

## Section I: Introduction

Fair Housing is the right of individuals to obtain the housing of their choice, free from discrimination based on race, color, religion, sex, disability, familial status, or national origin. This right is assured by the Federal Fair Housing Acts of 1968 and 1988, as amended, which makes it unlawful to discriminate in the sale, rental, financing, and insuring of housing.

Under the Fair Housing Act an aggrieved person may, not later than one year after an alleged discriminatory housing practice has occurred, file a complaint directly with the U.S. Department of Housing and Urban Development (HUD), or a State or local agency enforcing laws that are “substantially equivalent” to the Fair Housing Act. Upon the filing of such a complaint, HUD has the responsibility to serve notice of the complaint and conduct an investigation into the alleged discriminatory housing practice.

In order to ensure the prevention and elimination of housing discrimination, HUD requires all governing authorities directly receiving Consolidated Plan Program funds to certify that the community, consortium or state will “affirmatively further Fair Housing” within their jurisdictions. This requirement is codified in the Consolidated Plan requirements under 24 CFR 91.225. Public agency obligations under the Act may be grouped into three categories:

**Intent:** The obligation to avoid policies, customs, practices, or processes whose intent or purpose is to impede, infringe, or deny the exercise of fair housing rights by persons protected under the Act.

**Effect:** The obligation to avoid policies, customs, practices, or processes whose effect or impact is to impede, infringe, or deny the exercise of Fair Housing rights by persons protected under the Act.

**Affirmative Duties:** The Act imposes a fiduciary responsibility upon public agencies to anticipate policies, customs, practices, or processes that previously, currently, or may potentially impede, infringe, or deny the exercise of Fair Housing rights by persons protected under the Act.

The first two obligations pertain to public agency operations and administration, including those of employees and agents, while the third obligation extends to private as well as public sector activity.

The City of Spartanburg Analysis of Impediments discusses the results of recent analyses of impediments and the steps the City intends to take to implement policies that will prevent and eliminate housing discrimination in the City of Spartanburg.

## BACKGROUND AND METHODOLOGY

The Analysis of Impediments (AI) research and preparation involved a variety of data collection and analysis techniques, including:

- Analyzing demographic data available through the U.S. Census Bureau, as well as descriptive data pertaining to the housing market and trends in real estate over the past several years.
- Interviews with local government staff and community representatives, as well as a review of source documents, including the most recent AI, conducted in 2004.
- An examination of Fair Housing policies and strategies from comparable urban communities to provide a basis for comparison between what Spartanburg's Fair Housing Plan proposes to do and other efforts.
- Examination of mortgage lending trends through the analysis of data available through the Home Mortgage Disclosure Act (HMDA). Enacted by Congress in 1975 and implemented by the Federal Reserve Board's Regulation C, HMDA requires lending institutions to report public loan data. Using the loan data submitted by these financial institutions, the Federal Financial Institutions Examination Council (FFIEC) creates aggregate and disclosure reports for each metropolitan area (MA) that are available to the public at central data depositories located in each MA.
- A review of the information available on Predatory Lending

## PREDATORY LENDING

The National Community Reinvestment Coalition (NCRC), testified on July 25, 2007, before the Oversight and Investigations Subcommittee of the House Financial Services Committee in a Report entitled "Rooting Out Discrimination in Mortgage Lending: Using HMDA as a Tool for Fair Lending Enforcement".

### "The Dual Lending Marketplace"

In 2007, a Wall Street Journal article cautioned, "A looming foreclosure crisis confronts America as lending institutions have engaged in new forms of dangerous high-cost lending. As this committee knows, most of the high cost or subprime lending made in recent years feature adjustable rate mortgages (ARMs) with low 'teaser' rates for the first few years followed by rapidly rising rates. Incredibly, many lenders assessed borrowers' abilities to repay only at the low teaser rates. These loose underwriting standards have created the conditions for a perfect storm as almost 2 million of the ARM loans will re-set or start adjusting upward from their initial rates in 2007 and 2008. A particularly disturbing aspect of

this lending is the fact that a disproportionate share of it has fallen on the backs of many of the most financially vulnerable households: modest income and minority families”.<sup>1</sup>

In the same year, the National Community Reinvestment Coalition (NCRC) released a report entitled “Income is No Shield Against Racial Differences in Lending”. Using HMDA data from 2005 (the most recent year available at the time for industry-wide data), NCRC observed striking racial disparities in high-cost lending. Researchers found that minority consumers (particularly black or a Hispanic) were most at risk of receiving poorly underwritten high-cost loans. Middle- or upper-class status did not shield minorities from receiving dangerous high-cost loans. In fact, NCRC observed that racial differences in lending increased as income levels increased. In other words, middle- and upper-income (MUI) minorities were more likely to receive high-cost loans than were low and moderate-income (LMI) minorities relative to their white counterparts. Mainstream media has carried hundreds of articles on the predatory lending debacle facing the country—some of which have focused on the disproportionate impact of the crisis on middle-income minority consumers. The Wall Street Journal, for example, subsequently wrote a poignant and detailed article describing widespread foreclosures due to predatory lending in Detroit’s middle-income black communities.<sup>2</sup>

NCRC has consistently maintained the position that responsible high-cost lending serves legitimate credit needs. Higher-cost loans compensate lenders for the added risk of lending to borrowers with credit imperfections. However, wide differences in lending by race, even when accounting for income levels and credit quality, suggests that more minorities are receiving high-cost loans than is justified based on financial criteria. Previous studies by NCRC and others suggest that minorities are, in fact, receiving a disproportionately large amount of high-cost loans, after controlling for creditworthiness and other housing market factors.

