantage in an effort to target discriminatory behavior.

The findings below are derived from 10 tests, or 20 matched pairs.

Service and Treatment - Battle Creek rental housing agents who serve as both landlord and property owner provided better service and treatment to White testers. Agents who serve as property managers for individual owners provided better service and treatment to White testers. Agents who work for an apartment complex, however, provided better service and treatment to Black testers. Independent landlords were more likely to answer and return a phone call from a demographically White area code.

Listings Provided - Both agents who serve as both landlord and property owner and agents who serve as property managers for individual owners provided more listings to White testers. Independent landlords collectively told Black testers of two available units, while Black testers were told of sixteen. Agents who work for apartment complexes did not provide a specific number of units available to Black or White testers.

Application of Criminal Background Policy and Procedure - Both agents who serve as both landlord and property owner and agents who serve as property managers for individual owners expressed more flexibility with White testers in application of criminal background policy. Furthermore, these agents asked more questions of the nature of White testers' criminal background. Agents who work for an apartment complex, however, provided more flexible

options to Black testers, including ability to override denials and supporting documentation to include with application.

Conclusion - During the short time-frame of this systemic investigation, comparably qualified Black and White prospective tenants with criminal backgrounds would receive a difference of treatment and different access to available rental housing in the City of Battle Creek. Black prospective tenants would receive fewer housing options and would be more likely to acquire a unit at a housing complex, whereas White prospective tenants would receive more housing choice. Both the Department of Housing and Urban Development and the Department of Justice have released guidance that recommends rental housing providers consider criminal history on a case-by-case basis. The basis encouraged to consider are criminal history variables such as age, repetition, and nature of crime. Housing providers may also consider a prospective tenant's effort to counteract and combat the crime, such as programs attended, recommendations from probation or parole officers, testimony from counselors, etc. This case-by-case criminal background policy and procedure is encouraged due to the discriminatory effect (disparate impact) that blanket criminal background policies have on Black and Hispanic populations. Unfortunately, even in a policy that warrants agent flexibility, as many housing providers expressed in this investigation, room always exists for discriminatory intent (disparate treatment) on the basis of race.

Supporting Documents:
Case-by-Case Breakdown

BC2014-043R Criminal Background & Race - Rental Housing

Case-by-Case

- 1) Owner/Manager-25+ Properties w/in City¹ [same agent]
 - a) Black tester: no questions asked
 - i) They try to keep the neighborhood safe and a criminal background check will be done.
 - ii) Agent did not follow-up to assess interest. .
 - b) White tester: asked age, nature, and repetition of offense.
 - i) They might be able to work with that.
 - ii) Agent followed up to assess interest.
- 2) Owner/Manager-25+ Properties w/in City² [same agent]
 - a) Black tester: phoned from area code 313, told nothing was available
 - b) White tester: phoned from area code 616, told two units were available. Agent commented about where tester was from. Agent asked about employment and said available properties were probably "below your means". Agent provided address of property to check out.
- 3) Manager/Landlord for Multiple Owners³ [different agents]
 - a) Black tester: no questions asked
 - i) It depends on the clients/owners of the property and whether or not they will accept people with a criminal history. Told about 1 property.
 - ii) Tester was originally directed to property manager by way of a business card/phone call.
 - b) White tester: asked age and nature of crime.
 - i) They might be able to work with the criminal history. Told about 11 properties.
 - ii) Tester was originally directed to address of property manager's office.
- 4) Manager/Landlord for Multiple Owners⁴ [same agent]
 - a) Black tester: phoned from area code 313, told nothing was available to view but could be put on a waiting list.
 - i) After being asked by test coordinator, tester tried to schedule a viewing several times but was unsuccessful. By the time tester made contact, unit was rented.
 - b) White tester: phoned from area code 616 and scheduled an appointment to view unit.
 - i) Tester cancelled appointment. Tester called back and successfully rescheduled an appointment. Tester visited unit for a viewing.

