



## TABLE OF CONTENTS

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<b>1.0</b>	<b>INTRODUCTION</b>	<b>1</b>
<b>2.0</b>	<b>FAIR HOUSING AND THE COMMUNITY</b>	<b>1</b>
2.1	Why Fair Housing is Important to the Community	2
2.2	The Analysis of Impediments to Fair Housing Choice (AI)	3
<b>3.0</b>	<b>COMMUNITY PROFILE FOR THE CITY OF VALDOSTA</b>	<b>3</b>
3.1	Location and Size of the Community	3
3.2	Persons in Protected Classes	4
3.2.1	Minorities	5
3.2.2	Gender	7
3.2.3	Family Status	7
3.2.4	Disability Status	8
3.3	Income Characteristics of Protected Classes	9
3.3.1	Minorities	10
3.3.2	Gender	11
3.3.3	Poverty Status by Family Type and Presence of Children	12
3.3.4	Persons with Disabilities	12
<b>4.0</b>	<b>TRANSPORTATION and ECONOMICS</b>	<b>13</b>
4.1	Economic Conditions	14
4.2	Education and Healthcare Facilities	15
4.4	Housing Affordability	16
<b>6.0</b>	<b>LOCAL FAIR HOUSING PROGRAMS AND ACTIVITIES</b>	<b>23</b>
5.1	Enforcement	24
	Disability Cases	25
	Familial Status Cases	25
	Race Complaints	26
	National Origin Cases	27
5.2	The Uniform Residential Landlord And Tenant Act and Rutherford City History	27
5.3	Georgia Fair Housing Statute	29
<b>7.0</b>	<b>PURPOSE AND PARAMETERS OF COMMUNITY REINVESTMENT</b>	<b>34</b>
7.1	Sub-Prime and Predatory Lending	34
7.2	Check Cashing Locations as Predatory	36
7.3	Valdosta Lending	37
7.4	Analysis	39
7.5	All Mortgage Activity Valdosta	40



7.5	Action on Applications . . . . .	45
7.6	Largest Lenders in Valdosta . . . . .	46
7.7	Government Backed Applications . . . . .	47
7.9	Refinancing and Home Improvement Activity . . . . .	49
7.9	Conventional Home Purchase . . . . .	52
7.10	Conventional Home Purchase - Race . . . . .	54
7.11	Conventional Home Purchase - Applicant Income . . . . .	55
7.12	Conventional Home Purchase - Race and Applicant Income . . . . .	57
7.13	Conventional Home Purchase - Census Tracts with 20% or Greater Minority Population . . . . .	58
<b>8.0</b>	<b>COMMUNITY ISSUES . . . . .</b>	<b>59</b>
8.1	Affordability . . . . .	61
8.2	Conditions . . . . .	62
8.3	Credit . . . . .	63
8.4	Criminal Records and Drug/Alcohol Problems . . . . .	63
8.5	Employment Issues . . . . .	63
8.6	Homelessness . . . . .	64
8.7	Lack of Education . . . . .	65
8.8	Lack of Services . . . . .	66
8.9	Mental Health Problems . . . . .	67
8.10	Racial Streaming . . . . .	67
8.11	Uncooperative Landlords . . . . .	67
<b>9.0</b>	<b>ADVERTISING . . . . .</b>	<b>67</b>
9.1	Analysis of advertising . . . . .	68
<b>10.0</b>	<b>ZONING AND HOUSING CODES . . . . .</b>	<b>76</b>
10.1	Introduction . . . . .	77
10.2	Local Review of Zoning Codes . . . . .	79
<b>11.0</b>	<b>INSURANCE REDLINING . . . . .</b>	<b>81</b>
11.1	Rating Practices . . . . .	82
11.2	Credit-Scoring . . . . .	83
11.3	Recent Lawsuits . . . . .	84
11.2	Location of Agents . . . . .	84
11.3	Lack of Reporting Requirements . . . . .	85



<b>12.0 CONCLUSIONS, IMPEDIMENTS AND RECOMMENDATIONS</b> .....	85
12.1 NIMBY Issues .....	86
12.2 Fair Housing Enforcement .....	87
12.3 Accessibility .....	88
12.4 Insurance Issues .....	89
12.5 Predatory Lending .....	89
12.6 Lending Issues .....	90
12.7 Real Estate Issues .....	91
12.8 Affordable Rental Housing .....	92



## 1.0 INTRODUCTION

The City of Valdosta has completed this Analysis of Impediments to Fair Housing Choice (AI) as part of a comprehensive program developed by the Department of Housing and Urban Development (HUD) to assure that communities are meeting requirements “to affirmatively further fair housing” as set forth in the Community Development Block Grant (CDBG) Program. The goal of this analysis is to identify impediments to fair housing and provide recommendations that can be used to ameliorate any fair housing impediments.

This analysis was conducted for the City by The Savanna-Chatham County Fair Housing Center and Donald B. Eager and Associates, LLC (Consultants). The Consultants have used a variety of resources to prepare the analysis. A list of these resources is included in Appendix 1.

Throughout this document we use a number of technical terms related to U.S. Census data, lending data and other information. To help the reader understand what these terms mean, we have included Appendix 2, Glossary of Key Terms.

## 2.0 FAIR HOUSING AND THE COMMUNITY

Fair Housing means that all citizens and non citizens of the United States can live where they want and can afford without regard to their race, color, national origin, sex, religion or because of their disability or children in the family (familial status). Fair Housing is protected by federal, state and local laws in the City. Fair Housing law very broadly covers appraisal, renting, sale/buying, financing and insuring of housing.

The consequences of housing discrimination include: the denial of housing in the area of choice; emotional harm and financial loss; denial of quality of an integrated community and associations; denial of expanding job opportunities in the suburbs; lack of access to greater choices of schools; negative attitudes toward the community; perpetuation of other housing problems and the loss of cultural diversity. Housing discrimination is rarely blatant. It is usually disguised and, more often than not, done with a smile and a handshake. It is important that each community guarantee its current and future residents that they will be able to live where they want and can afford.

Fair Housing is not only established by federal, state, and local law, but through hundreds of court cases on every level. The cost of maintaining an effective fair housing program can be funded through state and federal resources including Community Development Block Grant funds. Nondiscrimination in all aspects of housing - buying, selling, renting,



financing, insuring, developing, and regulating - is an established benefit, and an essential foundation of the community.

## **2.1 Why Fair Housing is Important to the Community**

Housing discrimination tears at the very fabric of the community. It encourages an environment where disputes escalate, sends out a message of apathy, leads to segregated neighborhoods, perpetuates other housing problems, and, causes financial loss to the community through lost business opportunities. In assuring equal housing, a community makes its development and growth more successful.

The perceptions that fair housing laws are meant for “Blacks and Hispanics” or other minorities is misguided. Fair housing regulations protect every citizen and non citizen of the United States, no matter their race, color, national origin, sex, religion, familial status (presence of children) or disability. These categories are known as protected classes. Because a community has a small minority population, does not mean that there aren't possible impediments to fair housing within their community. A good way to recognize impediments is to ask some simple questions:

1. How do the rental market treat families with children, especially single parents?
2. What access do individuals with physical or mental disabilities have to house?
3. Are regulations designed in a way that limit access to housing for protected classes?
4. What image does the community convey to the outside world? Are the models used to market the community representative of all races?
5. Do some areas within the community have a reputation that would discourage low to moderate income persons or protected classes from attempting to live there?
6. With the pressure of a growing urban area, are minorities or low to moderate income persons unable to consider significant areas in their housing search because there is no affordable housing?
7. Are any potential homeowners eliminating some affordable areas of the community because they would not be able to refinance or obtain adequate homeowner's insurance?
8. Are some affordable areas of the community eliminated because there is inadequate access by public transportation?

It is important for the City to consider fair housing law as a guaranteed protection for all people. Only then can the community help its residents share in an important part of the American Dream - living where they choose, without regard to factors that may negatively impact upon them because of race, color, religion, national origin, sex, familial status or disability.



## **2.2 The Analysis of Impediments to Fair Housing Choice (AI)**

The City has already completed an important part of its review of the “health” of the community through the development of its Consolidated Plan for Housing Activities. The AI is the next logical step and part of the ongoing process of community development. Its goal is to make recommendations on how to improve the current situation. The recommendations will assist in developing a Fair Housing Action Plan that will be a cooperative part of the Comprehensive Plan. It is a requirement of the Community Development Block Grant Program that recipients undertake this review, and it is one that must be taken seriously.

The AI includes: a demographic and economic profile of the community; a review of activities and issues concerning the local housing industry; a review of local lenders, zoning and housing regulations; current fair housing programs; and, identification of impediments to fair housing choice. The purpose of this analysis is to make the City, as well as the public, aware of the fair housing issues that are facing their community and to develop strategies to address those issues. This analysis also helps develop an ongoing process for identifying fair housing concerns and problems in the City. It is useful in developing a means to inform the citizens of the community about their fair housing rights and responsibilities.

It should be noted that the boundaries for individual census tracts between the years 1990 and 2000 may differ as it relates to the City of Valdosta. In addition, for the purposes of this report, the City of Valdosta is considered to cover portions of the following sixteen (16) census tracts: 101.02, 101.03, 102.01, 103.01, 103.02, 104.02, 106.01, 106.02, 106.03, 107, 108, 109, 112, 113.01, 114.01, and 114.02. For purposes of the study, only census tracts which are contained within the City of Valdosta are presented. Included are census tracts of 104.01, 105, 110, 111, and 113.02. Comparisons were made against the same numbered census tracts and/or boundaries wherever possible in order to preserve the integrity of this report. Also, the data may indicate that a category either is nonexistent or falls below the threshold in terms of measurement.

## **3.0 COMMUNITY PROFILE FOR THE CITY OF VALDOSTA**

According to the U.S. Census Bureau, the City of Valdosta encompasses portions of the following sixteen (16) census tracts: 101.02, 101.03, 102.01, 103.01, 103.02, 104.02, 106.01, 106.02, 106.03, 107, 108, 109, 112, 113.01, 114.01, and 114.02. For purposes of the study, only census tracts which are entirely contained within the city limits of Valdosta are presented. Included are the census tracts of 104.01, 105, 110, 111, and 113.02. It should be noted that the boundaries for individual census tracts may differ



between the years 1990 and 2000. To the degree possible, comparisons were made against the same designated numerical census tracts and/or boundaries in order to preserve the integrity of this report. Also, the data may indicate that a category either is nonexistent or falls below the threshold in terms of measurement.

See Maps 1-3

### 3.1 Location and Size of the Community

The City of Valdosta, the county seat of Lowndes County and its largest city, is located along the southern border of the state of Georgia. Both the City and the County have enjoyed rapid growth. According to the 2000 Census, Valdosta's population was 43,724, representing slightly less than half of Lowndes County's total population of 92,115. The City of Valdosta covers 29.9 square miles. It is located at the intersection of Interstate 75, and U.S. Highways 84 and 41. It is located 73 miles northeast of Tallahassee, Florida<sup>1</sup>. Valdosta is the fourteenth largest city in Georgia<sup>2</sup>.

Valdosta is located eleven miles from Moody Air Force Base, an active military installation which contributes significantly to the growth of the area. The military installation occupies nearly half of the County's 510 square miles, and is the largest employer in the County<sup>3</sup>.

The City of Valdosta was incorporated in 1860<sup>4</sup>. There is an elected mayor who is the official head of the city and seven elected council members. The city council is the legislative body of the city which determines policy and overall direction for the city through legislation, exercising powers granted to it in the Valdosta Municipal Charter, granted in 1959 and setting the philosophy by which it is governed. Its responsibilities include the levying of taxes, sale of bonds, appropriation of city funds, determination of salaries and defining the duties of city employees. The city manager is the administrative head appointed and responsible to the city council and executes the city council's decisions. The City of Valdosta operates under a council-manager form of government.

Table 3.1 shows the total population of the City of Valdosta.

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<sup>1</sup>Form citydata.com

<sup>2</sup> U.S. Census Bureau, 2000

<sup>3</sup> Valdosta-Lowndes Chamber of Commerce

<sup>4</sup> Columbia Electronic Encyclopedia, Sixth Edition. Columbia University Press., 2003.



**Table 3.1 - Population of the City of Valdosta, 1990-2005**

	1990	2000	2005 (Estimate)
<b>City of Valdosta</b>	39,806	43,724	45,205

Source: U.S. Census Bureau, 2005 Population Estimates, Census 2000, 1990 Census

### 3.2 Persons in Protected Classes

Protected classes as defined by HUD include minorities. The population information summarized in this section is based upon the 1990 and 2000 U.S. Census Bureau estimates. The census estimates do not include data on religious affiliation.

#### 3.2.1 Minorities

The 2000 distribution by race within the City of Valdosta is shown in Table 3.2. The composition of individual census tracts by race for the year 2000 in the City of Valdosta is shown in 3.3.

See Map - 4-6

**Table 3.2 - Population Distribution by Race\***

White persons, percent, 2000	47.7%
Black or African American persons, percent, 2000	48.5%
American Indian and Alaska Native persons, percent, 2000	0.2%
Asian persons, percent, 2000	1.4%
Native Hawaiian and Other Pacific Islander, percent, 2000	0.0%
Persons reporting some other race, percent, 2000	0.9%
Persons reporting two or more races, percent, 2000	1.2%
Persons of Hispanic or Latino origin, percent, 2000	2.2%

\*American Fact Finder, U.S. Census Bureau, Valdosta Ga.

Table 3.4 shows the increase/decrease of the population by race (total does not include “other race” category) between the years 1990 and 2000 as recorded by the U.S. Census Bureau. The figures in Table 3.4 indicate that the City of Valdosta has seen an increase of nearly 10% in overall population between the years 1990 and 2000 and an increase in all population categories, except the White population. The changes in all population categories range from a loss of 5.3% in the White population to a high of 112.0% in the Hispanic population.<sup>5</sup> It further indicates that:

- The majority of the City of Valdosta is predominantly African-American in the 2000 data – by a slight margin. The percentage of African-Americans is substantially

<sup>5</sup> U.S. Census Bureau, 1990 Table DP1 (STF1), 2000 Table DP1 (SF1) by Census Tract





greater than the State of Georgia (48.5% in Valdosta and 28.7% in the State of Georgia). The City has enjoyed a 9.85% growth since 1990 Census Bureau Data. It further shows that the White population has decreased by 5.3% since the 1990 U.S. Census.<sup>6</sup>

- The City of Valdosta has seen a substantial increase in the Black population since the 1990 U.S. Census of 22.5%.<sup>7</sup>
- The American Indian population has increased 8.5% since the 1990 U.S. Census.<sup>8</sup>
- The Asian population has increased 75.8% since the 1990 U.S. Census.<sup>9</sup>
- The Hispanic population has increased 112% since the 1990 U.S. Census.<sup>10</sup>

Again, it should be noted that the census tracts of 1990 and 2000 were compared directly, but due to growth or change in boundaries in portions of the city in this study, figures may vary.

**Table 3.2 - Distribution by Race within the City of Valdosta, 2000**

LOCATION	WHITE	BLACK	AM. INDIAN	ASIAN	HISPANIC	TOTAL*
<b>City of Valdosta</b>	20,860	21,201	102	610	954	43,724

Source: U.S. Census Bureau, 2000 Table DP1 (SF1) by Census Tract \* Total does not include "other race" category.

**Table 3.3 - Composition of Census Tracts by Race within the City of Valdosta, 2000**

LOCATION	WHITE	BLACK	AM. INDIAN	ASIAN	HISPANIC	TOTAL
<b>104.01</b>	1532	82	4	20	26	1,657
<b>105</b>	1347	2778	7	37	94	4,242
<b>110</b>	278	3096	3	5	53	3,426
<b>111</b>	2260	791	11	42	88	3,202
<b>113.02</b>	722	1703	3	12	63	2,491

Source: U.S. Census Bureau, 2000 Table DP1 (SF2) by Census Tract \* Total does not include "other race" category.

<sup>6</sup> Ibid.

<sup>7</sup> U.S. Census Bureau, 1990 Table DP1 (STF1), 2000 Table DP1 (SF1) by Census Tract

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.



**Table 3.4 - Population by Race within the City of Valdosta, 1990-2000**

YEAR	WHITE	BLACK	AM. INDIAN	ASIAN	HISPANIC	TOTAL*
1990	21,968	17,307	94	347	450	39,806
2000	20,862	21,201	102	610	954	43,724
% +/- 1990-2000	(5.3%)	22.5%	8.5%	75.8%	112.0%	9.8%

Source: U.S. Census Bureau, 1990 Table DP1 (STF1), 2000 Table DP1 (SF1) by Census Tract \*Total does not include "other race" category

### 3.2.2 Gender

Table 3.5 indicates that in the total population of the City of Valdosta, females slightly outnumber males. It is typical for females to outnumber males in the general population due to the longer average life-span of women.<sup>9</sup>

**Table 3.5- Population by Gender within the City of Valdosta, 2000**

LOCATION	MALE	% TOTAL	FEMALE	% TOTAL	TOTAL
City of Valdosta	20,237	46.3	23,407	53.7	43,724

Source: U.S. Census Bureau, 2000 Table DP1 (SF1)

### 3.2.3 Family Status

Family status within the City of Valdosta is shown in Table 3.6. (The table does not include information for non-family households which include persons who live alone; don't live alone [but not married]; non relatives that live together and persons that live in institutions or other group quarters). This table indicates family households by presence of people under the age of 18 by household type. It shows that nearly 20.0% consist of married couples without children under the age of 18 while just under that amount (e.g., 18.2%) of similar households have children under the age of 18. It also indicates that there is a significant difference between Female head of households without children under the age of 18 and Female head of households with children under the age of 18. Female head of households with children under the age of 18 made up 14.6% of total households as compared to a mere 4.9% of households. Male head of households with children under

<sup>9</sup> U.S. Census Bureau (2000); Summary File (SF1)



the age of 18 is 2.0% and Male head of households without children under the age of 18 is 1.6%.<sup>10</sup>

The data indicates that there are substantially more Female head of households than Male head of households with or without children under the age of 18 within the City of Valdosta. These figures are consistent with national trend regarding Male and female households.