When minorities receive a disproportionate number of high-cost loans, they lose substantial amounts of equity through higher payments to their lenders. In addition, they are more exposed to irresponsibly underwritten ARM loans. The lending disparities for blacks were large and increased significantly as income levels increased. In its report, NCRC researchers found that blacks of all income levels were twice as likely or more than twice as likely to receive high-cost loans as whites in 171 metropolitan statistical areas (MSAs) during 2005. MUI blacks were twice as likely or more than twice as likely to receive high-cost loans as MUI whites in 167 MSAs. In contrast, LMI blacks were twice as likely or more than twice as likely to receive high-cost loans as LMI whites in 70 MSAs. Moreover, MUI blacks receive a large percentage of high-cost loans. In 159 metropolitan areas, more than 40% of the loans received by MUI black were high-cost loans.

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<sup>1</sup> “Regulators are Pressed to Take Tougher Stand on Mortgages,” by Gregg Hitt and James R. Hagerty, Wall Street Journal, March 23, 2007.

<sup>2</sup> Mark Whitehouse, “A Day of Reckoning Subprime Aftermath: Losing the Family Home – Mortgages Bolstered Detroit’s Middle Class Until Money Ran Out,” Wall Street Journal, May 30, 2007, page A1.

## City of Spartanburg Public Meetings

On Thursday, February 19, 2009, a Community Form was held for the residents of the City of Spartanburg. During this public meeting, the issues and concerns below were presented by the citizens in attendance.

Community Needs identified:

- Address housing in the Forest Park and Midtown Areas
- Revisit how non-profits are funded
- Funding allocation for CDBG/HOME
- Discussion to prevent and eliminate slums and blight
- Develop Homeownership Affordability
- Fire Safety Community Needs
- Public Works projects in eligible areas
- Economic Development activities to create new businesses/jobs
- Support Public Services
- Acquisition/Relocation/Clearance Activities
- Revitalize Downtown
- More subsidy needed for affordable housing
- Administration/Planning Activities
- City Council Goals/Priorities
- Revitalize and Preserve Neighborhoods
- Tenant-Based Rental Assistance
- More mentoring programs needed for jobs and youth
- CDBG/HOME funding allocation comparison table from previous year
- City needs to respond to issues in Wofford Street Area to prevent slums or blight
- Utilize Homeownership Counseling
- City's need to address Neighborhood Emergency Repairs
- Need to address housing maintenance and code enforcement and encourage property owners to address their properties

From these comments, these concerns directly address issues relevant to impediments to fair housing:

- Address housing in the Forest Park and Midtown Areas
- Develop Homeownership Affordability

- Acquisition/Relocation/Clearance Activities
- More subsidy needed for affordable housing
- Utilize Homeownership Counseling
- Financial literacy needs to begin at early age; people become debt burdened due to lack of education about credit issues.
- Potential slum and blight condition of structures in Wofford Street area limit housing choice, as well as lower the value of other homes

## **THE 2009 UPDATED SPARTANBURG ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING**

The Community Relations Department receives fair housing concerns and complaints from the general public, the Mayor and City Manager's offices, referrals from City Council members, from the Department of Social Services, Spartanburg County Schools, and other sources of information.

Under the Fair Housing Law, fair housing complaints are cross filed with the South Carolina Human Affairs Commission and HUD. The Spartanburg Community Relations Department provides assistance to the State and Federal Agencies as requested. Based on the research conducted for this analysis, the impediments are identified are as follows:

1. **Lack of Public Awareness:** Awareness of fair housing issues is important. Everyone needs to know what may constitute a violation, and what they can do in the event they believe they may have been discriminated against. Declines in numbers of Fair Housing complaints may be a result of improved compliance, or a lack of awareness on the part of residents or professionals. Housing providers and their agents must know their responsibilities and when they may be violating fair housing laws.
2. **Lack of Public Outreach:** Education of the public regarding discrimination and the rights and responsibilities afforded by fair housing laws is an essential part of fair housing opportunities and enforcement. This includes educating housing and financial providers, as well as citizens, and covers such issues as resolution mechanisms, where to obtain Fair Housing information, and other local sources of information, as well as how and where to lodge complaints.
3. **Long Waiting List for Subsidized Rental Units:** An alternative to increasing the number of subsidized rental units lies in increasing accessibility to homeownership. Suitable housing is affordable to those earning near 80 percent of the area's median income, but these units are occupied by households earning much more. Increasing the availability of higher-priced housing will provide more housing options for those who seek better housing, leaving affordable housing to lower-income households. Affordable housing initiatives and incentives to first-time homebuyers can help move households from the waiting list.

4. **Poor Credit Histories Restrict Access to Homeownership:** Poor credit histories are the most frequent reason for denial of mortgage loan applications among all applicants, regardless of race or income. Consumer education can remove this barrier to obtaining the loans that not only enable homeownership, but expand housing options and ensure fair housing choice.
5. **Racial Disparity in Mortgage Lending:** Loan applications for black borrowers at all income levels are approved significantly less frequently than are those for white borrowers. Those who are restricted from borrowing through conventional lenders are tempted to turn to predatory channels, where high interest rates reduce the amount available for housing, further limiting housing choice. Once again, education is one of the most pressing needs to ensure fair housing choice.

Shelter is one of the most basic needs for all human beings. Through HUD and the Fair Housing Act, the Federal government has made a commitment to ensure that all individuals and families are treated fairly in choosing housing to meet their need for shelter.