¹ BC17CH02

² BC17CH01

³ BC17CH04

⁴ BC17CH05

- (1) As long as it's not a violent crime or a manufacturing/delivery charge. Agent further discussed their criminal background policy that is more flexible than other companies'.
- 5) Manager/Landlord for Multiple Owners⁵ [same agent]
- a) Black tester: phoned from area code 313 but voicemail box was full. Phoned again and left a voicemail to call back. Did not receive a call back.
 - b) White tester: phoned from area code 616 but voice mailbox was full. Phoned again and agent answered, offering a time to view unit for two separate dates.
- 6) Apartment Community⁶ [same agent]
- a) Black tester: no questions asked
 - i) Agent only knew that certain crimes were not allowed due to close proximity to the school.
 - b) White tester: no questions asked
 - i) Agent only knew that certain crimes were not allowed due to close proximity to the school. Agent referenced application for additional criteria.
- 7) Apartment Community⁷ [different agents]
- a) Black tester: no questions asked
 - i) Agent provided tester the criminal background policy to read through. Based on the policy, tester's criminal background would not be a factor of rejecting application.
 - b) White tester: no questions asked
 - i) Agent told tester that their policy was no felonies dating back 10 years. Based on the stated policy, tester's criminal background would disqualify their application.
- 8) Apartment Community⁸ [same agent]
- a) Black tester: asked age, nature, repetition, current standing with programs.
 - i) Agent did not provide an oral or written policy, but urged tester to explain the situation and provide supporting documentation in the application.
 - b) White tester: asked age and nature of offense
 - i) Agent looked for and policy and reiterated: no felons, sex offenders, or drug related charges. Look-back period 10 years, unlimited for sex offenders. Applications go to a compliance department who uses a tenant selection criteria.
- 9) Apartment Community⁹ [different agents]
- a) Black tester: no questions asked
 - i) No written or oral policy provided. Criminal background decisions are made through a leasing system, but it is possible a manager could override.

⁵ BC17CH15

⁶ BC17CH03

⁷ BC17CH06

⁸ BC17CH07

⁹ BC17CH08

- b) White tester: no questions asked
 - i) No written or oral policy provided. Agent suggested tester contact a private landlord as they can be more flexible with their approach.
- 10) Apartment Community¹⁰ [same agent]
 - a) Black tester: asked nature of crime
 - i) Agent said it depends-- they do background checks but that shouldn't be a problem.
 - b) White tester: asked nature of crime
 - i) Agent said it depends-- no CSEs or violent felonies, no manufacturing. It should be OK as long as it wasn't manufacturing.

¹⁰ BC17CH16

CITY OF BATTLE CREEK

HOMEOWNERS INSURANCE & NEIGHBORHOOD RACE DEMOGRAPHICS

Introduction – The Fair Housing Center of Southwest Michigan promotes integration and works to eliminate housing discrimination through education, advocacy, and enforcement of the fair housing law. In partnership with the City of Battle Creek, Michigan, FHCSWM conducted a homeowners insurance systemic housing investigation to assess the quality of information generated, the quotes provided, and the potential for discrimination in the City of Battle Creek on the basis of neighborhood racial demographics. [Contract 2014-043R]

Methodology – All homeowners insurance tests used for contract 2014-043R utilized a match-pair methodology with testers trained by a HUD-approved process - two test parts are assigned to one site, one test part consisting of a home located in a neighborhood¹ with a majority Black racial composition (Black neighborhood) and one test part consisting of a home located in a neighborhood with a majority White racial composition (White neighborhood). Testers were assigned to phone insurance agents to inquire about homeowners insurance quotes for a new home purchase. The purpose of these paired tests was to determine whether people seeking comparable homes situated in Black and White prospective neighborhoods receive the same information, service, treatment, and access to available homeowners insurance.

It should be noted that the homes selected in Black and White neighborhoods were comparable in that they were: built in the same year, had the same construction (number of stories, bathrooms, basement, frame, siding, roof), equally distant to hydrants and fire departments, same size and nature of outbuildings, same extended features (porch, deck), same safety and security systems, etc. The only difference between the homes selected is that the house in the Black neighborhood had slightly newer updates and slightly smaller square footage. Also, due to a history of discriminatory housing practices, both the market value and assessed value for physically comparably qualified homes were unavoidably lower for homes located in Black neighborhoods.

It should also be noted that all statistics quoted in this report are derived from and limited to a relatively small data set of 24 attempted homeowners insurance inquiries, 20 of which were phone calls to an agent and 4 of which were online inquiries without an agent.

Control Study – No agent interaction – Two match-pair test forms were performed by way of an automated online homeowner's insurance quote. For the first match-pair, the home located in the Black neighborhood had a slightly higher square footage. Otherwise, for each match-pair the values and criteria for the homes were exactly the same, with the only difference being their locations, one located in a Black neighborhood, the other located in a White neighborhood. The

¹ Neighborhood demographics were derived from the block group of prospective home address.

purpose of the controlled study was to determine if area location is an automated consideration. The results of these tests showed little difference between the match-pair insurance quotes.