**Table 3.6 - Family Status by Presence of People Under the Age of 18 by Household Type within the City of Valdosta, 2000**

	Married CH<18	Married w/o CH<18	Male CH<18	Male w/o CH<18	Female CH<18	Female w/o CH<18	Total Family Households
<b>City of Valdosta</b>	3,044	3,322	336	269	2,431	830	16,692
<b>% of Total</b>	<b>18.2%</b>	<b>19.9%</b>	<b>2.0%</b>	<b>1.6%</b>	<b>14.6%</b>	<b>4.9%</b>	

Source: U.S. Census Bureau, 2000 (SF1) Table P19

### 3.2.4 Disability Status

Table 3.7 reflects those non-institutionalized within the City of Valdosta. This table excludes those that are in correctional institutions, college dormitories or military quarters. Information for those listed as in “other” institutionalized or non-institutionalized quarters was not available. The data indicates that the percentage of those aged 16-64 represent 12.4 percent of the Valdosta population while 4.8 percent of those over 65 have disabilities. In total, eighteen percent of the population have a disability.<sup>11</sup>

**Table 3.7 - Disability Status within the City of Valdosta, 2000**

	5-15	16-64	65 AND OLDER	TOTAL	% OF TOTAL POPULATION*
<b>Males &amp; Females w/ disabilities non-institutionalized</b>	355	5,426	2,086	7,867	18.0
<b>% of Total Population*</b>		12.4	4.8	18.0	

Source: U.S. Census Bureau, Census 2000 Summary File 3, Matrices P42, PCT26, PCT27, PCT28, PCT29, PCT30, PCT31, PCT32, and PCT33

<sup>10</sup> U.S. Census Bureau, 2000 (SF1) Table P19 by Census Tract

<sup>11</sup> U.S. Census Bureau, 2000 Table QT-P12 (SF1) by Census Tract



### 3.3 Income Characteristics of Protected Classes

Table 3.8 reflects the actual 2000 (1999 reported) Median Household Income for the census tracts within the City of Valdosta by Race. The Median Household Income for the City of Valdosta in 2000 was \$29,046.<sup>12</sup> Upon review of the Median Household Income within the City of Valdosta, it is apparent that there exists concentrations of low-income individuals in every race category.

See Map - 7-10

The Median Household Income for the reviewed census tracts in the City of Valdosta in the year 2000 ranged from \$18,125 in census tract 110 to \$68,182 in census tract 104.01. In the City of Valdosta, the Median Household Income for the White population exceeds that of all other race categories in three (3) of the five (5) census tracts while the Median Income of Blacks exceeds the Median Household Income of the City of Valdosta in only two (2) of the five (5) census tracts.<sup>13</sup>

**Table 3.8 - Median Household Income by Race within the City of Valdosta, 1999**

LOCATION	WHITE	BLACK	AM. INDIAN	ASIAN	HISPANIC
104.01	\$40,917	\$42,292	n/a	n/a	\$102,264
105	\$22,072	\$24,184	n/a	n/a	\$23,750
110	\$15,417	\$14,619	n/a	n/a	n/a
111	\$29,938	\$12,708	\$8,750	\$17,083	\$11,875
113.02	\$16,250	\$14,922	n/a	n/a	\$43,750

Source: U.S. Census Bureau, 2000 Tables P152A,B,C,D,H (SF3) by Census Tract

#### 3.3.1 Minorities

The incidence of poverty by race within the City of Valdosta is shown in Table 3.9 (Poverty is defined as households below 50% Median Household Income). The percent of the population within the City of Valdosta living below poverty where poverty status has been determined is 24.7%.<sup>14</sup>

<sup>12</sup> U.S. Census Bureau, 2000 Table P53 (SF3) by Place

<sup>13</sup> Ibid

<sup>14</sup> U.S. Census Bureau, Summary File 1 (SF 1) and Summary File 3 (SF 3)



The breakdown by percent of each race category by population and percent of those living in poverty in the City of Valdosta are as follows:

- The White population makes up approximately 47.7% of the 2000 population and accounts for 12.7% of those living below poverty.
- The Black population accounts for approximately 48.5% of the 2000 population with 36.1% living below poverty.
- The American Indian population makes up approximately .02% of the 2000 population and accounts for 19.0% of those living below poverty.
- The Asian population makes up approximately 1.4% of the 2000 population and accounts for 35.0% of those living below poverty.
- The Hispanic population makes up approximately 2.2% of the 2000 population and accounts for 28.6% of those living below poverty.<sup>15</sup>

**Table 3.9 - Poverty Status by Race within the City of Valdosta, 2000**

	WHITE	BLACK	AM. INDIAN	ASIAN	HISPANIC	TOTAL*
<b>At/Above Poverty</b>	17,430	13,227	132	152	562	31,503
<b>Below Poverty</b>	2,503	7,487	31	82	225	10,297
<b>Total</b>	19,933	20,714	163	234	787	41,800
<b>% Below Poverty by Race</b>	12.7%	36.1%	19%	35%	28.6%	24.6%

Source: U.S. Census Bureau, 2000 Tables P159A,B,C,D,H (SF3) by Census Tract \*Total does not include other race” category.

### 3.3.2 Gender

The incidence of poverty by Gender within the City of Valdosta is shown in Table 3.10. The table indicates that poverty affects females within the City of Valdosta 8.3% more than males. Within the City of Valdosta, 24.7% live below poverty.

<sup>15</sup> Source: U.S. Census Bureau, 2000 Table DP1 (SF1) by Census Tract \* Total does not include “other race” category, 2000 Tables P159A,B,C,D,H (SF3) by Census Tract



**Table 3.10- Poverty Status by Gender\*within the City of Valdosta, 2000**

	<b>Males</b>	<b>Females</b>	<b>Total*</b>
<b>At/Above Poverty</b>	15,615	15,945	31,560
<b>Below Poverty</b>	3,960	6,353	10,333
<b>Total</b>	19,575	22,298	41,893
<b>% Below Poverty by Gender*</b>	20.2%	28.5%	24.7%

Source: U.S. Census Bureau, 2000 Table PCT49 (SF3) by Census Tract \*Total of population for whom poverty status has been determined.

**3.3.3 Poverty Status by Family Type and Presence of Children**

Table 3.11 demonstrates the effects of poverty status on family type and presence of children. The table shows that the majority of family households within the City of Valdosta have incomes above the poverty level.

See Map 6-8

Married couples with children under the age of 18 living below poverty represent 12.5% of the total living below poverty and 2.3% of total households. Male Head of Households with children under the age of 18 living below poverty is 6.4% of the total living below poverty and 1.2% of total households. Female Head of Households with children under the age of 18 living below poverty is 63.3% of the total living below poverty and 11.7% total households. For all households below the poverty level, 1584 (82.2%) have children under the age of 18.

**Table 3.11 - Poverty Status of Households by Family Type & Presence of Children within the City of Valdosta, 2000**

<b>Family Type</b>	<b>At/Above Poverty</b>	<b>Below Poverty</b>	<b>Total*</b>
<b>Married, CH&lt;18</b>	2,911	241	3,152
<b>Married, No CH &lt; 18</b>	3,017	99	3,116
<b>Male HH, CH &lt; 18</b>	228	123	351
<b>Male HH, No CH&lt; 18</b>	282	43	325
<b>Female HH, CH &lt; 18</b>	1,171	1,220	2,391
<b>Female HH, No CH &lt; 18</b>	721	200	1121
	8,330	1,926	10,456

Source: U.S. Census Bureau, 2000 Table P90 (SF3) by Census Tract \*Total of population for whom poverty status has been determined.



It should also be noted that Supplemental Security Income (SSI) is received by 879 persons (2.01% of the total population) within the City of Valdosta.<sup>16</sup> Also, Social Security Income is received by 3,770 persons (8.6% of the total population) in the City of Valdosta.<sup>17</sup>

#### 4.0 TRANSPORTATION AND ECONOMICS

The City of Valdosta does not currently have a mass transportation system. The only existing transportation system is Lowndes County Transit which serves all residents of the City. The area was previously served around 1900 by Valdosta Street Railway through a street car system.<sup>18</sup>

The South Georgia Regional Development Center conducted a feasibility study to determine the transportation needs for different areas and income groups, and has proposed a bus system which could begin operation within two years.<sup>19</sup> The draft copy of the of the study is referenced above. According to the study, planners have envisioned two proposed bus routes — one is a 21-mile route from Moody Air Force Base to the downtown area; the second is a 15-mile loop past areas like the mall, medical center, university and shopping centers.<sup>20</sup>

Lack of public transportation is a significant limitation to local citizens. It especially impacts the persons in poverty and persons with disabilities. In addition, it limits the ability of local service providers to provide quality services which will enhance their quality of life, and the ability of persons with limited income to access employment opportunities. Persons with limited income and persons with physical disabilities are more likely to depend on transportation provided publicly or by a local service provider in order to maintain employment and/or to meet daily needs.

The City of Valdosta is not served by passenger rail service. CSX, Norfolk Southern, and Valdosta Railway serve the freight needs of three industrial parks. Intercity bus service is provided by Greyhound.

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<sup>16</sup> U.S. Census Bureau, 2000 Table P63 (SF3)

<sup>17</sup> U.S. Census Bureau, 2000 Table P62 (SF3)

<sup>18</sup> <http://hometown.aol.com/chirailfan/ztransga.html>

<sup>19</sup> Bus system on the horizon. (2006, August 29). *The Valdosta Daily Times*

<sup>20</sup> Ibid



Valdosta Regional Airport is a public airport located 3 miles (5 km) south of Valdosta. It is mostly used for general aviation, but is also served by one commercial airline.

#### 4.1 Economic Conditions

In the early years of the City of Valdosta, it was mainly an agricultural community. The major cash crops of the time were corn, cotton, and tobacco. After WWII, the City of Valdosta began to change from agriculture to an industrial and manufacturing-based economy. Since that time, industrial growth has been steady which has contributed to a stable economy with continued growth. In the past decade alone, 7,500 new jobs were created as a result of the area's growing economy.<sup>21</sup>

The largest local employers located in the Valdosta area are Moody Air Force Base, South Georgia Medical Center, Valdosta State University, and the Lowndes County School System.<sup>22</sup> The total number of people employed by these employers is approximately 10,307. Table 4.12 indicates the largest employers located within Lowndes County.<sup>23</sup>

As the economic outlook for the city is excellent, employment opportunities continue to expand. Between 1994 and 1998, Lowndes County averaged an annual unemployment rate of 4.9%, compared with the state's average of 4.7%.<sup>24</sup>

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<sup>21</sup> City of Valdosta Economic Development Department. [www.valdostacity.org](http://www.valdostacity.org)

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> (2000) State of Georgia, Department of Community Affairs





**Table 4.12 - Largest Employers in Lowndes County**

<b>Company Name</b>	<b>Business Type</b>	<b>Employees</b>
Moody Air Force Base	Military	4448
South Georgia Medical Center	Hospital	2300
Valdosta State University	Education	2280
Lowndes County School System	Education	1279
Valdosta City School System	Education	950
Convergys Corporation	Customer Service	733
City of Valdosta	Government	659
Lowndes County	Government	540
Lowe's Distribution Center	Distribution	450
Roadway Express	Transportation	450
Langdale	Forest Products	390
Packaging Corporation of America	Kraft Paper	350
Southern Bags	Textile Bags	300
Dillard's Distribution Center	Clothing/Retail Center	275
SAFT America	Batteries	232
Eller Industries	Fiberglass Tubs	200
Griffin Corporation	Agricultural Chemicals	200
Georgia Power Company	Utility	150
Regal Marine	Yachts	120

Source: City of Valdosta Economic Development

#### **4.2 Education and Healthcare Facilities**

Three educational institutions serve the Valdosta and Lowndes County area: Valdosta State University, Valdosta Technical College and Georgia Military College (satellite). In 1912, the State of Georgia Legislature granted an annual appropriation for maintenance, and the future of the institution was assured. The college was named the South Georgia State



Normal College opened to “young ladies” on January 2, 1913. It offered two years of college study. An act of the Legislature in 1922 changed the institution’s name to Georgia State Woman’s College at Valdosta and authorized a four-year program leading to the bachelor’s degree. The Board of Regents made the school converted the student composition to a co-educational system in 1950 and changed the name to Valdosta State College. In 1993, Valdosta State College was named a Regional University.<sup>25</sup>

Valdosta Technical College was founded in 1963 as a joint effort of the Valdosta City and Lowndes County Boards of Education. The college became a unit of the Georgia Department of Technical and Adult Education on July 1, 1988. Valdosta Tech currently operates facilities that total over 178,000 square feet on the main campus.

Georgia Military College (GMC) was established in 1879 by an act of the Georgia State Legislature as Middle Georgia Military and Agricultural College, a public, independent educational institution. In addition to its main campus in Milledgeville, the College operates a distant learning center in Valdosta. The Valdosta Campus of GMC has offices located in Valdosta, and classrooms and library facilities at Moody Air Force Base.

The Valdosta Board of Education operates ten (10) schools. Of these, six (6) of these facilities are designated as elementary schools serving grades K -5. Two (2) of the facilities are designated middle schools serving grades 6-8. One of the facilities is a high school serving grades 9-12. The System also operates one alternative school known as the Pinevale Learning Center<sup>26</sup>.

The Lowndes County Board of Education operates eleven (11) schools. Of these, seven (7) of the facilities are designated as elementary schools serving grades K -5. Two (2) of the facilities are designated middle schools serving grades 6-8. One of the facilities is a high school serving grades 9-12. The Lowndes County system also operates one alternative school<sup>27</sup>.

Two medical facilities serve the Valdosta and Lowndes County area. South Georgia Medical Center (SGMC) is a 335-bed, not for profit, authority-governed, regional referral hospital located in Valdosta, Georgia serving a multi-county area in South Georgia and North Florida. SGMC is the largest non-governmental employer in Lowndes County, employing over 2300 people. SGMC provides care with no local tax support.<sup>28</sup> Smith

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<sup>25</sup> Valdosta State University. *2006-2007 Undergraduate Course Catalog*. p. 6

<sup>26</sup> Valdosta City Schools Board of Education

<sup>27</sup> Lowndes County Board of Education

<sup>28</sup> South Georgia Medical Center Hospital Authority. <http://www.sgmc.org/aboutus/>



Northview Hospital is a 31-acute care beds and 28 outpatient beds with a 120 physician medical staff. Smith Northview Hospital serves a six county area, and offers a variety of inpatient, outpatient services and procedures.<sup>29</sup>

### 4.3 Housing Affordability

Communities across the country are recognizing the importance of affordable housing to their future economic and social well-being. Economic growth is at risk when growth in jobs and population are not matched by the growth in the supply of affordable housing. For businesses, the ability to attract and retain labor depends partly on the availability of decent and affordable housing.

Among the social concerns are basic issues of equity for low-moderate income working families. In many communities, people who provide the bulk of vital services - teachers, firefighters, police officers and laundry and restaurant workers - often themselves cannot afford to live there. Yet, it is often in these communities where affordable housing for working families is most needed and that the most opposition to such housing exists. Moreover, a host of social problems can occur when working families face a shortage of affordable housing. Family disruption, overcrowding and congestion degrade the quality of life in the communities for all residents.

According to a study by the National Low Income Housing Coalition (NLIHC) on housing affordability using the 2000 Census the housing wage (the amount an individual must make hourly to afford a two-bedroom unit) was \$11.02 for the State of Georgia and \$8.81 for Lowndes County. This study indicated the 44% of renters in the State of Georgia were unable to afford Fair Market Rent for a two-bedroom unit.

In the City of Valdosta, in 1999, an extremely low income household<sup>30</sup> can afford a monthly rent of no more than \$217, by 2005 the affordability<sup>31</sup> for this income group had risen to \$350.00. In 2005 fair market rents for a one-bedroom apartment was \$463, meaning that those households considered very low income are priced out of the market unless they can access rent assisted housing or are forced to accept sub standard units.

Using Graph 4.1 (a, b, c), thirty occupations and home ownership of an average priced home in City of Valdosta during 2005 are analyzed. These particular occupations were selected because they are all traditional jobs that rely on traditional wages, and they represent some of the occupations with significant workers in the City. A complete listing

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<sup>29</sup> (2005). Smith Northview Hospital

<sup>30</sup> Earning 30% of the area median income - based on 2000 MI of \$29,046

<sup>31</sup> Based on HUD 2005 MI Estimates for 2005



of the May 2005 Metropolitan Area Occupation Employment and Wage Estimates for Valdosta, Georgia is included in the Appendix to this report.

Second, Graph 4.2 (A, B, C) shows housing costs of rentals for 30 occupations. These occupations typically attract first-time entrants into the workforce, recent immigrants and other participants such as welfare-to-work job seekers. The cost of housing was calculated using the HUD Fair Market Rents for a City of Valdosta one-bedroom, two-bedroom and three-bedroom apartment. The, an hourly wage needed to afford, unit was figured using an accepted standard of affordability as developed by the National Low-Income Housing Coalition - the wage that must be earned so that the rent does not exceed 30 percent of income.<sup>32</sup>

Finally, Graph 4.3a shows occupational groups whose average hourly wage would not meet the “Hourly Wage Needed to Afford” standard for a one-bedroom apartment. Where there are gaps between wages earned and what is actually required to make the cost of housing affordable, working families make adjustments by devoting a disproportionate share of their income to housing while cutting back on other necessities.

For Graph 4.1 a, b, and c, the average sale priced home, is the mathematical average of all sold homes reported during the calendar year 2005 in City of Valdosta. The “Annual Income Needed” to qualify for a mortgage was calculated using the average interest rate prevailing in 2005, assumes a 10 percent down-payment, minimal debt, reasonably good credit, the use of private mortgage insurance and includes estimated PITI (principal, interest, taxes and insurance) for a \$156,620 home.

Of the 30 average occupations such as accountants, bookkeeper, truck drivers, computer operator, executive secretary and registered nurse included, none qualified for an average priced home. Eight of the 30 occupations earned at least two-thirds (\$31,000 and over)of the annual income needed, nine earned between one-half (\$23,500-\$31,000) and two-thirds and 13 less than half (\$23,500 or less)of the annual income needed.

For Graph 4.2 a, b, and c, the Fair Market Rent or FMR during 2005 for a one-bedroom was \$463 per month, for a two-bedroom \$557 per month and for a three-bedroom \$755 per month in City of Valdosta according to HUD. The Hourly Wage Needed to Afford is the hourly wage that must be earned so that rent does not exceed 30 percent of income, a standard measure of affordability. The Hourly Wage Needed to Afford was \$8.90, \$10.71 and \$14.52 for a one, two and three-bedroom apartment respectively.

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<sup>32</sup> National Low Income Housing Coalition, Out of Reach



Of the 26 occupations, six earned the “Hourly Wage Needed to Afford” a three-bedroom apartment, nine a two-bedroom apartment, four a one-bedroom apartment and seven did not earn the Hourly Wage Needed to Afford to afford a one-bedroom apartment.

For Graph 4.3 a , we again utilize the 2005 data from the Occupational Employment and Wage Estimates Survey<sup>33</sup>. Twenty five-major occupational groups consisting of 210 occupation are included in the report. Of the 25 major occupation groups, five did not earn the Hourly Wage Needed to afford a one-bedroom apartment - \$8.90. Of the 210 various occupations 40 (19%) did not earn enough to afford a one bedroom apartment. These occupations included many basic entry level occupations such as fast food workers, waiter/waitress, nursing aides, laborers, dishwashers, maids/housekeepers. Graph 4.4 shows those occupations that cannot afford a one bedroom apartment.

Ultimately, affordable housing is not only a question of bottom line economics, but of equity. The housing cost and wage review in this section attempts to put a “face” on the affordable housing problem confronting many working families.

## 5.0 Local Fair Housing Programs and Activities

There are numerous federal laws that cover fair housing including the following: Fair Housing Act and other civil rights laws, including Title VI of the Civil Rights Act of 1964, Section 109 of the Housing and Community Development Act of 1974, Section 504 of the Rehabilitation Act of 1973, Title II of the Americans with Disabilities Act of 1990, the Age Discrimination Act of 1975, Title IX of the Education Amendments Act of 1972, and the Architectural Barriers Act of 1968. All of these federal actions are part of every City’s responsibility when conducting business. HUD does require through its community development regulations that all entitlement jurisdiction affirmatively further fair housing. It is the decision of the jurisdiction on how this is done but at the least a basic fair housing program is needed.