## Section II: Demographic and Economic Overview

This section profiles the City of Spartanburg's demographic and housing trends by examining and mapping data from the 1990 decennial Census, 2000 decennial Census, American Community Survey 2007 and other relevant data. After describing demographic characteristics and trends, the section provides an analysis of the area's housing market and a household's ability to purchase a home. The section concludes with a synopsis of housing problems experienced by residents, such as cost burden, physical defects and overcrowding.

The following chart provides an overview of the City of Spartanburg's demographic and housing profile in 1990, 2000 and 2007. The population within the city declined by 9.3 percent between 1990 and 2000 to reach 39,407 (from 43,467 in 1990), and declined again by 2007 to an estimated 37,123 (5.8 percent loss). The decline in the City's population took place against a backdrop of population growth in the County outside the municipal boundaries—a growth of 16.9 percent from 1990 to 2000, and an estimated additional 8.8 percent by 2007.

At the same time, the number of households fell by 4.6 percent from 1990 to 2000, and by another 4.7 percent by 2007. This period also saw household size decrease, from 2.42 persons per household in 1990 to 2.22 in 2000, and 2.09 in 2007.

From 1990 to 2000, the percent of persons 65 and older in the City of Spartanburg rose 5.4 to 5.8 percent, and is estimated to have returned to 5.4 percent by 2007. The median age of population of Spartanburg rose slightly from 32.9 years in 1990 to 35.0 years in 2000, and was estimated to be 34.8 in 2007.

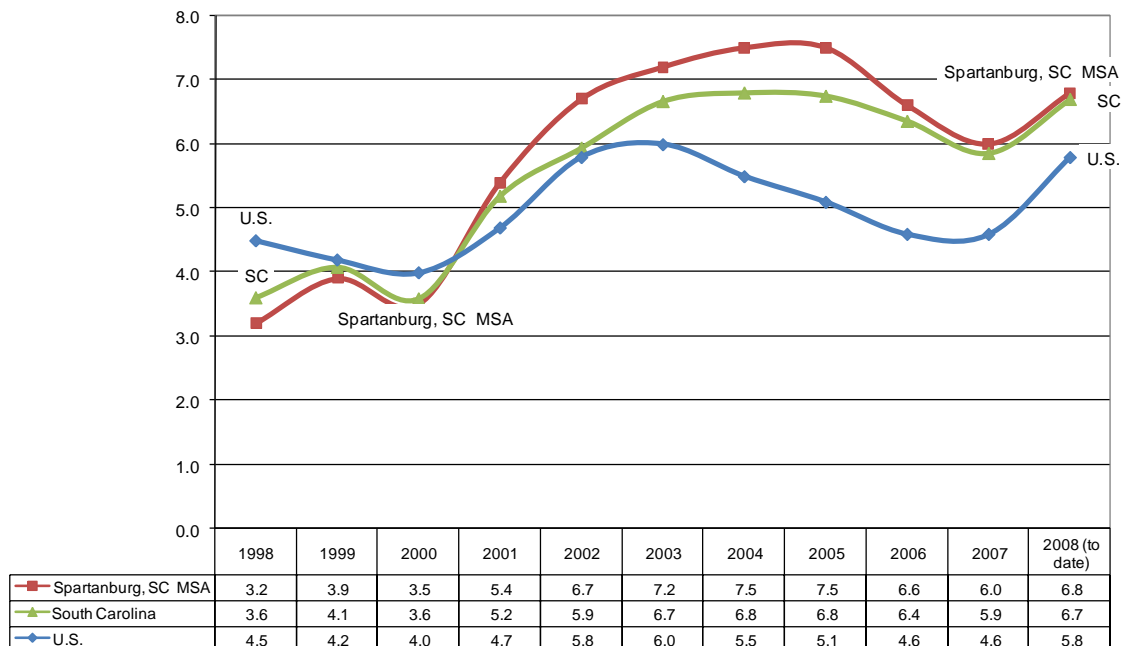
**Overall Profile: 1990, 2000 and 2007**

	1990		2000		2005 estimate	
	Spartanburg city, South Carolina	Spartanburg County, South Carolina	Spartanburg city, South Carolina	Spartanburg County, South Carolina	Spartanburg city, South Carolina	Spartanburg County, South Carolina
Population	43,467	183,333	39,407	214,384	37,123	233,245
Percent 65 or Older	15.4%	15.6%	15.8%	14.8%	15.4%	12.7%
Households	16,695	84,467	15,935	97,658	15,192	89,344
Housing Units	17,950	89,927	17,712	106,986	17,738	101,018
Percent of Vacant Units	6.9%	6.0%	10.0%	8.6%	14.4%	11.6%
Homeownership Rate	48.2%	69.8%	49.9%	72.0%	52.2%	75.5%
Source: Census 1990 and 2000, 2007 American Community Survey						

The 1990 Census reported a labor force of 20,551 persons in the City of Spartanburg. In 2000, Census data reported a labor force of 18,074 and an unemployment rate of 3.5 percent. American Community Survey 2007 data estimate 16,034 persons in the labor force, and Bureau Labor Statistics data show a 2007 unemployment rate of 6.0 percent. By the end of 2008, unemployment in the Spartanburg Metropolitan Statistical Area (MSA) had risen to 6.8 percent.

