

counties are concentrated in Appalachia and in areas with high proportions of minority residents.

Higher proportions of rural households are homeowners than those in urban areas (79 percent versus 60 percent), in part because of wider availability of mobile homes. Because of lower mobility and higher shares of elderly householders who have paid off their mortgages, rural homeowners are less likely to have mortgages than urban homeowners (46 versus 64 percent). Those that do have mortgages are more reliant on non-institutional sources than homeowners in metropolitan areas.<sup>38</sup>

#### b. Housing Needs in Distressed Neighborhoods

Although analysis of housing problems in areas defined as underserved by the Secretary is still underway, over the past three decades evidence of growing poverty concentration has caused mounting concern about poor living conditions in the nation's distressed neighborhoods. John Kasarda has focused on trends in the neighborhood concentration of poverty and measures of the "underclass" population such as school dropouts, unemployed and underemployed adult males, single-parent families, and families dependent upon welfare.<sup>39</sup> Kasarda has not only documented the extreme deprivation that exists in minority and low-income neighborhoods throughout our major urban areas, but he has also shown that neighborhood distress and concentrations of residents in tracts with high poverty worsened during the 1980s.

Analysis within 44 major metropolitan areas showed that in the late 1980s renters were most likely to have worst case needs in the poorest neighborhoods.<sup>40</sup> Although only one-tenth of households lived in neighborhoods with poverty rates above 20 percent, those poorest neighborhoods housed almost one-fourth of worst case renters. These poorest zones closely resemble tracts identified as poor ghettos or underclass areas. They contained older, smaller units that were more often physically inadequate and crowded than other housing in the metropolitan areas studied.<sup>41</sup> As discussed earlier, the tracts qualifying as underserved

under HUD's definition have similar socioeconomic problems and are substantially worse off than other parts of metropolitan areas in terms of both social and housing problems (see Table B.3).

### 2. Economic, Housing, and Demographic Conditions

#### a. Discrimination in the Housing Market

In addition to discrimination in the lending market, substantial evidence exists of discrimination in the housing market. The Housing Discrimination Study sponsored by HUD and conducted in 1989 found that minority home buyers encounter some form of discrimination about half the time when they visit a rental or sales agent to ask about advertised housing.<sup>42</sup> The incidence of discrimination was higher for Blacks than for Hispanics and for homebuyers than for renters. For renters, the incidence of discrimination was 46 percent for Hispanics and 53 percent for Blacks. The incidence among buyers was 56 percent for Hispanics and 59 percent for Blacks.

While discrimination is rarely overt, minorities are more often told the unit of interest is unavailable, shown fewer properties, offered less attractive terms, offered less financing assistance, or provided less information than similarly situated non-minority homeseekers. Some evidence indicates that properties in minority and racially-diverse neighborhoods are marketed differently from those in White neighborhoods. Houses for sale in non-White neighborhoods are rarely advertised in metropolitan newspapers, open houses are rarely held, and listing real estate agents are less often associated with a multiple listing service.<sup>43</sup>

#### b. Housing Problems of Minorities and their Neighborhoods

Because they face discrimination in access to housing or lending, minorities and their neighborhoods face severe housing problems:

- Discrimination in the housing and lending markets is evidenced by racial disparities in homeownership. In 1991, the homeownership rate was 68 percent for Whites, 43 percent for Blacks, and 39 percent for Hispanics. Although differences in income, wealth, and family structure explain much of the differences, racial disparities persist after accounting for these factors.<sup>44</sup>

- Discrimination, while not the only cause, contributes to the pervasive level of segregation that persists between Blacks and Whites in our urban areas.

- Hispanics are the group most likely to have worst case needs for housing assistance, but least likely to receive assistance; in 1991, only 21 percent of very low-income Hispanics lived in public or assisted housing. The 1989 to 1991 increase in worst case needs was the largest for Hispanic households, rising from 39.2 to 44.4 percent of very low-income Hispanic renters.

The housing problems of minorities and the neighborhoods where they live are of growing importance, in part, because minorities, particularly Hispanics, are becoming an increasingly large share of the U.S. population. In Los Angeles and Miami, with rapid growth in Hispanic immigrant population and slow growth in the native-born non-Hispanic White population, minorities already represent more than half the total population.

Homeownership rates vary consistently by neighborhood characteristics. As Table B.4 shows, on average homeownership rates decrease as the minority concentration in census tracts increases, and as income falls relative to the area median. These patterns are consistent with the demographic patterns described earlier, that minorities and low-income households have lower homeownership rates. An exception to this pattern occurs in tracts with incomes below 50 percent of the area median, in which homeownership rates rise with minority concentration in some cases. However, only a very small proportion of households live in these tracts.

### 3. Previous Performance and Effort of the GSEs In Connection With the Central Cities, Rural Areas and Other Underserved Areas Goal

The central cities, rural areas, and other underserved areas goal will be in effect for the first time in 1995, replacing the central city goal. Because it is a new goal, the GSEs did not provide specific reports to HUD regarding their 1993 performance in connection with underserved areas. HUD did examine the GSEs' performance in the areas covered by the newly defined goal using 1993 HMDA data and the loan-level data submitted by the GSEs to HUD for 1993 mortgage purchases.

**BILLING CODE 4210-32-P**

*Housing Policy Debate*, Vol. 3, Issue 2, 1992, pp. 333-370.

<sup>38</sup>The Urban Institute.

<sup>39</sup>"Inner-City Concentrated Poverty and Neighborhood Distress: 1970 to 1990." *Housing Policy Debate*, 4(3): 253-302.

<sup>40</sup>U.S. Dept. of Housing and Urban Development, 1992. *The Location of Worst Case Needs in the Late 1980s: A Report to Congress*. HUD-1387-PDR.

<sup>41</sup>Kathryn P. Nelson, 1993. "Intra-urban Mobility and Location Choice in the 1980s," pp. 53-95 in Thomas Kingsley and Margery Turner, eds., *Housing Markets and Residential Mobility*, Washington, DC: The Urban Institute Press.

<sup>42</sup>Margery A. Turner, Raymond J. Struyk, and John Yinger, *Housing Discrimination Study: Synthesis*, Washington, D.C., U.S. Department of Housing and Urban Development, 1991.

<sup>43</sup>Margery A. Turner, "Discrimination in Urban Housing Markets: Lessons from Fair Housing Audits," *Housing Policy Debate*, Vol. 3, Issue 2, 1992, pp. 185-215.

<sup>44</sup>Susan M. Wachter and Isaac F. Megbolugbe, "Racial and Ethnic Disparities in Homeownership,"