Currently the City of Valdosta has no active fair housing program. The City’s web site has no information regarding fair housing or any information that would assist an individual who has a question or wants to file a complaint. There are no fair housing information brochures, posters or other materials that would let the public know of their fair housing rights and responsibilities.

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<sup>33</sup>U.S. Dept. Of Labor, Bureau of Labor Statistics, May 2005 Metropolitan Area Employment and Wage Estimates, Valdosta. Ga.



However, the City has recently submitted a Fair Housing and Non-Discrimination Ordinance for consideration by Council. The City is to be commended for its work to pass such an ordinance. The proposed Ordinance follows closely the Fair Housing Amendments Act in its coverage and prohibited actions. The enforcement mechanism, filing the complaint with the City Manager's Office, while simple and easy for both the City and the complainant, does not allow for investigation, assistance, or information to be provided. There is no inclusion of a review of the complaint before it is filed or who will be responsible for handling the fair housing calls and follow up on complaints filed. While it is true that much of that can be worked out after the ordinance is passed and ready for implementation but, thought should be given to this issue early rather than late.

Our concern is the lack of a local organization or agency to assist individuals who have fair housing complaints or questions. While such an agency is not necessary and can be done "in house" by the City, it opens up a number of possible problems for the City. One, if the City is to intake complaints, what are the controls to make sure that the complaint is received and filed without prejudice; is it simply that the complainant will be provided a form that is approved by HUD, then completed and mailed; what if the complaint is against the City or a City employee; what questions would be asked to determine if the complaint is a fair housing related issue and not simply a tenant/landlord problem? Many tenants feel that some action taken by the landlord is discrimination but upon review it is found to be something else.

This review does not imply that staff is not qualified or concerned enough to do the fair housing program. We are merely stating that a process must be in place that will assure all complaints follow a consistent process through the intake, review and investigative stages. The questions raised above are those that should be asked, among others, in developing that process.

We do believe that the Ordinance is very good at addressing the issue of housing discrimination in the City and should be passed by Council. But, we also strongly recommend that thought be given to how this Ordinance will be implemented and what type of fair housing program will be developed around it.

It is important that the City develop a fair housing program that provides a full effort to assure that residents in the City will have access to equal housing. This program should include the following at a minimum:

**Outreach** - There should be development of fair housing posters, brochures and other printed materials that provide information to residents, renters, homebuyers, home owners, and the housing providers on their fair housing rights and responsibilities. This information should also be developed for housing providers, lenders, real estate professionals,



landlords and others in the housing delivery system. Another suggestion is to place fair housing information on the City's web site.

**Education** - Training to residents, home buyers, home owners, and renters, on fair housing rights and responsibilities. Also, training to members of the housing industry, REALTORS®, appraisers, lenders and insurers, on their responsibilities under state and federal fair housing laws/regulations.

**Enforcement** - A process to handle fair housing complaints. This can be a simple referral system to local, nearby or state fair housing organizations or state agencies. Or it can be a more detailed approach such as providing intake and investigation of specific fair housing complaints. Which ever method the City decides to use, it is important to provide access to assistance.

With a City the size of Valdosta there needs to be a much stronger commitment to fair housing. With the ever changing profile of the City and its growth, the issue will only get bigger not smaller. A commitment to fair housing is essential to ensure that all citizens have the right to live where they want and can afford.

## 6.0 Purpose and Parameters of Community Reinvestment

For most the goal of home ownership is contingent upon their ability to obtain a mortgage. However, the issue of color, race, national origin, sex, religion, familial status or disability may still shut the door to home ownership. National studies and litigation continue to show lenders ignoring business in low-moderate income neighborhoods and minority neighborhoods.

These discriminatory policies are holdovers from a past that would not allow loans to people who would represent an "inharmonious racial group" to neighborhoods. In the past policies of local lenders, real estate agents and even the federal government (through the Federal Housing Administration and Veterans Administration loan policies) assured that our country would grow with segregated cities. The most basic right of all Americans, to live where they want and can afford, was denied throughout the housing market.

Included in the Appendices are lending tables that provide the information used for this analysis. The reader is strongly encouraged to review the tables before reviewing this section (Community Reinvestment) of the report.



## 6.1 Sub-Prime and Predatory Lending

What makes a sub-prime lender different from a predatory lender? Most sub prime lenders serve a need by targeting borrowers with sub-par credit histories, but some can be characterized as **predatory lenders**. Predatory lenders target specific populations, such as low income, minority, and/or elderly homeowners, with high-pressure marketing techniques, charging excessive fees, frequent refinancing or “flipping” the loan, and often misleading the borrower. Communities such as the City of Valdosta are not immune to this practice. Often low -moderate income and minority neighborhoods, one or two sub-prime or predatory lenders dominate the market; as in the case of many community prime lenders have small market shares or are not to be found.

Each year, millions of consumers are targeted by sub-prime lending institutions to secure high cost mortgage and/or retail loans. Sub-prime lenders specialize in offering credit to consumers who may have credit blemishes or consumers with “B” or “C” credit, while conventional lenders focus their marketing efforts on consumers with few or no blemishes or those with “A/A+” credit.

With promises of easy payment plans, debt consolidation and quick approval, predatory lenders lure many consumers who have found it difficult or impossible to access low-cost loans in the conventional market, as well as many unassuming consumers who might otherwise qualify for traditional loans. Between 25-35% of consumers receiving high cost loans in the sub-prime market qualified for conventional loans according to recent studies by Freddie Mac, the GSE (Government-Sponsored Enterprise) that purchases mortgages from lenders and packages them into securities which are in turn sold to investors.

Since wealth for the vast majority of Americans is tied to property ownership, this system is threatening to deprive many Americans of their wealth by stripping them of their home’s equity and, in some cases, foreclosing on the homes of people who cannot afford the exorbitant interest rates and high points. It is estimated that approximately 25% of all sub prime loans contain one or more terms that can be classified as predatory.<sup>34</sup>

The ability to determine the extent of predatory lending in the Valdosta community is made more difficult since many such lenders are not regulated. Frequently, they fall outside the HMDA reporting requirements and thus no aggregate data is available on their loan activity, other than the loans sold in the secondary market to Fannie Mae and Freddie Mac.

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<sup>34</sup> Council on Homelessness and Housing in Ohio, 2000





Mainstream financial institutions have excluded many of the groups targeted by predatory lenders when marketing loan products. Often, such institutions are much less interested in issuing smaller loans.

Unknowing consumers find themselves in these devastating positions through a lack of financial savvy. The lending process is very complicated with numerous forms to be completed. Many consumers are ill prepared to deal with the enormous volume of complicated paperwork that is given to them during the loan process. Reports show that consumers simply do not understand the process. Thus, the consumers have little choice but to trust the lender. The very person who is trying to sell them the loan is the only person giving them advice on the quality of that loan and what the terms of the loan mean.

Most lenders do not provide quality counseling for consumers seeking their products and may use the consumer's ignorance as a ripe opportunity to reap huge profits from selling money in this industry. Recent studies show that predatory lenders are far more profitable than their conventional counterparts. For instance, a small analysis of seven national lenders reveals that the earnings-to-loan volume ratio for sub prime lenders is substantially higher than that for conventional or prime lenders.

Many times, consumers are not only paying too much interest for the credit they secure, but, are also persuaded into purchasing credit life and disability insurance products for which they have little or no use. Moreover, these loans are often secured with the consumers' home. Fair housing organizations have received complaints from consumers who are about to lose their homes because frequently they cannot afford the high cost loan they obtained.

The most recent studies have indicated that the sub prime mortgage market grew an average 25% a year from 1994 to 2003, outpacing the rate of growth for prime mortgages. The industry accounted for about \$330 billion, or 9%, of U.S. mortgages in 2003, up from \$35 billion a decade earlier.<sup>35</sup> Recent HMDA analysis across the country have shown that even though the sub prime market has changed in response to states passing anti predatory legislation, they still are growing more rapidly than prime lending.

One possible reason for this dramatic increase in loans made by sub prime lenders pertains to the increasingly segmented system of consumer finance with higher income communities are the main target of more highly regulated banks, thrifts and their affiliates who seek to cross-sell account and investment products.

At the same time, lending to lower income and minority communities is often viewed as an isolated line of business, in which the focus is on the short-lived transaction and associated

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<sup>35</sup> Federal Reserve Bank



fees. Lenders active in these communities tend to be mortgage and finance companies subject to substantially less regulation than banks and thrifts.

In a report called *Suprime Lending: An Investigation of Economic Efficiency*, from the Fannie Mae Foundation, it was found that sub prime borrowers are more dissatisfied with their loans and the loan experience than prime borrowers. Also, when comparing rates between prime and sub prime, the higher rates sub prime borrowers are charged cannot be fully explained as a product of additional risk that the lender might bear.

Throughout this lending review the dominant role sub prime lenders can have in a local market has been discussed. While the presence of sub prime lenders is important in assuring that all households have access to credit, it can be a concern when lenders who have no commitment to the community are dominating the market.

In the Valdosta MSA there were 268 lenders reporting HMDA data in 2004, of those lenders, 63% (170) were sub prime lenders.<sup>36</sup> While the information does not provide applications or market share for sub prime lenders in the MSA, it is obvious that sub prime lenders play a significant role in the lending market in the area.

## 6.2 Payday Loans, Title Loans Locations as Predatory

One of the largest issues facing changing neighborhoods is the loss of retail and commercial business. As neighborhoods change, becoming more minority or low income, one of the first things to become apparent is the loss of businesses that can help support and sustain the neighborhood. As cities begin to work to revitalize neighborhoods, it is important that efforts are made to revitalize the business climate as well.

SEE MAP 11-11A

This section reviews the impact of check cashing and payday loans, pawn shops and title loans (called Alternative Financial Industries - AFS Businesses)<sup>37</sup> on a neighborhood. As neighborhoods decline or go through changes, often you see local banks moving out and replacing their services with ATM machines, while check-cashing offices begin to fill the need the banks left.<sup>38</sup> Map 11 shows locations of check-cashing related offices In the City by minority population. Map 11a shows a more detailed look at the location of these alternative financing businesses by street.<sup>39</sup>

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<sup>36</sup> FFIEC 2004 HMDA Aggregate and Disclosure

<sup>37</sup> AARP report on payday loans, 2004

<sup>38</sup> www.tarnet.com

<sup>39</sup> Source for locations of AFS: local yellow pages, Superpages.com and Yellowpages.com. Locations are as indicated by the sources and may not be a complete list.



Check-cashing outlets - also referred to as “currency exchanges,” will, for a fee cash payroll, government and personal checks. People use these check-cashing outlets rather than traditional financial institutions for a variety of reasons. Some do not have access to or cannot afford to use banks due to rising fees or are unable to maintain minimum balance requirements. Others have privacy concerns or do not want their funds accessible to creditors. A number of consumers use check-cashing outlets for the convenience.

Many check-cashing outlets and other companies are now offering “payday loans” which go by a variety of names: “check advance loans,” “postdated check loans,” “delayed deposit loans” or “deferred presentment loans.” While they have many names, they all have the same predatory result. Typically, the consumers write personal checks payable to the lender for a future date when they are due to repay the loan, which is generally their next payday.

A recent AARP survey found that 19% of persons 50-64 years old had cashed a check at a check cashing outlet. The Center for Responsible Lending reported in April of 2006:

- ✓ Sixteen percent of overdraft loan users account for 71 percent of fee-based overdraft loan fees.
- ✓ Repeat users are more often low-income, single, nonwhite renters.
- ✓ Repeat users are in effect using the overdraft loans as an expensive substitute for a line-of-credit, and are paying fees that can be as costly as payday loans.

Like payday loans, car title loans are marketed as small emergency loans, but in reality these loans trap borrowers in a cycle of debt. A typical car title loan has a triple-digit annual interest rate, requires repayment within one month, and is made for much less than the value of the car. Car title loans put at high risk an asset that is essential to the well-being of working families - their vehicle.<sup>40</sup>

Title loans are typically made without regard to borrowers’ ability to repay. Because the loans are structured to be repaid as a single balloon payment after a very short term, borrowers frequently cannot pay the full amount due on the maturity date and instead find themselves extending or “rolling over” the loan repeatedly. In this way, many borrowers pay fees well in excess of the amount they originally borrowed.

If the borrower fails to keep up with these recurring payments, the lender may summarily repossess the car, often stripping borrowers of their most valuable possession and only

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<sup>40</sup> Center for Responsible Lending



means of transportation.<sup>41</sup> Many times there is a used car dealer right next door to the car title lender and both are owned by the same company.

The cost for this “convenience,” or “helping you out” loans can be extremely high. The “fee” being paid is really interest. In some states, a company can charge a maximum of \$15 on a \$10 loan for a two-week period, which, when considered over time, calculates to a 390% annual percentage rate (APR). Often, borrowing \$500 results in \$75 in fees and interest. As noted in the earlier section, such extremely high rates are part of the definition of what makes a loan predatory.

Rent-to-Own companies “rent” merchandise, although the structure of the transaction is more like a loan because of the interest and credit insurance involved. These businesses charge a weekly or monthly rent for a stated period, after which the property is owned by the consumer. The store does not have to report how much it is charging in interest. If a borrower is late with a payment, there is no legal limit to how much interest the store can charge in finance charges, although the company usually repossesses the rental property. Under a typically rent-to-own contract, a consumer may pay as much as \$2,200 over two years to purchase a \$500 TV.<sup>42</sup>

Obviously these types of “financing” business prey on those who are least able to afford to carry the burden. However, the “catch 22” is that there is not a reasonable alternative for low-moderate income households. Generally they cannot go to the bank to get a short term loan, nor can they get a Sears, Penney’s, etc. card to purchase appliances or furniture. Many are working service jobs that pay a minimum wage or slightly higher which makes the lure of these lenders strong when it is the end of the month and they are out of money to pay doctors’ bills, buy grocery’s or put gas in the car. As gas price’s rise in the Valdosta area the use of these lenders will also increase and the abuses will continue.

Map 11 shows the AFS stores in Valdosta, are consistently located in areas with the highest minority population. This is unusual, since in most areas of similar size one would find that “check-cashing outlets” generally fill in where banks have left a market. However, one of the trends that has been noticed in other communities is that the location of AFS businesses are also in low minority and higher income tracts. This is also the case in Valdosta.

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<sup>41</sup> Ibid

<sup>42</sup> Ibid



### 6.3 Valdosta Lending

This report concentrates on lenders in the mortgage lending market in the City of Valdosta. This review is based on 2004 Loan Application Register (LAR) reports from individual lenders.

The statistical data base used for the analysis contained in this report is from the FFIEC (Federal Financial Institutions Examination Council) data. Due to changes in HMDA reporting and the availability of useful data, the information in this section is provided in four geographies: (1) Valdosta MSA, (2) Lowndes County, (3) City of Valdosta, and (4) Census Tract. Information is provided based on the race and income of applicants, and other important parameters.<sup>43</sup>

Inadequate lending performance results in long term and far ranging community problems. Disinvestment is the most devastating result. Disinvestment in neighborhoods by lenders reduces housing finance options for borrowers and weakens competition in the mortgage market for low and moderate-income neighborhoods.

High mortgage costs, fewer favorable mortgage loan terms, deteriorating neighborhoods, reduced opportunities for home ownership, reduced opportunities for home improvement and the lack of affordable housing are only a few of the consequences of inadequate lending performance. In addition, financial decay in the business sector is also a result of disinvestment – business relocation, closure and bankruptcy. On the other hand, full service local lenders, that have traditionally served residents and businesses, are the main cogs in the wheel that keep neighborhoods stable.

Significant changes are occurring in the lending market, not only in the City of Valdosta but, throughout the United States. It is becoming a common occurrence to read about national lenders buying local lenders. These national lending institutions are becoming increasingly more active locally. The market share of national corporations is growing yearly. Previous lending studies undertaken by the consultant reveal that these national lenders often place an emphasis on less risky loans such as refinancing and home improvement. Historically when lenders “target market” their mortgage lending activity to limited segments of the market, minority and low-moderate income borrowers have less opportunity for home purchase.

This project does not examine all lending issues as they relate to performance and service. Issues such as comparison of loan terms and conditions; patterns of branch openings and closings; and, record of investment in community development projects fall outside the

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<sup>43</sup> FFIEC 2004 Data Reports, HMDA Aggregate and Disclosed



scope of the HMDA database. However, this analysis does consider: race; racial population; applicant income; and, income of census tracts.

This analysis should not be used to determine or identify discriminatory practices by individual lenders. It should be used as a tool to determine only the lending performance of lenders in the specific area based on HMDA data. Unregulated lenders who are not required to submit HMDA reports are not monitored and have not been included in this analysis.<sup>44</sup>

## 6.4 Analysis

The focus of this report is on all applications (all types and purpose) and on Conventional Home Purchase applications, originations and denials. A brief discussion is included on Conventional Refinancing also. As noted above, the Federal Financial Institutions Examination Council's (FFIEC) HMDA data is compiled giving information based on MSA, City and Tracts. However, not all data are available for all geographies. Information, in all of the tables related to lending throughout this analysis is compiled from the HMDA unless otherwise noted.

In order to give the reader all data used in developing sections of this report reference tables are included in the Appendices . HMDA data includes data for White and Black applications in the City. Data is also reported for Hispanic, American Indian, Asian and Other Race borrowers. The data is often small, less than 3% of the total mortgage activity, and on which we have performed no analysis.

Tables report data for census tract income and applicant income based on median household income (\$29,046) low-moderate income; middle income; and, upper income. These categories are defined according to U.S. Department of Housing and Urban Development (HUD) criteria as follows:

- ✓ Low Income - <50% of median household income
- ✓ Moderate Income - >=50% - < 80% of median household income
- ✓ Middle Income - >=80% - <100%
- ✓ Middle Income - >=100% - <120%\*
- ✓ Upper Income - >=120% of median household income

\* the break down for the two middle income categories is done to meet reflect how the HMDA is reported.

Our analysis of racial equity looks at both origination yields and denial rates. Traditionally, many CRA studies have utilized denial rates or Black/White disparity ratios as the prime

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<sup>44</sup> List of lenders for Valdosta MSA, FFIEC HMDA Data Reports 2004



indicator of lending performance. This report focuses on loans originated and loans denied. Since both are significant, we look at what a lender **did** as well as what a lender **did not** do.

There are also philosophical reasons for giving at least as much attention to those loans which were made as contrasted with those which were not. In this study, philosophical and methodological reasons both point in the direction of giving greater emphasis to lenders' performance on mortgage loan originations than on mortgage loan denials.

### 6.5 Mortgage Activity Valdosta

Single Family homes make up the majority of available housing in the County, 51.7%. Rental units are the second most common type, these are structures with three to nine units per structure, many of these structures date from the 1970's and 1980's. Comparison of the City's housing stock by physical types is shown Table 6.2.