While the 2000 unemployment rate for the state of South Carolina was 3.6 percent (one point below that of Spartanburg), the national rate was 4.0. More recent data show the 2007 unemployment rate for the state of South Carolina to be 5.9 percent, as compared to a national rate of 4.6 percent.<sup>3</sup>

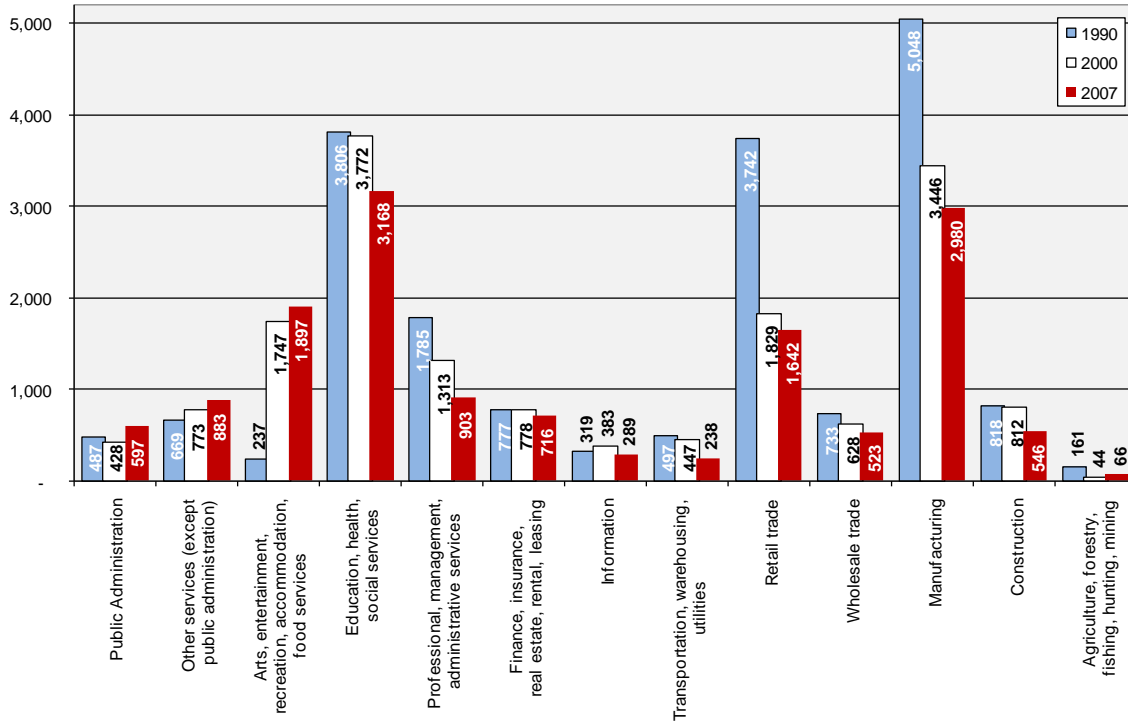
**Unemployment Rate History**



Source: Decennial Census (1990, 2000), 2005-7 ACS 3-year estimates, Bureau of Labor Statistics

American Community Survey 2007 data shows that the largest numbers of residents within the City of Spartanburg were employed in the educational, health, and social services industry (19.3 percent), closely followed by manufacturing (18.2 percent). While these same two industries ranked first and second in 2000, in that year, 23.0 and 21.0 percent of the labor force, respectively, were employed in these industries at that time. The graph below shows the distribution of The City of Spartanburg employed residents by industry in 1990, 2000 and 2007.

<sup>3</sup> Bureau of Labor Statistics, Unemployment Rates for Metropolitan Areas, accessed 2/19/09.

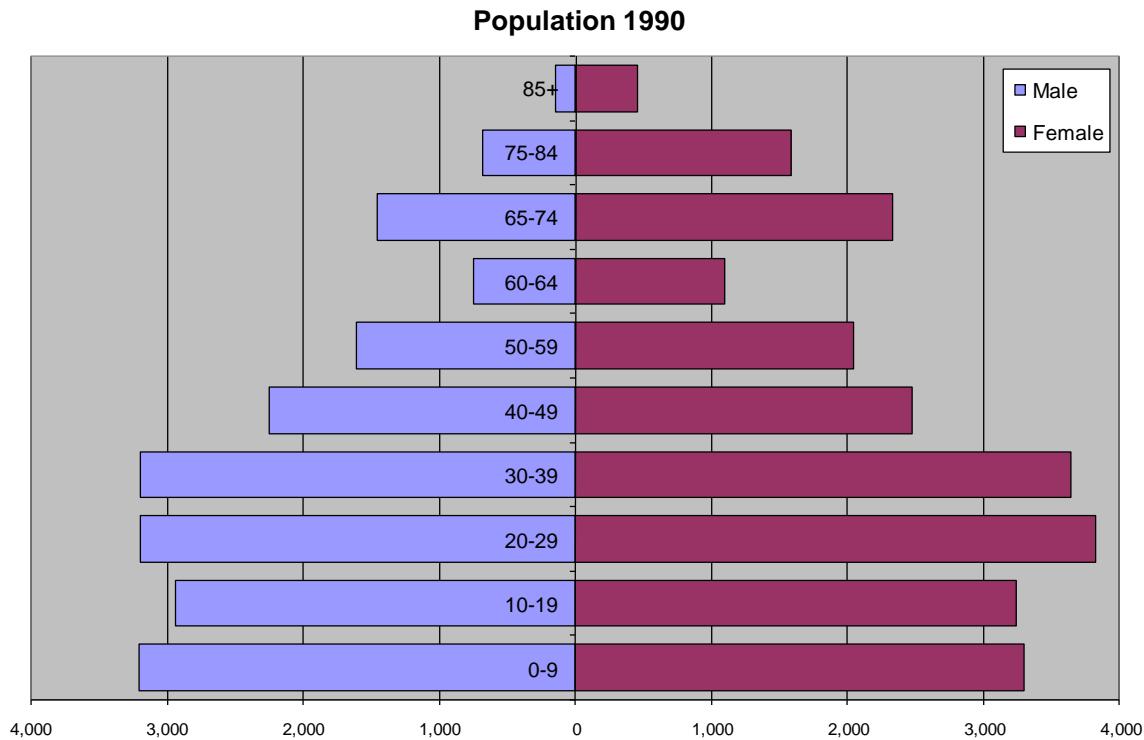
**Employed Residents by Industry, 1990-2007**