| CONTROLLED STUDY-QUOTE/ESTIMATED PREMIUM | | |
|---|---------------------------------------|---------------------------------------|
| Coverage | Black Neighborhood (49037) | White Neighborhood (49017) |
| Dwelling (100% Replacement) | \$352,000 (more SF) | \$337,000 (less SF) |
| Annual Premium | \$1,902 | \$1,781 |
| Coverage | Black Neighborhood (49037) | White Neighborhood (49015) |
| Dwelling (100% Replacement) | \$111,000 (same SF) | \$111,000 (same SF) |
| Annual Premium | \$893 | \$890 |

With Agent Interaction

Service, Treatment and Access –Testers who inquired about insuring a house in a Black neighborhood were asked more details about the house, its components, constructions, and design. Testers who inquired about insuring a house in a White neighborhood were asked more personal and financial questions. This difference is most likely due to the gender of the testers, as often property address is not asked before the voice can be profiled as male or female. The tester calling for homes in White neighborhood was female and the tester calling for homes in Black neighborhood was male. Furthermore, most agents wrote policies titled to both wife and husband with the female tester inquiries, while most agents wrote policies only addressed to the husband for male tester inquiries.²

Dwelling or Structure Coverage- Ideally, replacement cost is better than other forms of dwelling coverage, such as market value, cash value, or repair value. With major hazards that destroy a home, replacement cost allows the homeowner to replace the entire home based on the price of similar construction materials, versus replace only what they can afford based on the policy's awarded cash or market value.³

² Table 1

³ Table 2

- 3 out of 6 quotes received by tester in Black neighborhoods provided only actual cash/market value.
- 2 out of 6 quotes received by tester in White neighborhood provided only actual cash/market value.
- Replacement cost per square foot for homes in Black neighborhoods hold higher value than replacement cost per square foot for homes in White neighborhoods.
- Cash value per square foot for homes in Black neighborhoods are lower than cash value per square foot of homes in White neighborhoods.

- In the third test, agent told both testers they could only provide a policy for actual cash value. Agent explained to tester in the White neighborhood that this is due to underwriting guidelines.
- In the fifth test, agent provided only a cash value dwelling coverage for tester in Black neighborhood and a replacement cost to tester in White neighborhood.

Personal property coverage - Just like the dwelling coverage, typically, the best option for a homeowner and all of their personal property, or everything inside the house, is a full replacement cost versus actual cash value/depreciated value. Personal property coverage is often a percentage of the dwelling coverage.

- In tests 1, 2, 3, and 7, testers in both Black and White neighborhoods had the same percentage of personal property coverage to dwelling coverage.
- In the fifth test, agent who provided only a cash value dwelling coverage for tester in Black neighborhood and a replacement cost to tester in White neighborhood also provided uneven percentages to clients, with a 70% replacement cost of personal property to the client in a White neighborhood and only 62% of the cash value provided to client in Black neighborhood.

Personal or family liability and medical payment to others - This is anything you can do that causes harm to others and the limits of what the harmed person can sue for. Medical payments to others are typically the limits of what the insurer pays before it kicks in to personal liability.

- In tests 1, 3, and 7, agents provided equal amounts of personal liability and medical payments to testers in both Black and White neighborhoods.
- In test 2, tester in Black neighborhood was given more favorable personal liability and medical payment terms than tester in White neighborhood.
- In tests 4 and 5, tester in White neighborhood was given more favorable personal liability and medical payment terms than tester in Black neighborhood. However, test 5 also

provided tester in Black neighborhood Animal Liability insurance when this was not included in the White neighborhood policy.⁴

Perils and Loss of Use - These are additional coverages often included in homeowners insurance policies. Perils in Michigan will often include an amount of deductible for wind and hail damage. Loss of Use typically includes a set amount as a percentage of overall dwelling coverage, or a time-frame of actual loss sustained.

- Whether the policies included perils or loss of use, agents who used the same underwriters had equal deductibles of perils and percentages or time-frames of loss of use.
- In the fifth test, for the agent that used a different underwriter, the differences of additional coverages such as Perils and Loss of Use are quite evident. Whereas the tester in the White neighborhood was provided both loss of use and perils coverage, none of these were included in the quote for the Black neighborhood. Additionally, a vandalism premium was added to the Black neighborhood quote.

Premiums and Discounts - This is the amount a homeowner pays annually which is often reduced after discounts are applied. Remember: testers are assigned all of the same attributes, safety features, and decline joint auto policies.

- Results varied case-by-case. Half of the testers in Black neighborhoods received better terms and conditions with their premium, half of the testers in White neighborhoods received better terms and conditions with their premiums.⁵

Follow-up Study with Gender Control-- Two match-pair test forms were performed by two men.