See Map -12-14

TABLE 6.2 - HOUSING TYPE BY NUMBER BY CENSUS TRACT - 2004<sup>45</sup>

Tract	Single Detached	Mobile Home	Duplex or Doubles	3 to 4 Units	5 to 9 Units	10 to 19 Units	20 to 49 Units	50+ Units
101.03	526	161		0	9	0	0	0
103.01	946	127		57	289	125	53	83
104.01	602	7	23	14	11	29	38	97
104.02	1513	9	139	149	136	130	49	37
105	917	40	29	234	336	137	19	98
106.01	1108	23	105	188	243	162	35	257
106.02	506	76	13	0	0	0	0	0
106.03	217	29	15	0	0	0	0	0
107	640	586		0	0	0	0	0
108	1588	226	68	171	161	10	24	97
109	657	68		31	13	9	0	51
110	1022	6	124	57	126	0	0	6
111	613	7	70	77	66	20	48	28
112	1578	16	63	33	101	11	6	7
113.01	638	32	169	192	318	54	59	69
113.02	842	7	159	94	68	65	39	105
114.02	538	204	16	0	8	0	0	0
<b>Totals</b>	<b>14451</b>	<b>1624</b>	<b>601</b>	<b>1297</b>	<b>1885</b>	<b>752</b>	<b>370</b>	<b>935</b>

<sup>45</sup> FFIEC Census Data, 2004 - Demographic, Housing, Income Data



The metropolitan area has an abundant supply of both new and pre-owned homes dispersed throughout the community, and surrounding county communities. The average sale price of a house in Valdosta in 2004 was \$156,620. The cost of housing in Valdosta for 2004 is slightly higher than the national average of \$147,275, and is considerably higher than the median cost for housing in Georgia of \$110,000.

Table 6.3 shows the racial/ethnic population for the City of Valdosta for 2004.

**Table 6.3: Valdosta Population by Race and Ethnicity 2004 by Percent City and by Census Tract<sup>46</sup>**

Race	City % of Population
White	47.7%
Black	48.5%
Am. Indian	0.2%
Asian	1.4%
Hispanic	22.0%

Tract	Asian	Black	Native Am.	Hispanic	White
101.03	57	437	9	69	1546
103.01	120	400	26	92	3018
103.02	19	57	3	41	2191
104.01	20	82	4	26	1532
104.02	129	2804	14	125	2453
105	37	2778	7	94	1347
106.01	121	1505	10	146	2767
106.02	30	462	5	28	1036
106.03	0	360	0	11	312
108	17	4792	10	144	465
109	1	1648	4	31	402
110	5	3096	3	53	278
111	42	791	11	88	2260
112	65	212	13	56	3761
113.01	82	1286	14	58	1874
113.02	12	1703	3	63	722
114.02	13	1035	5	44	1240
<b>TOTAL</b>	<b>770</b>	<b>23448</b>	<b>141</b>	<b>1169</b>	<b>27204</b>

<sup>46</sup> Ibid





From the late 1990's a very strong economy extended employment and boosted income for many Americans and Valdosta was not immune to these trends. For most of this period, mortgage interest rates were quite low and have continued to be low even though the economy has slowed down. These positive economic trends provided a favorable environment for households to secure and refinance home loans because they gave consumers a positive sense of job security, income-growth, and the ability to afford credit.

Table 6.6A list all the lenders that reported HMA data for the Valdosta MSA. Those lenders highlighted in green are considered to be sub prime lenders. It is obvious that the vast majority of lenders in the Valdosta mortgage market are sub prime lenders. In the Valdosta MSA there were 268 lenders reporting HMDA data in 2004.

To truly live up to fair housing law, all persons must have the ability to live where they want and can afford. Access to mortgage credit enables residents to own their homes, and access to home improvement loans allows them to keep older houses in good condition. All of these help keep neighborhoods attractive and residents vested in their community.<sup>47</sup>

The physical presence of financial institutions in communities facilitates relationships with banks. Location is the primary concern for a community. Areas that are left without branches or only access to ATM machines must find alternative sources (check cashing business, finance companies) for services, which can be more expense than traditional financial institutions or credit unions.

Table 6.4 indicates those lenders that would be considered "hometown lenders," offices or branches located in Valdosta. The table shows total applications for those census tracts that make up the City of Valdosta and applications for all of the Valdosta MSA. Three, Branch Banking & Trust (BB&T), Guardian Bank, Regions Bank, of the nine listed lenders had more than 50% of their applications from the City. One, Citizens Community Bank, had only 15% of their applications from the City.

Map 11 shows the location of Valdosta lenders by percent minority population, Maps 12 and 13 shows the location of lenders by median household income (2000) and housing built prior to 1970 respectively.

Map 12 shows is that except for those lenders located in the central business district, where little or no housing is available, there are very few lenders located within neighborhoods, where a high percent of minorities reside.

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<sup>47</sup> Federal Reserve Bank of Cleveland, Fall 2000



**Table 6-4 - Lenders Located in Valdosta\* - Total Applications - 2004**

Lender	Total Applications - All Types & Purpose for City of Valdosta Census Tracts	Total Applications - All Types & Purpose for Valdosta MSA
Bank of America	149	357
Branch Banking & Trust (BBT)	108	168
Citizens Community Bank	15	95
Colony Bank Quitman FSB	54	151
Commercial Banking Co.	116	254
Guardian Bank	125	168
Regions Bank	63	115
Park Ave. Bank	72	170
Heritage Community Bank	52	125

\* This list may not be inclusive of all lenders in the area. This list includes only those lenders that are required to submit HMDA data to federal regulators.

### 6.6 Action on Application

Table 6.5 shows applications by tracts and the action on those applications in terms of originations and denial. The table is divided by all lenders and those “hometown” lenders that have offices in the City. There were 3,085 applications accepted in those census tracts that make up the City of Valdosta. These are for all mortgage type of loans (conventional home purchase, FHA/VA home purchase, refinance and home improvement). Of the 3,085 applications 58.8% were originated and 22.4% were denied. Of the 765 applications for local lenders, 89.9% were originated and 7.8% were denied. The remaining applications were either approved and not accepted, withdrawn, or withdrawn for incompleteness.

Local Valdosta lenders really weren’t a significant factor in mortgage lending in the City census tracts in terms of number of applications. Local lenders had just 24.8% of all applications. However, when they did get an application they were more likely to originate and less likely to deny. This is significantly better than all lenders.



**Table 6-4 - Local Lenders by Applications, Originations, Denials by Tract 2004**

Census Tract	ALL LENDERS			LOCAL LENDERS		
	TOTAL	APPROVED	DENIED	TOTAL	APPROVED	DENIED
101.03	250	150	47	35	33	2
103.01	313	211	40	66	57	2
103.02	153	112	21	46	44	2
104.01	121	82	18	28	23	3
104.02	480	270	107	110	108	2
105.00	177	86	54	46	41	5
106.01	309	173	69	82	70	12
106.02	183	113	33	40	36	3
106.03	56	13	28	13	8	5
108.00	170	59	72	18	15	3
109.00	63	22	23	13	11	2
110.00	119	46	46	32	27	5
111.00	72	51	10	23	21	1
112.00	310	260	37	109	103	3
113.01	99	72	12	46	42	1
113.02	113	59	43	35	31	4
114.02	95	35	32	23	17	5
<b>TOTAL</b>	<b>3085</b>	<b>1814</b>	<b>692</b>	<b>765</b>	<b>687</b>	<b>60</b>

  = Tracts 30% or greater minority population according HMDA reporting data

It should be noted that many prime lenders, like those discussed above, have mortgage lending subsidiaries that do the majority of their mortgage type lending and the numbers for these subsidiaries do not show in the parent companies numbers. Even looking at the partner lenders, local lenders still do not have much of an impact on mortgage lending in the City.

It is important to remember the size of the mortgage market in the City. More than 3,000 applications were received by 268 mortgage lenders. Normally we would consider those



lenders who had 2% or more of the market. Currently available HMDA data software, that is affordable, does not allow for determining an individual lender market share. The last reporting year that such data was available was 2003. In that year, 3,781 applications were accepted by some 203 mortgage lenders, in the City of Valdosta.

In 2003, only 12 lenders had market shares of 2% or greater. Bank of America was the largest mortgage lender with 11.1% of the market (421 applications.) Only 25 lenders had 1% or more of the mortgage market, which consist of all types of loans and all purposes of loans. Of all the lenders in the market in 2003, 166 of them received 20 or fewer applications.

Often it is found that lenders receive a high number of applications and then deny an equally high number of those received. Caution should always be taken when considering that a lender approves 100% of their applications when they are only receiving ten or twelve in the first place. In the case of those local lenders in the City, they approve far more than they deny.

Lenders might be accepting as many applications as they possible can and then approving only those with A or A+ credit. Other issues are those applications that are received but have little or no reporting attached to them. This shows as "Not Available" in the HMDA data such as Race Not Available. With the changes that have taken place in the mortgage market such as internet banking, applications over the phone or through mail in applications race and other HMDA information might not be recorded leading to a high percentage of "Not Available."

Table 6.6 below shows action other than origination or denial taken on applications received in Valdosta census tracts for 2004.

**Table 6.6: Applications and Action Taken All Valdosta Lenders Applications 2004**

Action Taken	All Lenders
Approved Not Accepted	222
Applications Withdrawn	274
Closed for Incomplete.	88

Those applications that were "Approved but Not Accepted" are applications where the customer declined the loan. This could be for a number of reasons, the customer changing their mind, changes in loan terms and conditions or increase in the interest rate, etc. Those applications that are "Withdrawn" are when a customer decides not to go forward with the application or they find another lender that they decide to use or for other reasons.



Applications that are closed for incompleteness are those that are missing information, the applicant did not provide specific data or other information that would allow the lender to make a decision.

For all lenders in the City, more than 8% of all applications were withdrawn, 7% of applications were approved but not accepted and 3% were closed for incompleteness. The category of "Other" action on application by local lenders was not significant enough to review.

### **6.7 Government Backed Applications**

In 2000, 70.1 million families in the U.S. owned their own homes, an increase of 10 million from 1993. The role of government backed loans, especially FHA, in America has been significant since the programs' inception in the 1940's. More than 30 million families have used FHA as their source for home mortgages in the last six decades. FHA's market share over recent years has remained stable at around 20% of the total housing market. This is in spite of shrinking mortgage rates that FHA often cannot match, the increase in sub prime lending, the availability of competing mortgage programs from the conventional mortgage market and other actions.

FHA has always been the lender for low-moderate income households, minorities and those with less than stellar credit. In 1999, one fifth of all home purchases in the United States were FHA loans. Of this, two-fifths were for Blacks and Hispanics. Table 6.7 shows how the Valdosta MSA compared to the Nation in FHA activity.

There were 508 FHA applications in the City of Valdosta in 2004, which constituted 19.4% of the total market. The percent of Blacks/Hispanics using FHA was well below the national average in 2004 and the percent of all other minorities was considerably lower than the national average in 2004. However, applications from high minority tracts (20% or greater minority population) was double that of the nation at 62.4%. So while FHA/VA applications consisted of almost 20% of the mortgage market, the vast majority of those were from census tracts with high minority population.

The percent of low-moderate income applicants also was well below the national average. With more than 27% of those low and moderate income applicants applying for FHA backed mortgages.



**Table 6.7 - FHA Home Purchase Application Comparisons by Race and Income - Valdosta MSA 2004**

	Total	Black Hispanic	Low/Mod Income Applicants	Low/Mod Income Tracts	High Minority Tracts (20%+)	All Other Minorities
<b>Nation 2004</b>	29.0%	40.0%	42.0%	30.0%	31.0%	35.0%
<b>2004 MSA Total</b>	18.8%	19.6%	27.7%	2.3%	62.4%	1.8%

In terms of total applications for all types of loans, (home purchase, refinance, home improvement,) FHA/VA accounted for only 6.7% of all applications. Conventional home purchase applications accounted for 29% of all applications.

As Table 6.7 shows, the vast majority of a FHA/VA applications in the MSA came from minority census tracts (20% or greater minority population). This might show applicants in these tracts are taking advantage of better opportunities for home ownership. Or it also raises the question: are all those who submitting government backed applications only qualified for such mortgages or are they being placed in this category when they would qualify for a conventional mortgage?

Table 6.8 shows the breakout by conventional and government (FHA & VA) applications for Valdosta. When considering only those applications for home purchase, 2,704 applications, conventional applications accounted for four times as many applications (81.2%) as FHA/VA applications (18.8%).

**Table 6.8 -Comparison of Conventional and All Government Backed Home Purchase Applications**

	2004	As % of Home Purchase Apps.	As % of ALL Applications
<b>Conventional</b>	2196	81.2%	29.0%
<b>Government Backed</b>	508	18.8%	6.7%



### 6.8 Refinancing and Home Improvement Activity

While home purchase is of great importance, activity in refinancing and home improvement is equally important. Refinancing activity far exceeds that of home purchase or home improvement. With the focus of the mortgage industry on refinancing through mailings, e-mail, internet marketing advertising and tv/radio, it is little wonder that this part of the mortgage market is the most active.

Refinancing and home improvement loans should be the easiest to obtain since the lender is dealing with a known borrower who has equity in the home and has a commitment to the dwelling. Table 6.9 indicates action taken on refinancing and home improvement applications in the five census tracts that make up the City of Valdosta. Even when one considers the credit issues some homeowners will have, it would be reasonable to expect that denials of such loans would be less than originations.

Refinancing applications accounted for 65.8% of all applications for the City of Valdosta, 54.1% of all applications for Lowndes County and 54.7% for the Valdosta MSA. Considering that conventional home purchase applications accounted for only 16.6% of the City applications, 30% for the County and 29.1% of the MSA, this is a significant indicator of the mortgage market in the community.

Of the 1,722 applications for refinancing accepted in the City 46% were originated and 26% were denied. These rates are significantly higher than home purchase rates. Home Improvement shows an almost even split between originations and denials, with 47.7% being originated and more than 42.5% being denied.

**Table 6.10 - Action taken on Refinancing and Home Improvement Applications**

2004	Applications	Originated		Denied	
		#	%	#	%
<b>City of Valdosta</b>	#	#	%	#	%
<b>Refinancing</b>	1,722	805	46.8%	463	26.9%
<b>Home Improvement</b>	247	118	47.8%	105	42.5%
<b>Valdosta MSA</b>					
<b>Refinancing</b>	4,129	2,033	49.2%	1,035	25.1%
<b>Home Improvement</b>	715	383	53.6%	237	33.2%

High home improvement denial rates are a concern for the community. Homeowners who are unable to secure home improvement loans will be unable to maintain and improve their properties, and subsequently will be unable to command a fair market price for their homes, which can lead to deteriorating neighborhoods.



One factor for higher denial rates for home improvement loans rather than for home purchase and refinancing loans may be the volume of advertising encouraging home owners to use their home equity to pay for college tuition, vacations, and debt consolidation. In these instances, the loan - though secured by the home - has no direct impact on the community or the condition of the property.

Another factor is the practice of allowing homeowners to borrow up to 125% of the appraised value of their home. While not as popular now as it was in the late 1990's, this practice may encourage borrowers to seek loans they cannot repay.

The community may desire to look more closely at the types and uses of such loans. Homeowners become absentee landlords because they are unable to sell their homes. These same owners, if denied access to home improvement loans, will not be able to maintain their homes in good repair, negatively influencing the residents and the community

Table 6.10 shows action on refinancing applications in the City. The period contained in this Table experienced some of the lowest interest rates in decades and was a period when refinancing mortgage activity outpaced home ownership mortgages. White applicants during this time had a far better chance to make an application and have it approved than minority applicants. While origination rates for refinancing loans were lower than home ownership mortgages and denials were higher for all races, Whites still had a higher percentage of originated loans and a lower percentage of denials than Black applicants.

The "race not available" category also showed high percentages of applications, leading to the speculation that many of the applications were received by phone or on the internet. During this period there was a high rate of advertising for refinancing from both sub prime and prime lenders.

Blacks did not fare as well as their White counterparts in terms of applications and originations for refinancing. Blacks were two and one half times less likely to make an application than whites, accounting for 22.1% of refinancing applications while Whites had practically 60% of the market.

In terms of applications originated, Blacks had a rate of 32.7% compared to Whites at 61.2%, while they had a 37% denial rate compared to Whites 18.8%. Whites were almost twice as likely to be approved than Blacks. This is significant, consider that Blacks had a harder time making applications and when they did they had a lower origination rate than their white counterparts.





**Table 6.10: Action on Refinancing Applications by Race - 2004 Valdosta MSA**

Race/Ethnicity	2004 Apps.		2004 Orig.*	2004 Denial's*
<b>Black</b>	912	22.1%	32.7%	37.0%
<b>Hispanics</b>	40	1.0%	45.0%	22.5%
<b>White</b>	2,459	59.6%	61.2%	18.8%
<b>Race Not Avail.</b>	683	16.5%	10.3%	30.0%

\*As a percent of Black Applications, White Applications, etc.

The “not available category” had 683 applications and continues to be a concern. According to Jason Dietrich, Office of the Comptroller of the Currency, “HMDA contains a surprisingly high percentage of applications that lack race data, and those percentages have trended upward.<sup>48</sup> The FFIEC website highlights in its guide to HMDA reporting for 2003 the requirement, effective on January 1, 2003, to collect race and sex data on telephone applications<sup>49</sup>.” This new requirement will allow more accurate monitoring of lending institutions for fair lending compliance. But just as that new effort was put into place, the regulatory agencies in late 2004 and early 2004 made changes to HMDA reporting requirements that would make it difficult to continue to get HMDA data and a large percentage of lenders in the Country.

## 6.9 Conventional Home Purchase

Conventional home purchase loans are a strong indicator of how many families are able to purchase single-family housing in the City. Conventional loans are those that are generally available to those with good credit ratings.

Table 6.12 shows the total number of applications and the percentage of originations and denials for conventional home purchase in the City of Valdosta by local lenders.

<sup>48</sup> Dietrich, Jason, *Missing Race Data in HMDA and the Implications for Monitoring of Fair Lending Compliance*, March 2001

<sup>49</sup> Federal Financial Institutions Examination Council’s website [www.ffiec.gov/hmda](http://www.ffiec.gov/hmda), September 12, 2003



**Table 6.12 - Local Lender Conventional Home Purchase Applications by Action - City of Valdosta**

	City of Valdosta		
	# Apps	% Orig.	% Denied
<b>All Lenders</b>	934	75.7%	13.1%
<b>Bank of America</b>	58	86.2%	6.9%
<b>Branch Banking &amp; Trust (BB&amp;T)</b>	57	96.5%	0.0%
<b>Citizens Community Bank</b>	6	100.0%	0.0%
<b>Colony Bank Quitman FSB</b>	28	100.0%	0.0%
<b>Commercial Banking Company</b>	45	91.0%	6.7%
<b>Guardian Bank</b>	22	100.0%	0.0%
<b>Regions Bank</b>	23	100.0%	0.0%
<b>Park Avenue Bank</b>	27	66.7%	29.6%
<b>Heritage Community Bank</b>	29	100.0%	0.0%

Over 60 percent of applications (1,262) for conventional home purchase were in the Valdosta MSA with 42.5% being in the City of Valdosta (934). Local lenders accounted for 31% of conventional home purchase applications in the City, 295 applications. Bank of America had the largest number of applications of the local lenders, followed by BB&T, and Commercial Banking Company.