## DEMOGRAPHIC PROFILE

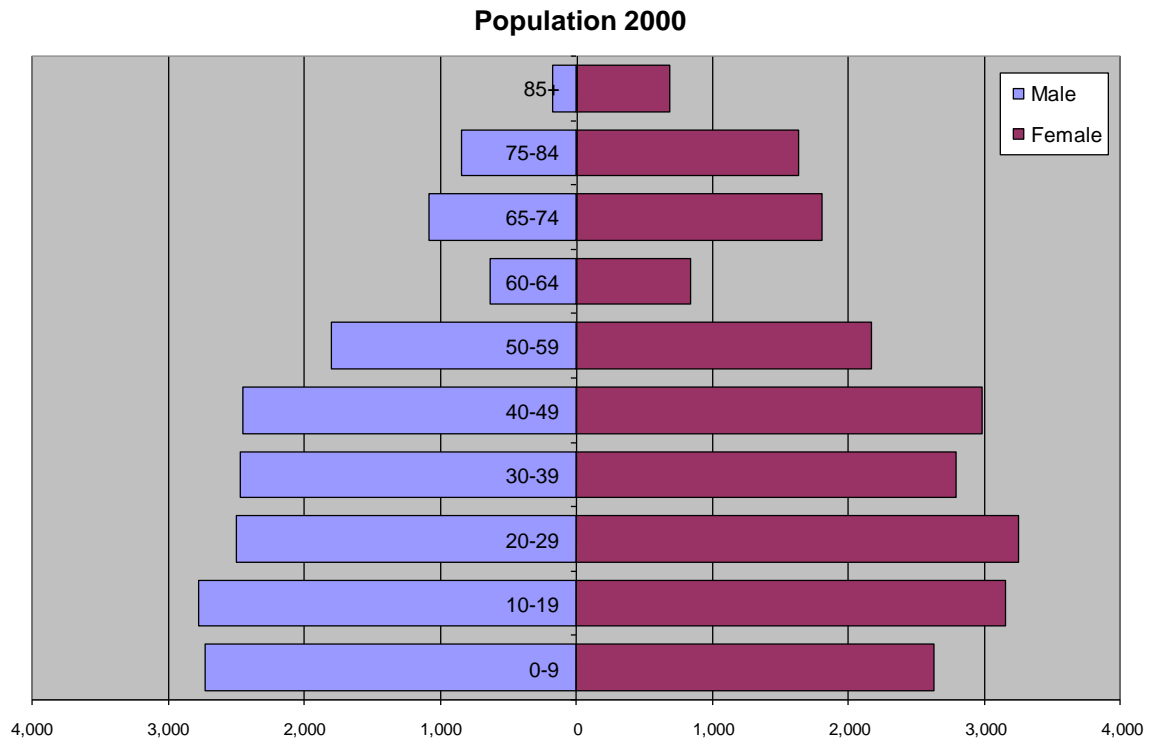
### Population

The population of The City of Spartanburg declined by 9.3 percent between 1990 and 2000 (from 43,467 to 39,407), while the population in Spartanburg county increased by 16.9 percent. The following population pyramids display the change in the city's age distribution during this time period.

As illustrated by the first pyramid, the most populated cohort in 1990 was those aged 20 to 29 years (16.1 percent), followed closely by those aged 30 to 39 (15.7 percent) and 0 to 9 (15.0 percent), when these three groups together comprised 46.9 percent of the population.