- The first test yielded no difference in the questions asked to the consumer.
- The second test resulted in slightly different questions, as the testers were directed to different agents. That considered, they were still asked the same qualifying questions, with the only difference being the tester in the White neighborhood was encouraged to consider mortgage protection.
- Both tests yielded differences in replacement cost due to the square footage of the homes (White neighborhood higher SF) and the agent's assumptions of the interior construction of the homes. Agents did this by pulling up pictures of the property. For

⁴ For test 5, agent acquired quotes from different underwriters.

⁵ Table 3

example, the agent assumed “drywall walls” for the home located in the Black neighborhood and “plaster walls” for the home in the White neighborhood.

- The first test yielded differences in that more discounts were applied to tester in Black neighborhood.
- The second test yielded differences in that the percentage of dwelling replacement cost of personal property protection was lower in the Black neighborhood, and the liability coverage per occurrence was lower in the Black neighborhood.

| QUOTE FOR TWO MEN | | |
|--------------------------|--|---|
| Test | Black Neighborhood | White Neighborhood |
| 1 | Replacement Cost (Dw): \$86.89/SF Additional Discounts: \$491 | Replacement Cost (Dw): \$111.80/SF Additional Discounts: \$75 |
| 2 | Replacement Cost (Dw): \$98.50/SF % of P.P.P ⁶ - 55% Liability - \$100,000/occurrence | Replacement Cost (Dw): 118.43/SF % of P.P.P. - 65% Liability - \$300,000/occurrence |

Conclusion- While a discriminatory pattern based on neighborhood racial demographics is not evident, it is clear that when questions, service, and treatment vary case-by-case with the existence of agent interaction. The agents with the greatest amount of difference in treatment for testers in Black vs. White neighborhoods were those who work for smaller, independent agencies. Though some larger insurance companies utilize territory ratings and subzones, no difference was seen when comparing subzones (zip codes) within the City of Battle Creek (territory) in controlled studies.

Our history of government-led homeowners insurance discrimination [redlining] coupled with the continued disenfranchisement of our majority Black neighborhoods through predatory practices of reverse-redlining and slum-lording may account for much of the difference we see in replacement cost vs. actual cash value in our Black and White neighborhoods.

Because the testers utilized for this investigation were unseen, intentional discrimination on the basis of race is hard to claim without additional testing. It is recommended that the insurance investigation continue with tests based on discriminatory intent vs. discriminatory effect theory.

⁶ Personal Property Protection

HOMEOWNERS INSURANCE & NEIGHBORHOOD RACE DEMOGRAPHICS

Table 1

| House/Construction/Design Questions [including type of construction, age of home, number or stories, square feet, type of basement, age/type of roof, age/type of heating, cooling, plumbing, electrical, exterior structures and additions,] | |
|---|---------------------------|
| Black Neighborhood | White Neighborhood |
| 49 questions | 29 questions |
| Personal/Financial Questions [including spouse's name, social security number, date of birth, spouse's date of birth, employment, and family composition] | |
| Black Neighborhood | White Neighborhood |
| 8 questions | 22 questions |

Table 2

| DWELLING COVERAGE PER SQUARE FT. [CASH VALUE/REPLACEMENT COST] | | |
|---|---------------------------------------|---------------------------|
| Agent | Black Neighborhood | White Neighborhood |
| #1 | \$168 [REPLACEMENT COST] | \$134 [REPLACEMENT COST] |
| #2 | \$506 ¹ [REPLACEMENT COST] | \$157 [REPLACEMENT COST] |
| #3 | \$31 [CASH VALUE] | \$61 [CASH VALUE] |
| #4 | \$130 [REPLACEMENT COST] | \$118 [REPLACEMENT COST] |
| #5[4] | \$63 [CASH VALUE] | \$112 [REPLACEMENT COST] |
| #6 | Unable to contact | Unable to contact |
| #7 | \$59 [CASH VALUE] | \$82 [CASH VALUE] |
| #8 | Refused quote w/o SSN | Refused quote w/o SSN |

¹ Tester misspoke about deck square footage

Table 3

| DIFFERENCE OF QUOTE/ESTIMATED PREMIUM BEFORE AND AFTER DISCOUNTS (per square foot) | | |
|---|---|---------------------------------|
| Agent | Black Neighborhood | White Neighborhood |
| #1 | 0.50 | 0.33 |
| #2 | 0.05 | No difference |
| #3 | No discounts- (\$1/SF Premium) ² | No discounts- (0.87/SF Premium) |
| #4 | 0.08 | 0.36 |
| #5 | No discounts | 0.75 |
| #7 | 0.71 | 0.21 |

² Tester in Black neighborhood asked for a lower deductible.