Local lenders originated almost all of the applications for conventional home purchase that they received. Five of the nine local lenders originated 100% of their applications. All but one lender did better than the 75.7% benchmark for all lenders in their originations. This means that as long as applicants had a chance to get in the door to make an application they had a excellent chance of being approved.

Denial rates were well below the benchmarks of 13.1% of all lenders. Only one lender had more denials than that, Park Avenue Bank with a 29.6% denial rate.

The origination to denial rate for local lenders is far less significant. So few applications were accepted that originating 100% of applications or denying 100% means very little. Our concern is that local lenders seem to be less of a “player” in the mortgage market than those from outside the City. Again, of the 934 total applications for conventional home purchase local lenders had just over 31% of those applications.



## 6.10 Conventional Home Purchase - Race

According to a recent study by the Pew Hispanic Center, in 2002, Blacks and Hispanics had a respective median net worth of \$5,998 and \$7,932 - shockingly low. All the more so when compared to White median net worth of \$88,651. This low rate was a decline for Blacks and Hispanics from their 2000 worth levels while for Whites it was an increase.<sup>50</sup>

Home ownership is one of the most reliable and accessible ways for economically disadvantage people to close the wealth gap and obtain a secure position in the middle class. However, despite the reduction in interest rates to record lows, the numerous mortgage products designed for low-moderate income households, less than 50% of Blacks and Latino families have achieved home ownership, compared thoroughly 75% of White families.<sup>51</sup>

Table 6.13 shows lenders by the number of conventional home purchase applications received by the race of the applicants for the Valdosta MSA. All lenders in the MSA had almost five times as many applications from Whites (1,537) than from Blacks (311). Over 69% of conventional home purchase applications were from Whites with just 14.2% from Blacks. Considering the number of applications received by all lenders (2,196) and the fact that Blacks make up 48.5% of the population, the representation of Blacks is a concern.

Local lenders received more applications from Whites than from Blacks and Hispanics. The benchmark would be for the percent of applications to be at or near the percent of population of the specific race or ethnic group. In all cases but one local lenders met or exceeded the White population benchmark of 47.7%. None of the local lenders missed the benchmark for applications from Whites. Local lenders did not even come close to the 48.5% benchmark for Blacks. Heritage Community Bank had the highest percent of Black applications with 17.5% followed by Park Avenue Bank (16.4%) and Regions Bank (14.3%).

The number of applications from Hispanics is so low as to be difficult to review. However even considering that five of the nine local lenders received no applications from Hispanics they still were close to their population benchmark of 2.7%.

One of the issues in reviewing the data is that local lenders had so few applications for conventional home purchase loans. Bank of America had the largest number of applications from the MSA of local lenders with 128, Commercial Banking Company followed with 92 applications. With such small numbers in a total market of over 2,100 applications, it makes it even more of a concern that Blacks seem to be a non entity in the

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<sup>50</sup> Poverty & Race, Vol 14, No. 1, Jan/Feb 2005, Page 17

<sup>51</sup> Ibid



mortgage market. Even considering the low number of total applications from these lenders it would be assumed that they would do much better than they did.

**Table 6.13 - Number and Percent of Applications by Race 2004 - Valdosta MSA**

	White		Black		Hispanic		Not Available	
	#	%	#	%	#	%	#	%
<b>All Lenders</b>	1,537	69.9%	311	14.2%	47	2.1%	297	13.5%
<b>Bank of America</b>	107	83.6%	13	10.2%	2	1.6%	5	3.9%
<b>Branch Banking &amp; Trust</b>	40	50.0%	7	8.7%	0	0.0%	29	36.2%
<b>Citizens Community Bk.</b>	29	90.6%	2	6.3%	0	0.0%	0	0.0%
<b>Colony Bank Quitman</b>	60	69.0%	7	8.0%	0	0.0%	20	23.0%
<b>Commercial Banking</b>	75	81.5%	3	3.3%	1	1.0%	11	12.0%
<b>Guardian Bank</b>	27	77.1%	1	2.9%	0	0.0%	5	14.3%
<b>Regions Bank</b>	30	61.2%	7	14.3%	0	0.0%	11	22.5%
<b>Park Ave. Bank</b>	39	63.9%	10	16.4%	2	3.3%	11	18.0%
<b>Heritage Community Bk.</b>	45	71.4%	11	17.5%	1	1.6%	6	9.5%

Table 6.13 shows the division of applications received by race, Table 6.14 looks at what happen to those applications once they were made by reviewing originations and denials for conventional home purchase for Black, Hispanic and White applicants. The activity is given as a percent of conventional home purchases applications by race.

All lenders showed that they originated over 52% of the Black applications they received. Except for Park Ave. Bank, local lenders originated at least 53% of Black applications.

White applicants had originations rates in the high eighties and nineties in most cases. All lenders originated more than 78% of White applications. Five of the nine local lenders originated over 90% of their White applications and three of the nine originated more than 80%. Only Citizens Community Bank originated 100%. Only Park Avenue failed to match their competitors 66.7% originated.

What these two tables tell us is that when comparing Blacks and Whites, Blacks had a much more difficult time getting in the door to make an application than Whites, even when they did, Blacks had much lower origination rates than Whites. While a concern is the lower origination rates, the larger concern is that Blacks are not getting in the door as often as Whites to even make an application, there were only 311 applications from Blacks in 2004. Note that, because applications numbers are low, a high rate of origination may mean very little.



In defense of the local lenders if they have mortgage subsidiaries they may be doing more than is readily apparent. It could be assumed that Bank of America would have mortgage partners, since they were, at one time, the parent organization of more mortgage companies than any other lender in the United States. If any of the local lenders are partners with a mortgage company, the majority of their mortgage lending activity could be through that company.

**Table 6.14 - Conventional Home Purchase - Percent of Originations and Denials by Race**

	Originations			Denials		
	White	Black	Hispanic	White	Black	Hispanic
<b>All Lenders</b>	78.5%	52.1%	57.5%	10.9%	29.3%	27.7%
<b>Bank of America</b>	85.5%	53.8%	50.0%	3.7%	23.1%	50.0%
<b>BB&amp;T</b>	87.5%	71.3%	0.0%	5.0%	28.6%	0.0%
<b>Citizens Community Bk.</b>	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%
<b>Colony Bank Quitman</b>	95.0%	71.4%	0.0%	5.0%	28.6%	0.0%
<b>Commercial Banking</b>	94.6%	66.7%	100.0%	5.3%	33.3%	0.0%
<b>Guardian Bank</b>	96.3%	100.0%	0.0%	3.7%	0.0%	0.0%
<b>Regions Bank</b>	80.0%	85.7%	0.0%	10.0%	14.3%	0.0%
<b>Park Ave. Bank</b>	66.7%	30.0%	50.0%	23.0%	30.0%	0.0%
<b>Heritage Community Bk.</b>	97.8%	90.9%	100.0%	2.2%	9.1%	0.0%

As noted earlier, double digit percentage of missing race data (Table 6.13) creates problems in conducting a fair lending analysis. Considering local lenders, the percentages for many lenders were in single digits. With the small number of over all applications, it is still a concern. Hopefully, the requirements initiated in 2004 requiring lenders to obtain this information in telephone applications will help. Certainly, seeing such a combination of issues – high percentages of “race not available” and minority applications withdrawn – raises a concern regarding the equitable treatment of minority applications.

### 6.11 Conventional Home Purchase - Applicant Income

This section analyzes lender performance on another important community reinvestment goal: making mortgage credit available to persons of low-moderate income (80% or less of median household income). According to the US Census 2000, the Median Household Income for 2000 in Valdosta was \$29,046. Low moderate income was at \$23,236 or less.

The HMDA database for lenders provides an income breakdown of mortgage loan applicants at the application, origination and denial stage of the lending process. From this



information, we can assess which lenders have been most successful in servicing the mortgage credit needs of low-moderate income households.

Table 6.15 shows all lenders and local lenders by the percent of conventional home purchase applications received from low-moderate income applicants. All lenders combined for 26.7% of the low-moderate income market share in the MSA. As with applications by race, local lenders were poorly represented.

**Table 6.15 - Percentage Applications from Low-moderate Income Applicants - MSA 2004**

	<b># Low-Mod Apps.</b>	<b>% Low-Mod Apps.</b>
<b>All Lenders</b>	583	26.7%
Bank of America	13	11.7%
BB&T	4	5.0%
Citizens Community Bk.	5	15.6%
Colony Bank Quitman	16	18.3%
Commercial Banking	21	22.8%
Guardian Bank	3	8.6%
Regions Bank	7	14.3%
Park Ave. Bank	22	36.1%
Heritage Community Bk.	8	12.7%

Park Avenue Bank had 36.1% (22) of the low-moderate income applications, the largest percentage of any local lender. Commercial Banking was second with 22.8% (21) applications. BB&T was the smallest lender in terms of low-moderate income applications with 5%, on just 4 applications.

Table 6.16 below compares lenders in terms of originations from low-moderate income applicants and upper income applicants. The MSA average for originations was 56.8% for low-moderate income applicants and 82% for upper income applicants. This difference would be expected since it is assumed that upper income applicants would typically be more qualified. The fact that almost 57% of applications from low-moderate income applicants were originated is also a good sign. That means that one out of every two applications is successful.



**Table 6.16 - Originations to Low-moderate Income Applicants - MSA 2004**

	% Origination's*	
	Low-mod. Inc. Applicants	Upper Inc. Applicants
All Lenders	56.8%	82.0%
Bank of America	73.3%	81.9%
BB&T	50.0%	83.3%
Citizens Community Bk.	100.0%	100.0%
Colony Bank Quitman	87.5%	98.2%
Commercial Banking	72.9%	100.0%
Guardian Bank	66.7%	100.0%
Regions Bank	71.4%	90.3%
Park Ave. Bank	45.3%	78.9%
Heritage Community Bk.	75.0%	100.0%

\*As a percent of total originations

The good news is that when low-moderate income people make an applications to the local lenders, they do have good chance of getting the loan. Seven of the nine local lenders had origination rates for low-moderate income applicants over 60%. Local lenders seem to be reaching out to low-moderate income applicants as shown in Table 6.16. However, the fact that five of the local lenders had single digit applications from this income group is a concern.

### 6.12 Lending Based on Race and Income

Table 6.17 shows application, origination and denial numbers for all lenders by income group-Black applicants and income group-White applicants. Due to the low overall numbers of applications from Blacks local lenders, much of the data in this section less is significant than it would be if the application numbers were higher. Therefore, this section only reviews activity by all lenders. This analysis is important because it gives some indication of how Blacks and Whites fare in obtaining conventional home loans when income levels are considered. As indicated earlier, it is clear that application numbers for Black applicants are far lower than White applicants.

In all income groups White rates fared better in each category from applications, origination and denials. In many cases, the rate of applications to White and Blacks was four to five times greater.



Typically, upper income applicants would have the least trouble in obtaining a loan. However, upper income Blacks had a 65% chance of being approved while Whites of equal income had a 85% chance of being approved.

If we consider those earning between 80% and 119% of median income the middle class the disparity is even more of a concern. In the mortgage market it is often said that the middle class is where the market is. But lenders in Valdosta MSA had only 54 applications out of 300 from Blacks (18%) and 361 applications out of 1,498 from Whites (24%) in this income group. Blacks had only 51% origination rate while Whites had 75% origination rate. Blacks were denied 20% of the time and Whites were denied 11% of the time. It would seem that middle class applicants have the harder time in making applications and those applications being originated. Low-moderate income Whites and Blacks fared better in terms of applications and originations than middle income borrowers.

**Table 6.18 - Application Action by Race and Income**

Applicant Income	BLACK			WHITE		
	Apps.	Original.	Denials	Apps.	Original.	Denials
<b>% Of Median Income</b>						
<50%	46	39.1%	47.8%	103	61.2%	29.1%
50 -79%	101	45.5%	33.7%	263	70.3%	18.6%
80 - 99%	30	53.3%	20.0%	181	72.4%	12.7%
100 - 119%	24	50.0%	20.8%	180	77.2%	9.4%
120% or more	99	65.7%	21.2%	771	85.2%	5.7%
<b>TOTAL</b>	<b>300</b>	<b>52.3%</b>	<b>29.3%</b>	<b>1498</b>	<b>78.4%</b>	<b>10.9%</b>

Even when lenders report high Blacks origination rates, Blacks are still not getting in the door to make an application. It should also be noted that, as origination rates for Blacks were lower than Whites, denial rates for Blacks were higher than Whites. In each income level, the denial rate was usually higher for Blacks than for Whites.

In summary Whites fare much better in the mortgage lending market in the MSA than Blacks. While Hispanics are a smaller population group, in many cases they seem to do better than Blacks when percentages of applications, originations and denials are compared. Considering that Blacks make up the 48.5% of the population, it could reasonably be expected that Black rates would reflect a similar benchmark. Even when comparing income to income Blacks fall short of their White counter parts.

This should not be considered an indication that lending discrimination is the cause of this discrepancy, only that a deeper analysis of lending should be undertaken that can compare multiple years, prime and sub prime lending and other questions that could not be addressed in this analysis.





## 7.0 Community Issues

### 7.1 Community Survey

Consultants conducted a survey of community organizations, agencies and individuals focusing on housing issues in the City of Valdosta.<sup>52</sup> Potential respondents to the survey were derived from the City of Valdosta Final Interim Consolidated Plan 2004 - 2009. This survey offered several open-ended questions, and was designed to elicit responses in order to document how those living within the community viewed their own housing barriers. Agency directors or managers were encouraged to answer questions in any way they felt necessary. In addition, the questionnaire was distributed to City Council members and two suggested community interest groups.

Twenty-one entities were invited to respond. Following are their responses and observations.<sup>53</sup>

#### **QUESTION #1: WHAT DO YOU SEE AS PROBLEMS FOR INDIVIDUALS WITH DISABILITIES IN ACHIEVING HOUSING THAT MEETS THEIR NEEDS IN VALDOSTA?**

- \* Cost and lack of numbers of unites. Most people who are disabled and are on minimum income levels that require a handicapped accessible home simply cannot afford it. And the additional cost to build collides with builders wanting to make a profit.
- \* Only those with severe mental disability or behavioral health clients are eligible for Shelter Plus Care.
- \* No public transportation to access housing. Not enough housing and long waiting list for low income homes.
- \* There are many dependable and willing contractors out there, but the problem is resources available to pay them. Many disabled individuals survive on a fixed income, money is tight, federal funding streams are drying up or facing cuts.
- \* Affordable housing and ADA accessibility.

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<sup>52</sup> A copy of the survey form is included as an Appendix along with the names of all participating agencies.

<sup>53</sup> Actual responses are included as an Appendix.



\* African Americans with disabilities are disadvantaged in several areas. To the casual observer, sidewalks that are handicapped accessible are conspicuously absent on Valdosta's south side where African American children live, walk and play. The physically challenged in wheel chairs have to propel their way hugging the side of the road.

**QUESTION #2: GIVEN THE RECENT INCREASE IN THE HISPANIC POPULATION, WHAT DO YOU SEE AS PROBLEMS FOR HISPANICS?**

\* Trust, the language barrier and the cultural barrier are a most difficult hurdle to overcome. It has been our experience that a large portion of the immigrant Hispanic population believes they are only in the United States for a short period of time. Enough time to earn as much money as they need to solve problems at home. Documentation is another big problem; most permanent housing requires legal documentation, with established credit.

\* The problem for Hispanics is the need for a translator for Spanish and proper identification.

\* Language barrier, not enough interpreters, and no public assistance offered.

\* Federal restrictions on illegal immigrants without proper documentation (social security cards or work permit). They are not eligible for assistance from various federal programs.

\* Language barrier.

\* We find your question about the Hispanic population interesting. Hispanics represent a minute percentage of Valdosta's population. While African Americans are the minority majority population in Valdosta, no special attention was given to their needs.

**QUESTION #3: WHAT DO YOU SEE AS PROBLEMS FOR INDIVIDUALS IN GETTING OUT OF HOMELESSNESS IN VALDOSTA?**

\* Cost of housing with its un-remitting steady increases. Vehicles of education. How to get the products that are available to the people with a need. Identification of the scope of the problem. Valdosta has just been funded, we understand, to have a complete study done to identify and quantify the homeless number.

\*Problems for individuals in getting out homelessness in Valdosta including criminal history, drug/alcohol addictions, mental illness, illiteracy, and lack of income based homes, credit and history.



\* High price in housing, low paying jobs, no transportation and no shelters for the homeless population.

\* Many of the homeless suffer from mental illness and are not aware of the available resources. A percentage suffer from alcoholism and some are homeless by choice.

**QUESTION #4: WHAT DO YOU SEE AS A NEGATIVE FOR INDIVIDUALS IN ACHIEVING AFFORDABLE SAFE AND DECENT HOUSING IN VALDOSTA?**

\* The state of Georgia's new law regarding eminent domain. Even with a forward thinking community such as Valdosta, this new law change will have catastrophic effect on a municipality's ability to revitalize its oldest, weakest neighborhoods and bring them into the 21<sup>st</sup> century. Zoning issues hurt as well we have many parcels of land, that even though there was a home on them at one time, after the lots have been cleared they are according to current zoning standards, too small to build a new home. Education has many side boards in this question. Perspective homeowners need to understand completely what affects their ability to own their own home. Credit scores, what causes good credit what causes bad credit. Budgets to live by, we need a larger scope in neighborhood revitalization, we need to make them truly affordable and decent, but also designed well as a group.

\* Credit History and Financial Management.

\* Lack of adequate income and transportation. Deposit for housing and utilities too high. No advertisement for spaces available for low income housing.

\* Lack of federal resources and/or unrealistic restrictions placed on agencies who are capable and have a good history of providing the service to people in the community.

\* Valdosta's African Americans' median income is approximately \$18,500 and the median income for whites is approximately \$36,500. This disparity accounts for blacks having difficulty in getting financing for "affordable, safe, and decent housing."

\* In Valdosta, unionism has been discouraged, and good paying jobs in the black community are absent.

\* There is no Black bank managers in Valdosta and perhaps the entire Lowndes County Georgia area at this time. The Valdosta City School Teachers who are Black are extremely far off from the make-up of the children attending city schools.



**QUESTION #5: WHAT POSITIVES DO YOU SEE FOR INDIVIDUALS IN ACHIEVING AFFORDABLE, SAFE AND DECENT HOUSING IN VALDOSTA?**

\* Living in decent and affordable homes in order to set the table for productive citizens.

\* Valdosta is a growing well managed community that is stepping out of the small South Georgia town model and becoming a vibrant growth filled metropolitan city. The community leaders and organization have formed strong alliances and coalitions that have identified and brought together plans to eliminate common problems. Decent housing needs are great in Valdosta, and Valdosta is answering that need. Everyone wants the speed to be greater. But, much has been accomplished. There is a new sense of the importance of homeowner education. We have a Land Bank Authority that is the envy of many communities. We have a documented study of the size and scope of the sub-standard housing problem in our community, and we have made a plan to eliminate it. The city's community development department as well as neighborhoods within the constraints that are inherent. Habitat for Humanity is a valued part of this effort, building between 15-20 new homes a year, making the local affiliate one of the top producers of the entire Habitat for Humanity affiliates nationwide. WE have several modern and well managed HUD projects throughout our town, and a well managed and responsive Housing Authority.