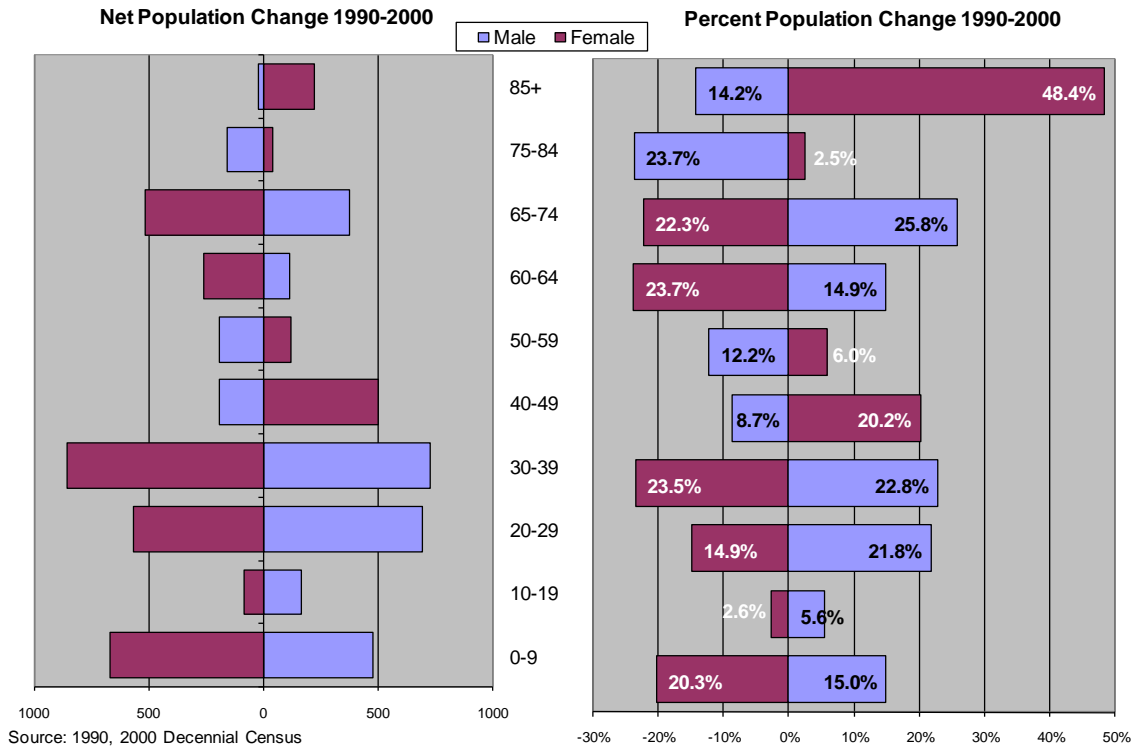


Ten years later, the 2000 pyramid illustrates a slight shift in age distribution. By 2000, those aged 10 to 19 now represented the largest cohort, and in a slightly larger proportion as this group did ten years earlier in their younger cohort (15.1 percent). Those aged 20 to 29 in 2000 represented 14.6 percent—a slight increase over their 14.2 percent position a decade before. Those aged 40 to 49 still comprised the third largest cohort, but in significantly smaller rate to ten years previously (13.8 percent as compared to 15.7 in 1990). Together, these three cohorts made up 43.4 percent of the total population in 2000. Interestingly, largest cohorts in 2000 appear to be the “parent and child” cohorts represented by those aged 40 to 49 and 10 to 19 in that year, suggesting a certain degree of stability among residents, offering its inherent benefits for the community, as well.

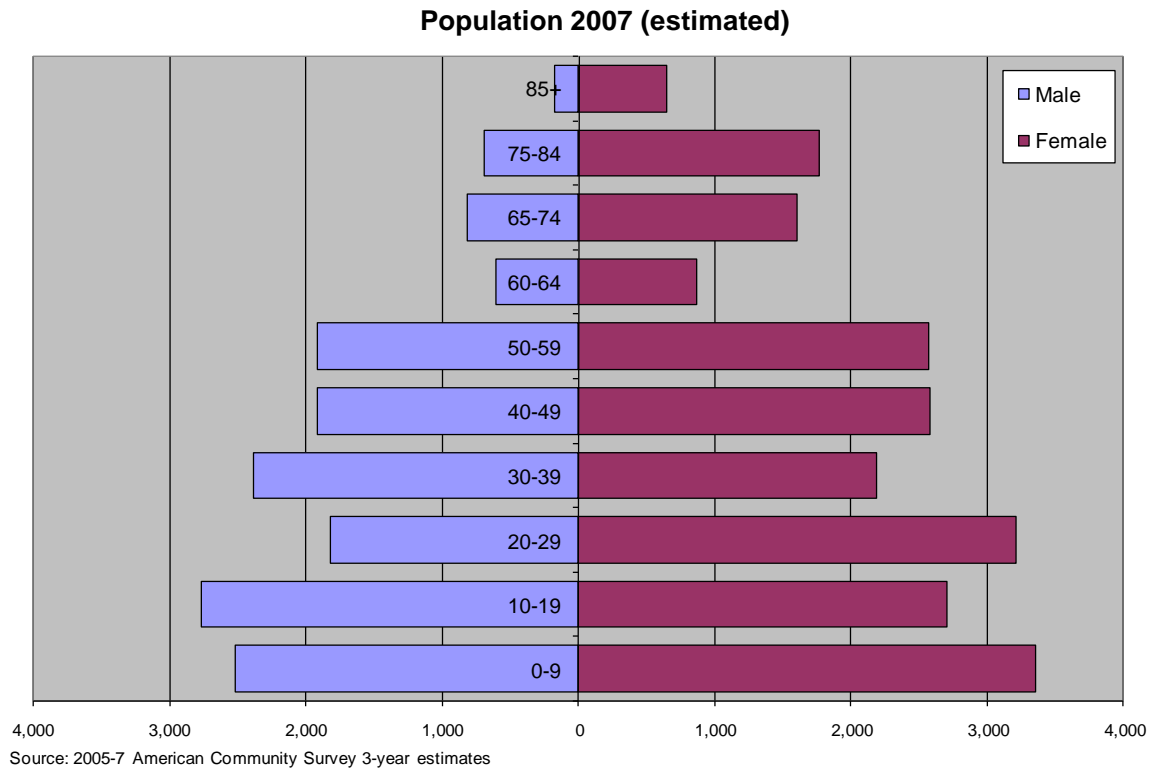


The fastest growth from 1990 to 2000 was experienced among those aged 40 to 49, growing by 2.9 points to 13.8 percent, while the cohort represented by ages 30 to 39 lost the greatest population, dropping by 2.41 points. The cohorts represented by ages 0 to 9, 20 to 29, 60 to 64 and 65 to 74 also lost representation in the population, but none of these lost more than 1.5 points.

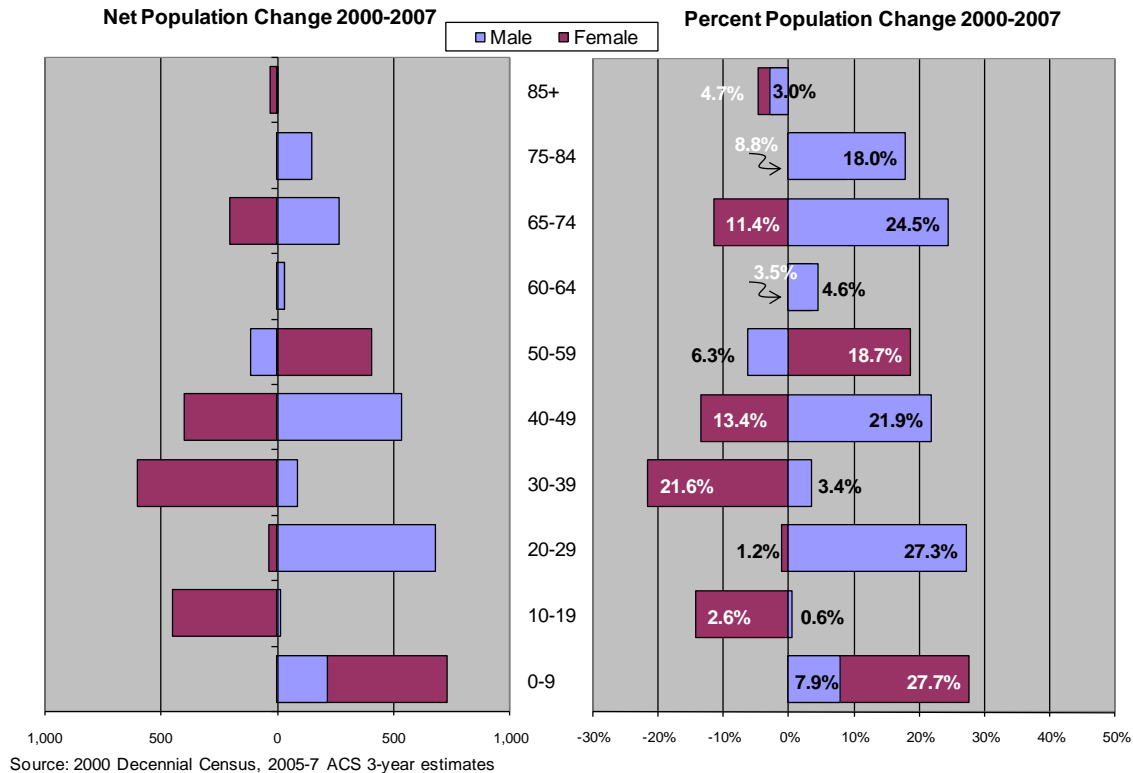
These changes are illustrated in the graph below, which shows the net and percent changes by cohort from 1990 to 2000. Blue bars on the left represent increases in male population, while red bars on the right represent increases among females. When the bars are reversed, this illustrates a loss in the population.



American Community Survey 2007 data estimate the largest cohort is those aged 0 to 9, now at 15.8 percent of the population. Interesting to note is the shift in the population, as the largest cohort moved from being those aged 20 to 29 in 1990 to those aged 10 to 19 in 2000, and then those aged 0 to 9 in 2007. At the very least, the decreasing age of the largest segment of the population may be descriptive of the onset of a local “baby-boom” or the departure of one parent (quite possibly in search of work), leaving single-parent households behind.



The greatest net loss in population from 2000 to 2007 was among females aged 30 to 39, while, the greatest point gain was among females aged 0 to 9. In proportion to the population, the greatest percent of population loss was experienced among males aged 20 to 29 (27.3 percent) and females aged 30 to 39 (21.6 percent).