\* Some housing exist. But more is needed.

\* New industry into the area.

\* In Valdosta there is much community support, many caring individuals who truly want the best for people.

**QUESTION #6: DO YOU HAVE ANY COMMENTS IN REGARDS TO THE LOCAL HOUSING ASSISTANCE PROGRAM IN VALDOSTA?**

\* A very broad question, with many possible answers. Valdosta tries very hard and does commendable work as it takes care of its citizens. Housing is such a critical issue with its relationship with education, crime , health, and value and quality of life. Housing issue will grow and grow as rapidly as Valdosta is growing. The growth can be negative as well as positive. Each year some of our neighborhood gets older and more difficult to re-vitalize. Each year we have more need for work force housing. Each year property values go up, the overall cost of the house increase, which squeezes the market tighter and tighter. We have a good start, we need to remove as many impediments as possible as the coalition of Government for profit and non-profit organizations partner together to inform first and build second.



- \* I'm not sure if Shelter Plus Care is taking care of all our clients with disabilities.
- \* Back logged and high risk neighborhoods. Not energy sufficient and no place for safe day care.
- \* There is really no one stop shop, only local agencies, city government, pulling together and attempting to piece together assistance for people.
- \* ... we feel that it is important that you hear our concern about how monies that were intended to be used for the enhancement of the African American community has been misused.
- \* Owning a house is still a significant part of the American Dream. Stable families seem to own their own homes, or are preparing to buy them. And people who live in a house that they are buying tend to keep it up, and protect it, and the neighborhood around them. If, however, we continue to concentrate these homes in one area of the city, as is being done in Valdosta, we will simply lay the foundation for a larger slum tomorrow.
- \* Homeownership is a necessary part of life which every family and individual requires to fulfill a better quality of life.

**QUESTION #7: ARE THERE ANY PROBLEMS FOR INDIVIDUALS IN REGARDS TO TRANSPORTATION IN VALDOSTA?**

- \* There is a local transit system, small buses that run from different stops, riders must pay as it should be, many factors such as the high cost of gas, unforeseen maintenance cost put many agencies out of business or turn them against transportation programs.
- \* No public transportation.
- \* Lack of affordable transportation. Not sure if transportation is available 24 hours.
- \* Every person, every community is dealing with the tremendous increases in fuel cost. We have a small public transportation sector. An area that must be dealt with if Valdosta continues its growth. The cost will be enormous. We are fast approaching the cross roads of what to do about public low cost transportation.
- \* Yes we need county wide system.

**QUESTION #8: ARE THERE ANY PROBLEMS FOR INDIVIDUALS IN REGARDS TO EMPLOYMENT IN VALDOSTA?**



\* Each business in Valdosta wants to keep its cost down in order to make a profit. One of the major costs to a business is labor. Business tries to pay only what it feels it needs to pay and as all cost continue to rise; employees want maintain their standard of living. It is a squeeze that will always be a part of employment issues. Valdosta does have a decent mix of types of employment. Not like recent history when Valdosta was dominated by agri-business. This decent mix has a vast array of benefits as well as pay scales. Education is the key and we are fortunate to have a strong educational infrastructure. Public and private schools, colleges, vocational training, each contribute greatly to our employment base. Overall our employment opportunities are improving.

\* Cost of living is more than medium income for this area.

\* Not enough employment with adequate pay.

\* None that I know of, the Dept. of Labor is more than willing to help people help themselves, GED classes are offered free at many sites. Internet job search is available at the library, community service centers, etc. Valdosta has day labor work, the newspaper has classifieds, want ads, run on a TV channel, it may not be the job you want, but start somewhere.

\* The Building trades were responsible for the African American Middle class. Brick Masonry, carpentry, plumbing, auto mechanics, body shop, painting, plastering, etc. Once these trades were removed from our high schools, the middle class, as we knew it, began to decline. In Valdosta, unionism has been discouraged, and good paying jobs in the black community are absent. African American students who attend college here leave in search of a decent job in other cities, and those who go away to college don't return.

\* In the Valdosta, GA-Lowndes County area, families and individuals have a great need for safe, decent, and affordable housing. Most families and individuals have rented and leased their residences, but homeownership has remained merely a dream. Primarily, homeownership is unrealistic for a majority of the poor and working class, specifically because the employers of this area are not the type of employers who promote necessary wage/salary increases for working class and poor people.

Many families and individuals provide for their families through the vehicle of minimum wage employment, often maintaining a full-time and part-time job to sustain basic needs. The standard must be raised. The standard should be raised by way of increases in wages/salaries and not with words or excuses.

Additionally, many who are gainfully employable because they have successfully completed four-year and two-year degree and certificate programs, are unemployed and/



or underemployed. Jobs are often unavailable to these individuals most often for ambiguous or unknown reasons. As a result, those who are skilled, trained, and educated by degree-sought standards remain underemployed and unemployed.

Therefore, many who come from poor and working class socio-economic backgrounds are forced to continue a cycle of renting and leasing but not becoming homeowners. It is time to close this disparity gap-- the wage-salary gap and the homeownership gap, for poor and working class people in this community.

## **7.2 Observations**

Six (6) responders believe that there is a lack of available, affordable and accessible housing stock and related services for individuals with disabilities in achieving housing that meets their needs.

Four (4) responders cited language as a barrier to the growing Hispanic population. Also cited was transportation to get people to work as a primary problem for individuals trying to get out of homelessness.

Five (5) responders stressed the importance of lack of education in achieving affordable, safe and decent housing.

Five (5) responders pointed to a lack of good paying jobs as an impediment to homeownership. One responder stressed the impact upon the African-American community.

Four (4) responders indicated that lack of credit and lack of credit understanding severely limit homeownership opportunities.

Two (2) responders cite mental disability as a chief cause of homelessness.

One (1) responder felt that government/private programs, such as the Community Development Department and the Valdosta Housing Authority were doing a good job of assessing the need for affordable, safe and decent housing, and commended the efforts of the Land Bank Authority and Habitat for Humanity. In contrast, two (2) responders questioned coordination and proper use of governmental resources.

Four (4) felt that the lack of a public transportation system was a major impediment to achieving housing, and one stressed the need for a county-wide system.



One (1) responder pointed to the lack of minority representation on governmental bodies.

Two (2) commentary's expressed concerns about the Shelter-Plus-Care program and its efficacy.

## 8.0 - Advertising

### 8.1 Statute and Regulatory Language

In simple terms, discriminatory real estate advertising is prohibited by the Fair Housing Amendments Act (FHAA) of 1988 (42 U.S.C. 3604). This means the law applies to classified advertising, display advertising, inserts or any other types of real estate advertising that a newspaper or magazine may publish. It also applies to any type of advertising or written material that a real estate business may distribute or use, whether it be brochures, direct mailings, radio or television advertising, multiple listing services (MLS), posters, billboards, application forms or other documents, signs or videos.

In Section 804, the FHAA specifically states that:

*"it shall be unlawful to make, print, or publish, or cause to be made, printed or published any notice, statement, or advertisement, with respect to the sale or rental of a dwelling that indicates any preference, limitation, or discrimination based on race, color, religion, sex, handicap, familial status, or national origin, or an intention to make any such preference, limitation, or discrimination."*

Because housing is an integral part to the successful community care for many people with mental disabilities, discrimination has been a major barrier of access to adequate housing.

In an effort to eliminate such discrimination and to support the right of people with a disability to live in the community of their choice, Congress included in the FHAA prohibitions against discrimination of persons with a mental disability in the provision of housing. In addition, it also prohibited discrimination of families with children. The provisions of the act also establish stronger administrative enforcement mechanisms and provide for stiffer penalties to expand coverage to include these specific classes in addition to those protected classes initially covered.

In addition, there are special rules applicable to senior complexes and the advertising for such senior complexes. The FHAA provides that housing for older persons includes three categories of housing: (1) housing provided under a state or federal program that HUD determines is "specifically designed and operated to assist elderly persons;" (2) housing





intended for and only occupied by persons who are 62 or older; and (3) housing “intended and operated for occupancy by at least one person 55 years of age or older per unit,” which means that the housing must have at least 80 percent of its units occupied by at least one person 55 years of age or older, must have facilities and services designed to meet the needs of older persons and must adhere to the policies and procedures that demonstrate an intent to provide housing for persons 55 or older. The FHAA also provided for certain “transition” rules for existing complexes.

Although the FHAA does not address the issue of advertising for senior complexes, the HUD regulations make clear that there is a parallel exemption from the discriminatory advertising provisions. Therefore, advertising for qualified “housing for older persons” under the FHAA may make reference to the age of the desired residents.

#### **A. HUD Advertising Guidance**

Advertising guidelines have been the subject of great debate since they were enacted in 1988. In order to clarify the confusion over terms and phrases that were considered a violation of the regulations, the US Department of Housing and Urban Development (HUD) agency issued further guidelines that provide a more reasonable review method in order to determine what constitutes discriminatory advertising.

Originally, terms such as “excellent view”, “walk-in closet”, “bachelor” or “bachelorette” and names such as “The Baptist Home” could have been viewed as discriminatory. Currently, when these are placed in their proper context, they are not “red-flagged” as discriminatory.

Besides words indicative of race, color, religion, sex, handicap, familial status, or national origin, colloquialisms, or words or phrases used regionally or locally, which might imply or suggest race, color, religion, sex, handicap, familial status or national origin should be avoided as well. In addition, catch words and phrases such as “restricted”, “exclusive”, “private”, “integrated”, “traditional”, “board approval” or “membership approval” and symbols or logotypes which imply or suggest race, color, religion, sex, handicap, familial status or national origin should also be avoided.

It should also be noted that the liability does not exist only with publishers of any print media or broadcasters of radio and television advertising for the sale or rental transaction of a residential dwelling. It also includes persons or companies who conduct the sale or rental transaction of a residential dwelling such as advertising agencies, sales firms, real estate professionals and management companies. In addition, their clients can be held liable as well. Jury cases involving discriminatory real estate advertising in the Washington, D.C.-Baltimore, Maryland area have resulted in jury awards of \$850,000 and \$2 million. In addition, a successful plaintiff in a discriminatory advertising suit is generally entitled to



have the court order the defendant to pay the plaintiff's attorneys' fees, which can be significant. It should also be noted that where the defendant has acted in reckless disregard of the plaintiff's civil rights, punitive damage awards are also available under federal law. (Smith v. Wade, 461 U.S. 30, 37 - in 1983)

Advertising may be described as an evolving art, science and business. Traditional forms of advertising (i.e., newspaper, radio, television) now compete with electronic publication on the World Wide Web. Internet advertising has been the subject of increasing scrutiny and debate. Most recently, the web-based Craig's List has been the defendant as a provider of housing information. The Chicago Lawyers' Committee for Civil Rights has filed a lawsuit against Craig's List because the Fair Housing Act explicitly holds publishers responsible for discriminatory ads that have been prepared by third parties<sup>54</sup>. This litigation is pending, but may hold broad implications for future advertising.

Caution should be noted when describing either a geographical area or giving directions as they can imply a discriminatory preference, limitation, or exclusion. These can include the names of facilities which cater to a particular racial, national origin or religious group, such as country club or private school designations. In addition, the names of facilities which are used exclusively by one sex may indicate a preference.

All forms of print media should indicate that all housing advertised in their classified sections abide by the FHAA. The HUD regulations contain a special provision applicable to publishers. They provide that all publishers should publish at the beginning of their real estate advertising section a notice including language to the following effect:

All real estate advertised herein is subject to the Federal Fair Housing Act, which makes it illegal to advertise "any preference, limitation, or discrimination because of race, color, religion, sex, handicap, familial status, or national origin, or intention to make any such preference, limitation, or discrimination." We will not knowingly accept any advertising for real estate which is in violation of the law. All persons are hereby informed that all dwellings advertised are available on an equal opportunity basis. In addition, telephone numbers for local fair housing organizations or agencies which home seekers may call for information if they feel that they have been the victim of housing discrimination should be included in the publisher's notice.

In conjunction to the above disclaimer, all advertising for housing, including lending, should include the "Equal Housing Opportunity" slogan or logo according to HUD regulations. The logo is to be placed in all advertising that is larger than two (2) column inches and it should be legible.

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<sup>54</sup> (2006) Voice of America. *Lawsuit Calls on Craig's List to do Better Job of Policing Ads*



Finally, the use of human models in real estate related advertising are regulated by HUD. Frequently, display advertising will include photos or drawings. Often, such advertising will depict persons enjoying the amenities of the complex or the neighborhood to make the housing seem appealing to potential home seekers. It is only common sense that a message may be sent by the race, sex, age or family status of the persons in the advertisements.

It is defined that "models should be clearly definable as reasonably representing majority and minority groups...". If models are used in photographs, drawings or other graphic techniques, they should "indicate to the general public that the housing is... (available)... to all without regard to race, color, religion, disability, familial status or national origin and is not for the exclusive use of one such group." However, one of the changes that has been seen since the fair housing advertising guidelines went into effect has been the decreasing number of these types of ads by REALTORS®, landlords, management companies and rental complexes.

### **B. Prohibited Use Of Discriminatory Words, Phrases and Symbols In Advertising**

While federal law prohibits any form of discrimination based upon race, color, religion, sex, handicap, familial status and national origin, the use of word, phrases and symbols to convey either overt or tacit discriminatory preferences or limitations are also prohibited. As a publisher or advertiser, it is important that you understand that the law prohibits not only advertisements that express a preference against certain home seekers (e.g., no children, no blacks) but also those that express a preference for particular types of persons (e.g., Jewish tenants sought, ideal for female tenant). Both types of advertisements may indicate a "preference, limitation or discrimination based on" a protected class and thus violate the law.

Under the HUD regulations, and common sense, the following types of language in real estate advertising raise legal questions:

### **C. Words descriptive of the dwelling, landlord and tenants**

In general, advertisements which use explicit words which refer to protected classes under the law in connection with describing the dwelling, landlord, tenants or neighborhoods will be found to violate the law. Examples of such usage would include:

- White home
- Colored home
- Jewish home



- Hispanic home
- Adult building
- Singles complex
- Christian landlord
- Gay landlord
- Mixed neighborhood
- Latino neighborhood
- Male tenants

#### **D. Words descriptive of a protected class**

Advertisements which use words descriptive of a protected class should raise a red flag and call for further review for the legality of the advertisement. Examples of such language include:

- |                  |  |
|------------------|--|
| Race:            | Negro<br>Black<br>Caucasian<br>Oriental<br>American Indian   |
| Color:           | White<br>Black<br>Colored  |
| Religion:        | Protestant<br>Christian<br>Catholic<br>Jew   |
| National Origin: | Mexican-American<br>Puerto Rican<br>Philippine<br>Polish<br>Hungarian<br>Irish<br>Italian<br>Chicano<br>African<br>Hispanic<br>Chinese<br>Indian |



	Latino
Sex:	Man Male Woman Female
Handicap:	Crippled Blind Deaf Mentally ill Retarded Handicapped Physically fit
Familial Status:	Adults Children Families Singles Mature persons Empty nesters

#### **E. Catch Words**

The HUD regulations emphasize that real estate advertising should also avoid certain “catch words.” These are words and phrases that are frequently used in a discriminatory context. Examples would be:

- Restricted
- Exclusive
- Private
- Integrated
- Traditional
- Board approval
- Membership approval

#### **F. Symbols or Logotypes**

HUD emphasizes that real estate advertising should also avoid symbols or logotypes which might imply or suggest race, color, religion, sex, handicap, familial status or national origin. Some examples would be:



- Christian cross
- Jewish star
- Male or Female symbol
- National flag

### **G. Colloquialisms**

HUD cautions as well against advertising which uses words or phrases used regionally or locally which might imply or suggest race, color, religion, sex, familial status or national origin.

### **H. Directions to real estate for sale or rental**

Another issue highlighted by HUD is the use in real estate advertising of directions which imply a discriminatory preference, limitation or discrimination. Examples would be directions which refer to landmarks which have racial or ethnic significance, such as directions relying on:

- Existing black development (signal to blacks)
- Existing development known for exclusion of minorities (signal to whites)
- Neighborhood known for racial make-up
- Neighborhood known for national origin of inhabitants
- Synagogue
- Church
- Congregation
- Parish

### **I. Area or location description**

HUD cautions against advertising which refers to facilities which cater to a particular racial, national origin or religious group, such as:

- Country clubs
- Private school designations
- Names of facilities used by exclusively one sex

While the lists of questionable words, phrases and symbols listed above may seem extensive at first glance, a publisher who is sensitive to the requirements of the law will quickly develop a sense of the type of advertisements which may raise a question under the law.



In short, the basic test for any advertiser should be: Would the ordinary reader construe the advertising as sending a message of preference for or against a particular class of home seeker?

## **8.2 Analysis of advertising**

### **A. Methodology**

In order to ascertain whether advertising in the Valdosta and Lowndes County area deviates from the statutory and regulatory language of the FHAA, a representative sampling – four editions of *The Valdosta Daily Times* with over 400 ads offered by providers of available housing information were surveyed to determine whether discriminatory practices were evident. As previously stated, traditional advertising outlets, such as local newspapers as well as newer advertising outlets, such as World Wide Web were reviewed.

Consultants reviewed the primary local newspaper, *The Valdosta Daily Times* as the primary source of real estate advertising. Four editions in July, 2006, including the *HomeFront* section which is heavily populated with real estate advertising were reviewed.

In addition, three Internet web providers which serve the Valdosta and Lowndes County were reviewed. Included were: 1) [www.valdostaaptguide.com](http://www.valdostaaptguide.com), 2) [www.rentnet.com](http://www.rentnet.com), and 3) [www.apartmentcities.com](http://www.apartmentcities.com). Consultants examined content for the presence or absence of discriminatory advertising.

The Consultants examined advertisements for: 1) explicitly discriminatory statements, 2) language that could serve as a subtle discouragement, 3) use of human models, and 4) failure to print “Equal Housing Opportunity” indicia.

### **B. Explicit discriminatory statements**

In the ads examined, the Consultants found no advertising that expressed an explicit discriminatory preference. There were no statements such as “no children,” “adults only,” “white Christian home,” etc. The classified advertising staff at the newspaper appear to be doing a competent job of screening out explicitly discriminatory advertising.

One advertisement did cause significant concern. The specific property was offered through a real estate professional who should be familiar with discriminatory advertising. The particular ad offered vacant land for residential development. The ad stated ‘Restrictive covenants’. Covenants which limit owner rights are commonplace, especially in condominium communities. However, the presence of a covenant restricting the sale or rental on the basis of one of the protected classes (e.g., race, color, religion) would clearly expose the advertiser,



real estate professional and owner to liability. While testing this specific ad was outside of the prescribed scope of work, the ad may have constituted a fair housing violation. The HUD regulations implementing the Fair Housing Act at 24 CFR 100.80 (b)(2) specifically cite the following as prohibited: “*Representing [emphasis added]* that covenants or other deed, trust or lease provisions which purport to restrict the sale or rental of dwellings because of race, color, religion, sex, handicap, familial status, or national origin preclude the sale or rental of a dwelling to a person. Further, the regulations at 24 CFR 100.80(b)(3) prohibit: (3) *Enforcing [emphasis added]* covenants or other deed, trust, or lease provisions which preclude the sale or rental of a dwelling to any person because of race, color, religion, sex, handicap, familial status, or national origin.

While historic use of the term ‘restrictive covenants’ has claimed to limit rental or sales of dwellings on the basis of race, more recent cases have attempted to limit the rights of persons with disabilities and families with children. In the 1991 case *Rhodes v. Palmetto Pathways Homes, Inc.* (303 S.C. 308, 400 S.E. 2<sup>nd</sup> 484, 486) restricted siting of a group home for mentally impaired adults. Similarly, a 1992 HUD Administrative Law Judge decision in *HUD v. Paradise Gardens (Fair Housing–Fair Lending Reporter, ¶ 25,037, at p. 25,291)* was based on a planned development’s covenants barring residents under the age of sixteen was deemed to violate the advertising provisions of the Act.

### C. \_\_\_ Subtly discouraging language

The consultants looked for subtly discouraging language throughout the classified advertising. Thirty to forty percent of the rental advertisements contained the phrase “no pets.” While “pets” per se are not covered by the Fair Housing Act, people with disabilities who need animals for support or assistance are likely not to contact housing providers who run such advertisements, even though the Fair Housing Act would allow those individuals in most cases to request a reasonable accommodation allowing them to have an animal despite a “no-pets” policy. Not all people with disabilities are aware of their rights to such an accommodation, and other people would prefer not to go through the difficulty of requesting one. Specifically, one advertisement stated ‘Absolutely no pets.’ Clearly, this restriction would rule out the presence of a service animal or an emotional support animal.

Also, each day at least a few advertisements made reference to a “quiet neighborhood” or a “great neighborhood.” The phrase “quiet neighborhood” may be off-putting to families with children, who might prefer a neighborhood that appears to be more welcoming. Best fair housing practice dictates that descriptions of neighborhoods in general be avoided in favor of descriptions of the amenities of the unit being offered.

In addition, one of the web-based providers provided a link to ascertain ‘neighborhood information.’ Among the search criteria and links were ‘single with children’ and ‘married with





children.’ This criteria may ‘tend to segregate’ families with children.’ Therefore, this link would not be recommended. The applicable analogy would be providing racial data – information which was omitted from the site.

Finally, several advertisements alluded to the school system which served the area. Specifically, many ads cited the ‘County’ schools as serving the community. On its face, this may merely communicate educational service information. However, if the City schools are predominated by African-Americans and the County schools are heavily populated by Caucasians, such an ad may be construed as a ‘code’ for expressing a preference on the basis of race.

#### **D. Use of Human Models**

The Consultants examined the web-based information for their use of human models. Recent cases have held that the use of human models solely of one race or another can express a discriminatory preference in violation of the Fair Housing Act. Web-based sites did not utilize human model advertising.

One clear concern in the review of print advertisements was the preponderance of the white sales force. In feature advertisements used by real estate professionals, it was extremely rare to view a non-white sales person. Regardless of the reasons real estate companies and lenders might have for publishing pictures of their (mostly) white sales forces, such overwhelming one-sidedness could be subtly discouraging to non-white home seekers.

#### **E. Failure to use Equal Housing Opportunity Logo**

In the display advertising published on the web-based ads, the Consultants specifically examined the publication for evidence of the Equal Housing Opportunity symbol or the phrase “Equal Housing Opportunity.” The results were varied, for instance, one of the providers did not publish the “Equal Housing Opportunity,” but included a link labeled “Fair Housing” which provided extensive information from the perspective of the homeseeker and provider. Regrettably, few of the providers conspicuously displayed the Equal Opportunity logo on their main (i.e., home) page. The third provider displayed a non-discriminatory statement without the indicia (i.e. logo).



## 9.0 - Zoning

Another aspect of discrimination necessary to discuss is barriers to fair housing resulting from zoning and subdivision regulations. Whether certain zoning and subdivision controls are, in fact, discriminatory is controversial. However, several cities have been successfully sued by the federal government over the manner in which they were zoned.

A view of representative studies of the nature of zoning discrimination shows that, as observed by Professor Richard T. Lai, Arizona State University, in his paper *The Effect of Exclusionary Zoning on Affordable Housing*, "If land-use zoning for the purpose of promoting reason, order and beauty in urban growth management is one side of the coin, so can it be said that exclusion of housing affordable to low and moderate income groups is the other ... as practiced, zoning and other land-use regulations can diminish the general availability of good quality, low-cost dwellings..."<sup>55</sup> Concerning the adoption and administration of building codes, Dr. Lai states "...local building codes also often serve an Exclusionary function...(they) have become a considerable barrier to the potential economics that could be realized through manufactured housing techniques..."<sup>56</sup>

### 9.1 Introduction

*Not In My Backyard, Removing Barriers to Affordable Housing*, was published in July 1991, by the Advisory Commission on Regulatory Barriers and Affordable Housing. In the forward, then HUD Secretary Jack Kemp wrote that "the Commission's disturbing conclusion is that exclusionary, discriminatory and unnecessary regulations constitute formidable barriers to affordable housing..."<sup>57</sup>

*Not In My Backyard...*, cites excessive subdivision standards, fees, slow and burdensome permitting processes, applying building codes for new construction to rehabilitation, and NIMBY as among the most serious barriers.

The Advisory Commission concluded that states should take action to alleviate barriers to affordable housing. "States are in a unique position, for both constitutional and practical reasons, to deal with regulatory barriers to affordable housing. Constitutionally, all authority exercised by units of local government over land use and development derives wholly from the State... which is therefore uniquely situated to undertake reform of the collage of local regulations, as well as the State requirements that overlay them."

<sup>55</sup> The Effects of Exclusionary Zoning on Affordable Housing, Richard T. Lai, 1991, p.3

<sup>56</sup> Ibid, p. 17

<sup>57</sup> Not In My Backyard, Removing Barriers to Affordable Housing, 1991, p. 2



Patricia E. Salkin, Director of the Government Law Center, Albany Law School, offers a balanced view of the theoretical degree to which land use and building controls add housing cost in her April 1993 article in the publication, *Land Use Law*. Ms. Salkin correctly speculates that "It is time to openly discuss and debate the Report (*Not In My Backyard...*) and perhaps launch an empirical study to refute or substantiate the document - just how much do land-use regulations drive up the cost of housing? The real public policy issue in the debate is this: What is the most constructive balance between the public interest in affordable housing versus the public interests involved in land-use control?"<sup>58</sup>

The Council of State Community Development Agencies (COSFDA), published *Making Housing Affordable: Breaking Down Regulatory Barriers - A Self-Assessment Guide for States* published in the late 1990's. The 'Guide' cites the common issues raised about regulatory barriers and notes that: "...most states do not easily or readily intervene in local land use matters. Few issues are as politically sensitive - and potentially damaging to state elected officials - than local zoning, subdivision, and building regulations. States can assume a leadership role in advancing and encouraging thoughtful modification of land use and development regulation."<sup>59</sup> While this lays the burden on the State, the City should consider their role in assuring that they are not involved in promoting barriers to equal housing. The Guide includes the following recommendations for evaluating how regulatory barriers may be impediments and how they may be modified:

- ✓ States should require that all communities have comprehensive plans which include a housing element.
- ✓ States should establish mandatory, preemptive stateside building codes
- ✓ Infrastructure needs should be tied to the capital improvement and housing elements approved in the comprehensive plan.
- ✓ States should enact legislation mandating the circumstances and conditions upon which local governments may impose impact fees. Such legislation should allow exemptions or reduced fee schedules for lower income housing.
- ✓ States should take a leadership role in providing education and technical assistance for local officials, developers, residents and other interested parties in planning and regulatory issues.

Four key areas were reviewed as part of the analysis. They were selected because of the possible adverse effects they could have on families and persons with disabilities.

1. Definitions used for "families," "group homes," "dwelling unit"

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<sup>58</sup> Land Use Law, Patricia E. Salkin, 1993, page 7

<sup>59</sup> Making Housing Affordable: Breaking Down Regulatory Barriers - A Self-Assessment Guide for States, p. 1



2. Regulations (if any) regarding "group homes"
3. Ability for "group homes" or other similar type housing to be developed.
4. Unreasonable restrictions, costs on developing multi-family housing units, such as lot size requirements, impact fees, setbacks.

Discriminatory zoning regarding group homes is probably one of the most litigated areas of fair housing regulations. Across the country advocacy groups for the disabled are filing complaints over restrictive zoning codes and in most cases these groups are prevailing.

Perhaps one of the most influential court rulings regarding zoning and group homes was *The City of Edmonds vs. Oxford House, Inc.* This case also addresses the issue of the definition of family contained in zoning regulations. The fundamental part of this case was whether a definition of family that allowed for unlimited related individuals in a unit but limited unrelated individuals to five or fewer was discriminatory.<sup>60</sup>

The court said that this definition of family violates the federal fair housing regulations (42 USC C. 3604(f)(3)(b)). The majority of the court found that the open-ended numerical potential of a traditionally nuclear family is so much greater than the limit of five unrelated persons, that the city was not making a reasonable accommodation for disabled individuals.

Considering the impact of the Fair Housing Amendments Act of 1988, the Uniform Federal Accessibility Guidelines, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act, entitlement grantees must exercise extraordinary diligence in their efforts to conform their policies and procedures to the ever-evolving requirements of the law. This is especially true with regard to zoning and building regulations, where developers rely upon grantees to establish the boundaries within which they can operate.

As far as can be determined, the City of Valdosta conducts their housing programs in an affirmative manner and without restrictive policies that would adversely affect members of the protected classes.

Among the most important protections provided by the Fair Housing Amendments Act of 1988 are those afforded to families with children and the handicapped, or persons with disabilities. Notably, the developing crisis in affordable housing that the nation experienced in the eighties had a particularly devastating effect upon these protected classes. Accordingly, Congress imposed specific safeguards against policies, customs and practices that, by their impact or design, discriminate against these groups.

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<sup>60</sup> Court Mandates Redefinition of Family, Robert F. Manely, O.P.C. Newsletter, December 10, 1995, p. 10 and 11



In addition to interdicting private acts of discrimination, entitlement grantees should be especially vigilant regarding the impact of zoning regulations and building codes upon these two vulnerable populations. For instance, provisions in zoning regulations that define which living arrangements constitute a “family” can unduly restrict where group homes for the disabled can be placed. Similarly, restrictions governing the placement of multifamily complexes can unduly burden families with children by isolating them in densely populated, high traffic commercial areas. In summary, entitlement grantees should regularly review their zoning and building regulations, especially if such a review has not been conducted since the enactment of the Fair Housing Amendments Act of 1988.

## 9.2 Local Review of Zoning Codes

Since the passage of the Fair Housing Amendments Act in 1988 local public officials have expressed concern regarding the impact of the Act on local zoning and land use decisions. Since its passage there have been numerous court actions, administrative hearings and other adverse review of local ordinances. Many of these actions have centered around the definition of “family’s” and relationship of the ordinances to group homes or congregate living. Local officials are faced with an emerging consensus that community living as opposed to institutional living can benefit a large number of people with disabilities. Also found in the mix of these decisions and actions are restrictive definitions from “family” found in many ordinances.

In our review of the local zoning ordinance we have a concern regarding the definition of family. We feel that the current definition is somewhat restrictive;

*“Three or less persons occupying a dwelling unit unless all members are related by blood, marriage, and adoption.”*

In today’s expanding world of “families” such a definition could be construed to deny unmarried couples, foster families, and others. In the press recently has been a community that denied a couple living there an occupancy permit because they did not fit the City’s definition of family. The definition that Black Jack, Missouri used that has garnered national attention and a fair housing complaint is similar definition that the City of Valdosta is using.

This highlights how local zoning ordinances can intentionally or unintentionally discriminate against children and people with disabilities in the definition of the term family. Not all occupancy limits are questionable under the Fair Housing Act. Indeed, the Fair Housing Act specifically exempts certain kinds of occupancy restrictions from scrutiny. Section 3607(b)(1) of the Act states that nothing in the title limits the applicability of any reasonable local, state or federal restrictions regarding the maximum number of occupants permitted to occupy a dwelling. In the case of *City of Edmonds V. Oxford House, Inc.*, the Supreme Court cited this



section in ruling that capping the number of occupants in a group home in order to prevent overcrowding in living quarters” is permissible under the Fair Housing Act. In other words, restrictions that apply uniformly to all people, whether related or not, cannot be subject to discrimination lawsuits.<sup>61</sup>

However, the Court went on to hold zoning ordinances may violate the Fair Housing Act if it defines family units or maximum occupancy differently for related and unrelated people. It should be noted that the Court did not decide whether such a zoning ordinance is per se discriminatory under the FHA. One way to avoid liability might be for to consider removing family compositions rules from the zoning ordinance and instead place occupancy limitations which would apply uniformly to all people, related or not.<sup>62</sup>

The National League of Cities offers the following definition of family which it believes to be consistent with the Fair Housing Act.

“One (1) or more persons who are related by blood or marriage, and including any foster children or a group of not more than five (5) persons living together as a house keeping unit by joint agreement on a non-profit cost sharing basis, or a combination of persons related by blood or marriage along with no more than two (2) unrelated adults to a maximum number of (5) persons living together and occupying a single housekeeping unit with a single kitchen facility. In addition, up to eight persons, including six or fewer persons with disability or handicap and not to exceed two staff residents residing in a dwelling shall be considered to be a family.”<sup>63</sup>

The numbers used in this definition can be changed to reflect state regulations or local codes. The definition does not have to be as extensive or even as complicated as the one cited but consideration needs to be given changing its current definition to avoid possible problems in the future.

Another concern that we have regarding the zoning ordinance is that while there seems to be some allowance for group homes they seem to be restrictive in their use. The only reference we could find in the ordinance to group homes was Care Home. The definition for Care Home expressly excludes “..the care of mental patients, epileptics, alcoholics, drug addicts..” We are somewhat baffled by the singling out of “epileptics” from Care Homes. This definition raises a number of problems. The most important one is that it seems to eliminate the placement of Group Homes for the disabled persons anywhere in the city.

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<sup>61</sup>Local Officials Guide Fair Housing - The Siting of Group Homes for the Disabled and Children, Cameron Whitman & Susan Parmas - 1999 National League of Cities.

<sup>62</sup>IBID

<sup>63</sup>IBID



Under Care Homes, Personal, there are a number of definitions that might apply to those with disabilities under the Fair Housing Act but, they are not specifically included by name or title however. Family Personal Care Home, Group Personal Care Home, Congregate Personal Care Home. These Care Homes distinctions are primarily by number of people, 2 through 6, 7 through 15, and 16 or more, respectively. With the specific elimination of disabilities through the definition of Care Home it is assumed that those with disabilities that would benefit from a congregate living situation would be denied.

The second issue with Care Homes is that they are restricted to one (1) acre minimum lot size and are only allowed in basic commercial areas and not residential. They are only allowed with special exemption in some residential areas. Those areas that they are permitted in are neighborhood commercial and community commercial areas.

## 10.0 - Insurance Redlining

Thirty-three years ago the National Advisory Panel on Insurance in Riot Affected Areas made a critical observation that:

*Insurance is essential to revitalize our cities. It is a cornerstone of credit. Without insurance, banks and other financial institutions will not - and cannot - make loans. New housing cannot be repaired. New businesses cannot expand, or even survive.*

*Without insurance, buildings are left to deteriorate; services, goods and jobs diminish. Efforts to rebuild our nation's inner cities cannot move forward. Communities without insurance are communities without hope.*

This statement can accurately describe cities in 2006 as well as those in 1968. This statement also hits home in the City of Valdosta. Obviously there are many reasons for the conditions many communities find themselves in today. As the city tries to address the many issues and demands to strengthen neighborhoods, repair deteriorating housing and create more affordable housing, one of the road blocks is the practice of insurance redlining.

Insurance redlining occurs when insurance agents, offices and/or companies decide that certain areas of the community will not be offered home owner's insurance, that the number of policies offered will be limited to a certain number or that they will not offer all the various home owner's policies that they have.

For example, an insurance company or agent may refuse to underwrite a home owner replacement cost policy. This policy allows the home owner to rebuild his home as close to its original condition as possible and is a very popular form of insurance. In many minority



and low income neighborhoods, insurance companies would refuse to offer this policy and would offer only the very basic of policies or no policies at all.

Racial minorities, low-income neighborhoods and neighborhoods containing large numbers of minorities are discriminated against in the provision of property insurance. If intentional racial discrimination is not widespread, traditional industry practices still adversely affect racial minorities and minority neighborhoods. The lack of insurance coverage caused by not offering policies in these neighborhoods or limiting such policies to the most basic coverage is an impediment to the redevelopment of urban communities.

Research and investigations throughout the United States have shown that residents of minority communities have been discouraged from purchasing insurance while residents of predominately white neighborhoods have been encouraged to do so. These studies, including the U.S. Department of Housing and Urban Development's *National Housing Survey*, show evidence of a racial gap in the availability of property insurance. While part of the gap can be explained by financial considerations of the insured, conditions of properties and general risk related factors, the racial gap typically remains substantial even after these factors are taken into consideration.

Many traditional industry-underwriting practices, which may have some legitimate business purpose, also adversely affect minorities and minority neighborhoods. Many companies have minimum value and maximum age requirements for properties to qualify for their home owner's policies. For example, a home would be disqualified if it was valued at \$25,000 or \$35,000 or less or was constructed before 1950. In some studies minorities were required to produce a credit check or meet for an interview with the agent before being given a quote.

### **10.1 Rating Practices**

Insurance companies establish a base rate (sometimes referred to as an "overall" rate) that is determined primarily by the specific location of the housing. Each company first determines a base rate based on the premiums they receive from a given geographic area, the losses incurred within that area, and the expenses of that company to write and administer the policies.<sup>64</sup> Thus, the amount of coverage in the past within a particular area of the city directly impacts present rates offered by a given insurance company. If the company has historically under served a geographic section of the community, the current base rate will reflect the historic lack of premiums within that area. This can have the effect of perpetuating the lack of insurance services resulting from historic redlining or other causes.

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<sup>64</sup> Per Beverly Anderson, CPCU, Administrator, Property & Casualty Division, State of Nebraska Department of Insurance, September 10, 2003





Some companies have two rating tiers and others may have as many as four tiers in the area of home owner insurance. Tiers are much less common in the area of tenant home owner insurance, though a few companies may have more than one tier. The determination of what rating tier to apply is more a function of the person or persons applying for the insurance as opposed to the location of the property. Tier structures can then cause changes to the base rate depending on a number of factors.

The most significant factors used to establish the rate tiers<sup>65</sup> are:

- ✓ Loss history of the individual
- ✓ Age of the property, though the specific age used is variable (i.e., some companies may have higher rates or not write insurance for houses older than twenty-five years while other companies will use forty years or older).
- ✓ Value of the dwelling
- ✓ Other lines of coverage, such as auto insurance, with the same company
- ✓ Years insured with the company

The use of age and the value of the dwelling as determinants of rates can have a significant impact on the older sections of Valdosta where the housing stock is older and typically of less value. These two factors alone can increase the rates for insurance being offered and even discourage companies from offering a full range of products in these geographic areas. The demographic analysis of the community discussed In Section 3.2.1 clearly shows that a disproportionate number of Blacks, Asians, Hispanics and American Indians live in these older sections of Valdosta. Even though the use of age and value of the dwellings are neutral policies, they still may well impact the composition of the community in a negative manner.

## 10.2 Credit-Scoring

Credit scoring is a criterion for determining rate tiers, although it may play a role as an underwriting tool.<sup>66</sup> By its use as an underwriting tool, a credit score can become a barrier to individuals and families who are trying to purchase a home or where a landlord requires tenant(s) to carry rental insurance as part of the lease. Since the use of credit scoring as a criterion to qualify for insurance is new, there have been no studies measuring its impact as yet. Based on the 2000 Census data, the correlation between minorities and poverty was very high (.726).<sup>67</sup> It is reasonable to assume that the use of credit scoring as a property

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<sup>65</sup> Ibid

<sup>66</sup> Ibid

<sup>67</sup> Deconcentration Plan for the Omaha Housing Authority Housing Choice Voucher Program, Quadel Consulting Corporation, March, 2002



insurance underwriting tool, will result in a discriminatory impact on Blacks and other minorities who are disproportionately represented in low income categories.

In a ruling on September 3, 2003, the 5<sup>th</sup> U.S. Circuit Court of Appeals allowed a nationwide class action brought by six minority policyholders challenging insurers' use of credit scoring in pricing both automobile and home owner's policies to continue. In *Dehoyos, et. Al. v. Allstate Corp. et. al.*, the minority plaintiffs alleged that Allstate's use of credit-scoring violated federal civil rights laws (42 U.S.C. 1981 and 1982) and the housing law (42 U.S.C. 3601). The plaintiffs argued that Allstate employed a nationwide scheme of intentional racial discrimination against minorities, charging them higher premiums for property and casualty insurance than whites had to pay. They also argued that Allstate used credit scores, a factor they contend has no reasonable relationship to risk of loss, to justify placing minority applicants in more expensive policies than those in which whites were placed. The plaintiffs alleged that Allstate had violated both federal civil rights and housing laws by engaging in a pricing practice that was racially discriminatory because of its disparate impact on minorities. Disparate impact claims involve procedures that are not intentionally discriminatory but result in discrimination.

### **10.3 Recent Lawsuits That Impact Homeowners Insurance Practices**

A lawsuit filed in the late 1990's against Citigroup, Travelers Property and Casualty and Aetna Casualty & Surety in federal district court in Washington, D.C. alleged that the companies engaged in pervasive discriminatory practices and maintained underwriting standards and policies that restrict, limit or deny home owner's insurance in predominantly Black, Latino and integrated neighborhoods in the United States. The suit was brought by six nonprofit fair housing agencies from various areas of the United States, using testing and investigational techniques identified policies, practices and underwriting standards that severely limited or denied insurance coverage needed to repair, replace or rebuild homes located in older neighborhoods that were Black, Latino or integrated. In addition, fair housing and community groups placed Travelers and Aetna on notice regarding their discriminatory policies in the late 1970's. All of these insurance companies settled their lawsuits and have since changed many of their policies on a national level, including in Valdosta.

These lawsuits are typical of those being filed and settled in recent years. State Farm, Nationwide and Liberty Mutual are three other companies that have run afoul of fair housing laws and agreed to change their national policies and practices. Some of the illegal practices found in those investigations included: charging Blacks more for the same coverage or offering inferior coverage; requiring additional background information from applicants in minority or low-moderate income neighborhoods; offering Whites replacement cost coverage, but denying it to Blacks; maintaining minimum age restrictions; maintaining minimum value



restrictions; requiring inspections of homes in minority neighborhoods more frequently; and referring callers from minority neighborhoods to other insurance companies.

#### 10.4 Location of Agents

See Map -15-16

While the scope of this analysis does not allow for insurance redlining investigations and testing, we were able to look at one key element of insurance redlining. A critical factor in the marketing of insurance is the location of offices/agents. A majority of the property insurance policies sold by most agents are to insure properties in neighborhoods in which the agent is located. Studies have shown that the distribution of agent locations is clearly related to the racial composition of neighborhoods.

Map 15 shows the location of agents who offer home owners insurance by percent of minority population. Map 15A shows the same locations but with street names. This list was compiled from the yellow pages of the Valdosta local yellow pages, superpages.com and yellowpages.com. Eight of the eleven offices located are located in tracts with over 40% minority, tracts 113.01 and 113.02. This is a good indication that availability of offices is strong for minorities in the City.

Map 16 shows the location of insurance agents by housing units built prior to 1971. The majority of sales offices are located in census tracts with 40% or more of the housing built prior to 1971. Census tract 113.02, which has four offices, is the tract with the highest percentage of housing units built before 1971.

#### 10.5 Lack of Reporting Requirements

A second and significant concern is the difficulty in obtaining any reports identifying the number and scope of insurance coverage being offered by race/ethnicity and geographic area. The insurance industry has no equivalent to HMDA data. This lack of reporting requirements hinders the monitoring and accountability of the insurance industry to determine the scope of any impediments to fair housing choice created by the inability of persons to obtain home owners or rental insurance.

Because of the serious concerns raised in this discussion of insurance issues, it is recommended that an extensive study be conducted of the home owners' insurance market to determine the scope of the problem and to identify potential systemic approaches to eliminate insurance barriers to fair housing choice.



## 11.0 Conclusions, Impediments and Recommendations

Federal Law mandates that every federal entitlement community be responsible for affirmatively furthering fair housing. Federal regulations go further than merely making this a requirement. Local communities must *certify* that they will affirmatively further fair housing and assume the responsibility of fair housing planning by conducting an analysis of impediments to fair housing. This report is a search for evidence that a policy, practice, standard or method of administration, although neutral on its face, operates to deny equal housing choice to an individual because of their race, color, religion, sex, national origin, religion, familial status or disability. The document produced as a result of this research is generally called the Analysis of Impediments to Fair Housing Choice (AI).

The AI has reviewed a variety of questions that may affect the fair housing "health" of the community. It reviewed the practices and provisions of lending institutions, local housing-related codes and regulations, advertising for housing, past and present air housing activities, the real estate and rental industry, and affordable housing programs and issues. It also reviewed the concerns of affordable housing and how housing policies can affect the low and moderate income population. While some of these concerns, on their face, do not constitute fair housing related concerns, they can have an impact on equal choice in housing.

The availability of housing and housing programs is important to a community. It does little good to provide home ownership programs if lenders that administer the programs require different terms and conditions of certain races, religions or sex. A rental rehabilitation program can offer the opportunity for individuals to live in safe and sanitary housing, but when a landlord/owner discriminates in his choice of tenants because of family status, race, disability, etc. the program does the community little good. Similarly, if a community is building affordable multi-family housing and fails to assure the accessibility of units for disabled persons, the project fails before it is begun.

Some may argue that fair housing should only be concerned with the issues of equal choice or that fair housing should have nothing to do with the development of housing programs. Another argument is that Fair Housing Law protects persons based on race, religion, color, sex, national origin, familial status and disability and that other issues such as the source of income, marital status and age has nothing to do with fair housing. However, this is not true, recent decisions by the courts are indicating that any policy or activity however neutral on its face that denies housing is of concern to the court and should be of concern to the community. The impact of fair housing considerations on the development of accessible multifamily housing is another example illustrating this point.

Challenges are also being made in Valdosta regarding age, marital status, sexual preference and the provision of city services to low-moderate income (LMI) housing developments.



Challenges reflect how fair housing laws and regulations respond and ultimately adapt to the housing concerns of the community. Current challenges should be used as an indicator by the community to adjust established policy to meet the housing needs of the protected as well as the unprotected classes.

Below is a summary of the key findings and identified impediments and related recommendations. The consultant will both identify resources to implement these recommendations and suggest a feasible timetable.

### **11.1 NIMBY Issues**

Negative attitudes and community hostility is often directed toward group homes, proposed affordable housing units (project - based subsidized housing) and/or affordable single family home developments that are proposed in neighborhoods which are not economically distressed or racially isolated.

The so-called NIMBY (Not In My Back Yard) syndrome, and its cousin BANANA (Build Absolutely Nothing Anywhere Near Anything), present both a formidable challenge and an opportunity to communities and developers of affordable housing and assisted housing. The challenge is obvious: the successful siting of needed housing. The opportunity is subtle, but significant: the administration of the project from its initial planning stages in a way that embodies the respect for human dignity, perseverance, and hope.

#### **Recommendation:**

1. Support a community-wide program to help reduce public opposition to group living facilities, public-assisted housing, and other unwanted land use through education and outreach.
2. Create materials for use by the city, community-based organizations and local fair housing groups to help educate residents who have concerns about new or existing group homes, public or assisted housing and other locally unwanted land use for the benefit of LMI households so that residents may better understand the potential benefits of such housing to the community as a whole.
3. Provide information on and support for enforcement of fair housing laws to help deter future efforts to block group homes, publicly assisted housing and other locally unwanted land use.
4. Develop a formal process that encourages and supports the use of alternative dispute resolution, such as mediation, to help service providers and neighborhoods reconcile



differences over group home issues, public-assisted housing, and similar unwanted land use.

5. Continue working to provide affordable housing for anyone that needs it, including the homeless and people with mental disabilities.
6. Provide education to local elected officials, landlords, property managers, and neighborhood associations on NIMBY'ism, discussing issues, and applicable fair housing laws.
7. Develop a means to identify potential site disputes early in the process and provide technical assistance and education tailored to that specific project.
8. Utilize Channel 96 – the City of Valdosta's public information channel to educate the community on fair housing issues.
9. Examine the composition of local boards, commissions, and advisory bodies to determine representation of individuals in protected classes in decision making positions.

## **11.2 Fair Housing Enforcement**

One of the most remarkable characteristics of the City is its dual housing market. For whatever reason, indifference, policies, or outright discrimination, the housing markets have evolved into its present level of segregation. A review of the maps included in this Analysis of Impediments shows that the areas that are predominately minority are also predominantly low-moderate income. This is not a new pattern; these are the same neighborhoods that existed 20 years ago. REALTORS®, insurers, lenders, landlords, and others in the housing market who discriminate perpetuate the city's racial and ethnic divisions. Segregation is detrimental to the community by any objective measure. It is costly in both human and economic terms.

### **Recommendation:**

1. In addition to the provision of education and resources on fair housing issues and public forums for citizens to report housing discrimination, maintain and enhance the City's fair housing capacity to respond to and follow up on matters relating to illegal discrimination, including housing discrimination. We would recommend continuing the relationship with the Savannah-Chatham County Fair Housing Council and contracting with that organization (or other similar private fair housing organization) to provide fair housing services. This organization is one of the premier private fair housing groups



in the country and a strong relationship with them can only strengthen the City's commitment to equal housing for its residents.

2. Conduct fair housing testing to ensure that fair housing laws are enforced and meritorious cases brought forward.
3. Increase efforts to collaborate between the local government, Georgia Commission on Equal Opportunity, non-profit fair housing enforcement agencies, and U.S. Department of Housing and Urban Development in order to gather and share information, in a consistent and comparable manner, related to fair housing issues.

### **11.3 Accessibility**

Section 5.4 on Accessible Housing noted the historic lack of compliance with the Federal Fair Housing Act's Design and Construction standards was extremely high before the City of Valdosta began reviewing multifamily housing plans to ensure compliance with those requirements. The City has done an excellent job of ensuring compliance with the fair housing standards since it began reviewing multifamily projects. The tests of multifamily housing built since the implementation of the new State statutes resulted in very few violations compared to those units built prior to the effective date of the statutes.

The more critical issue today is the need to increase the amount of affordable and accessible housing stock in the community and to ensure that persons with physical or mental disabilities can fully enjoy their housing. In the Community Issues section of this report, the lack of handicap-accessible housing was cited by the community organizations, agencies or individuals responding as a significant barrier to one's ability to find housing.

#### **Recommendation:**

1. Educate developers, non-profit organizations and architects about ways they can enhance the accessibility of existing units and increase the availability of accessible units;
2. Systematically inform housing providers and residents about their right to reasonable accommodations and modifications under fair housing law through the development and distribution of materials.
3. Evaluate contact points where citizens with accessible housing and other housing concerns contact the various city agencies and develop a strategy to improve efficiency and effectiveness (quality) of the city's response. This could be done in



conjunction with the Savannah-Chatham County Fair Housing Council (or other fair housing organization) and their efforts to catalog local fair housing resources.

#### **11.4 Insurance Issues**

When the distribution of the minority population in Valdosta is compared to the locations of insurance offices, it is obvious that the potential for problems exists. As noted in the Insurance section, the ability to obtain insurance is at the heart of the development of successful home ownership programs, of revitalizing neighborhoods and of assuring an equal housing market. Limiting this ability affects the cities, the lenders, the real estate industry, the sellers and the buyers. The lack of access to insurance undermines redevelopment efforts, locks people out of critical markets, and contributes to the concentration of poverty.

##### **Recommendation:**

1. Conduct an extensive study of the home owners' insurance market to determine the scope of the problems and to identify potential systemic approaches to eliminate insurance barriers to fair housing choice. The lack of any reporting by the insurance industry also needs to be addressed in this study.
2. Conduct focus groups with representatives from the insurance industry, real estate, non-profit developers, and community organizations to identify the nature and the scope of the problems to be addressed.
3. Using the focus groups, develop systemic approaches to address the identified problems and an action plan for those approaches, including time lines and measurable results.
4. Prepare regular public reports on the implementation and results of the action plans.

#### **11.5 Predatory Lending**

Without access to financial services that charge reasonable fees, low and moderate income people will remain trapped in an endless cycle of debt. This debt weakens families which in turn weakens Valdosta neighborhoods. Bad debt prevents people from buying homes and being eligible for many jobs. The low and moderate income markets demonstrate a strong demand that is inadequately being served by traditional banking services.

Sub prime lenders have gained large markets in many areas within the city and the potential for predatory practices comes with this increased market presence. They tend to fill the gap when other lenders are not present in particular neighborhoods. The lack of HMDA reporting





by non-regulated lenders causes difficulties in monitoring such activity and ensuring their accountability.

Equal access to financial services is a difficult issue requiring the cooperation of all facets of the housing market. There is a significant need to work closely together, identifying predatory practices, and finding ways to eliminate them from the community.

**Recommendation:**

1. Continue working with the Savannah-Chatham County Fair Housing Council (or other fair housing organization), with an emphasis on community education, particularly aimed at those populations targeted by predatory lenders.
2. Include information and education regarding predatory practices for those participating in city programs which provide “equity, which may later become the subject of equity stripping predatory practices.
3. Identify sub-prime lenders in Valdosta and ensure the divisions between prime, sub-prime lending and predatory lending are understood by all sectors and the general public. Identify what institutions and transactions are regulated and identify any gaps. Include consideration of fringe financial industry practices in the areas of check cashing and “payday loans,” and explore the feasibility of making available alternative, legitimate services to address identified gaps.
5. Ensure all city grantee organizations serving persons who experience predatory lending practices receive training to identify and properly advise and /or refer persons to appropriate resources in the community.

**11.6 Lending Issues**

Lenders are clearly not reaching the minority communities in Valdosta and, when they do receive applications from non-White individuals and families, those applications are more likely to be denied. Thus the dream of home ownership is still eluding many qualified members of the minority communities. This is a critical issue for the City of Valdosta, since the purchase of a home is the primary way individuals and families build wealth. Without that asset base in the geographic areas with high percentages of minorities, there will be limited community reinvestment, including businesses like grocery stores and other retail services.



**Recommendation:**

1. Promote quality home ownership education in both English and Spanish, especially aimed at the low and moderate income markets.
2. Encourage the lending industry to conduct an ongoing campaign to increase minority loan applications for the purchase of homes including the provision of education to real estate professionals on the use of community lending products for LMI clientele.
3. Conduct and publicly publish annual reviews of lending institutions using HMDA data to determine if applications from non-White individuals and families are rising and if denials rates are comparable to White borrowers in the same income levels. Identify and develop a means of collecting equivalent data on non-regulated lenders that do not report HMDA data and include them in the annual review.
4. Monitor the progress of the lending industry through the annual reviews and through the results of matched pair fair housing testing.
5. Reward lenders engaged in serving the LMI market with community lending products or otherwise.

**11.7 Real Estate Issues**

Geographic steering of Whites and minority groups continues the historic patterns of segregation. The current scope of service did not include sales and real estate testing. since 1997 show an ongoing pattern of racial and ethnic steering in the Valdosta markets. The maps in Appendix 3 show the minority concentrations in specific census tracts which are consistent with an pattern of racial and ethnic steering.

**Recommendation:**

1. Initiate a task force with members of the real estate industry, advocacy groups and local fair housing organizations to review current fair housing training for real estate professionals and to develop and initiate educational programs addressing racial and ethnic steering and disparate treatment issues.
2. Provide education in English and Spanish on real estate steering and disparate treatment issues as they relate to the real estate industry. Since White buyers are as likely to be steered away from some areas of the city and towards others, ensure educational efforts are community-wide and not just to the non-White members of the Valdosta community.



## 11.8 Affordable Rental Housing

One of the most significant impediments identified in the Community Issues survey was the lack of affordable housing. Although some commenters felt that government/private programs were doing a good job of assisting individuals achieve affordable, safe and decent housing, others identified the need for credit counseling, financial management which could assist citizens in becoming 1<sup>st</sup> time home buyers.

The increase in demand for affordable rental housing is becoming a major problem. As noted above in the NIMBY section, negative attitudes and community hostility towards affordable housing are a critical barrier to increasing affordable rental stock. Finding ways to address these attitudes is covered in the earlier recommendations.

In addition, local communities must work with HUD, the state, NIFA, and the public housing authorities to increase efforts to provide housing to low-income residents.

### **Recommendation:**

1. Develop resources to facilitate implementation of the mobility counseling provisions of the plan.
2. Assist in the recruitment of landlords, developers and others to increase deconcentration by increasing those housing providers willing to participate in the Section 8 Housing Choice Voucher program of MHA.
3. Develop and encourage proactive education efforts (see recommendations to address NIMBY impediments) to facilitate implementation of the program by avoiding/averting/minimizing these problems. Recruiting the involvement of non-profit, faith-based, grassroots and other existing community organizations in this effort is recommended for efficiency and effectiveness.
4. Consider the adoption of a city ordinance that would protect the additional characteristic of "source of income" or "participation in Housing Choice voucher program."
5. Continue to support the cooperative efforts of the City code inspectors, the Lowndes County Health Department, and other agencies to provide a rapid response to correct code and health violations and thus increase the supply of safe affordable rental housing.



6. Examine the composition of local boards, commissions, and advisory bodies to determine representation of individuals in protected classes in decision making positions.

### **11.9 Zoning Issues**

We outlined a number of issues that we found in the new zoning ordinance that was passed by the City. Our specific concerns regarded the definition for family and the location of group homes.

#### **Recommendations**

1. We would recommend a review of the definition of family. If possible a new definition that is more inclusive may be considered.
2. A consideration should be made on where the best locations are for groups homes or group care homes. We would recommend that the City meet with providers of services to the disabled and determine what are the best ways to provide adequate housing for the disabled. With special emphasis on the provision of group homes.