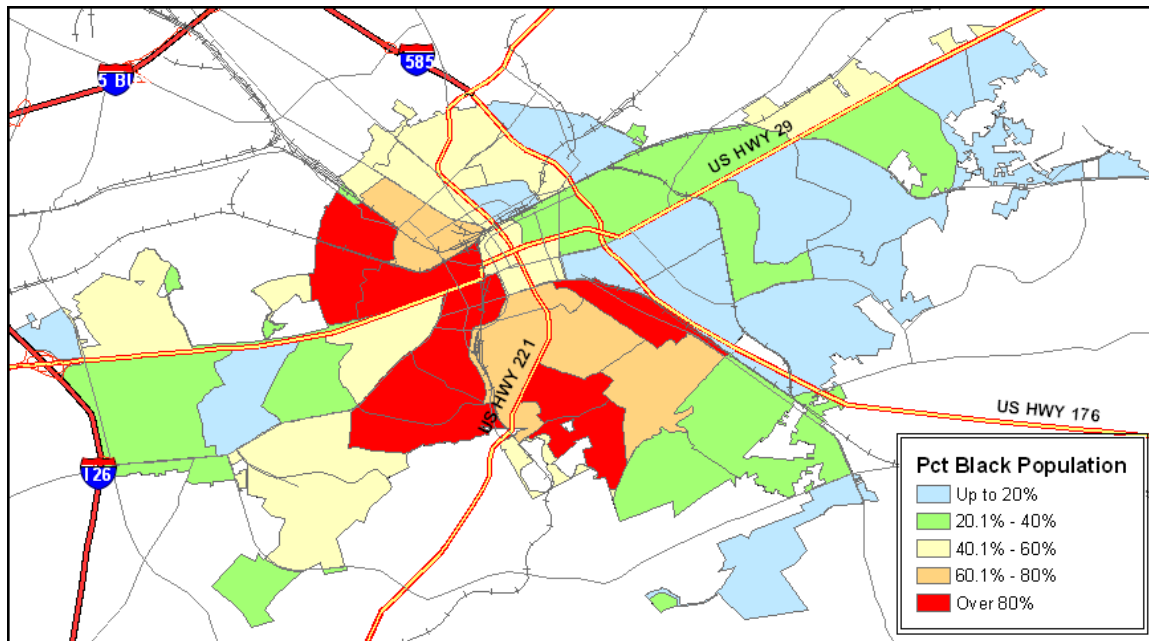


### Race/Ethnicity

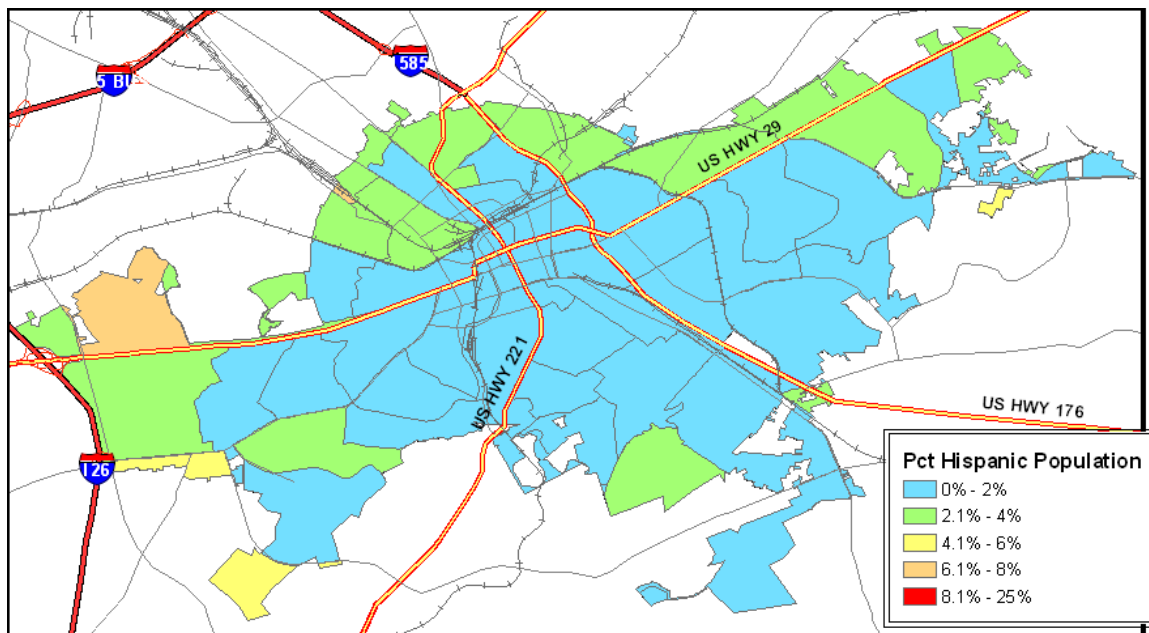
In 2000, The City of Spartanburg's population was 47.3 percent White, 49.4 percent Black, 0.2 percent American Indian/Alaska Native, 1.3 percent Asian, 0.9 percent some other race, and 0.9 percent two or more races. The Hispanic population comprised 1.9 percent of the city's total population.

2007 American Community Survey estimates report a slight shift in population composition, indicating the population to be 45.8 percent White, 50.8 percent Black, 0.2 percent American Indian/Alaska Native, 2.5 percent Asian, 0.3 percent Other and 0.5 percent two or more races. The Hispanic population had declined to 0.7 percent.

The map below illustrates the distribution of the black population in the City of Spartanburg in 2000. The highest concentrations are found in the block groups shaded red in the map below, where the black population comprises from 80 to 100 percent of each block group. Adjacent to these areas, the black population makes up from 60 to 80 percent of the population of each block group, shaded orange in the map.



Spartanburg's Hispanic population was comprised of 762 individuals in 2000, and was rather evenly distributed throughout the city, primarily constituting less than 4 percent of any block group. A slightly denser concentration is apparent at the far west end of the City, where Hispanics comprise from 4.1 to 8.0 percent of the population (shaded yellow and orange). At the far northern tip of Block Group 0206.01-2 (northeast of the intersection of US Highway 29 and Interstate 26), there is a very small section of Block Group 0219.01-1 where nearly one-quarter of the population is Hispanic (23.4 percent).



## Household Characteristics

In 2000, families were the most prevalent type of household and comprised 61.4 percent of all households. Of these, 67.5 percent were small (2 to 4 persons) family households. According to 2007 American Community Survey estimates, family households were still most prevalent in Spartanburg in 2007, making up 61.1 percent of all households. Estimates indicate that as many as 91.7 percent of these were small family households.

The table below shows the total number of households by type in the City of Spartanburg in 2000 and 2007. Households with persons 65 years or older accounted for 24.6 percent of all households in 2000 and dropped to 27.0 percent in 2007.

**Households by Type**

Household Type	2000		2007	
	Number	% of Total	Number	% of Total
Total Households	15,935	100.0%	15,192	100.0%
Family Households	9,781	61.4%	9,289	61.1%
Non-Family Households	6,154	38.6%	5,903	38.9%
Large Families (5 or More)	1,156	11.8%	768	8.3%
Small Families (2 to 4)	6,603	67.5%	8,521	91.7%
65 and older (families & non-families)	3,922	24.6%	4,099	27.0%

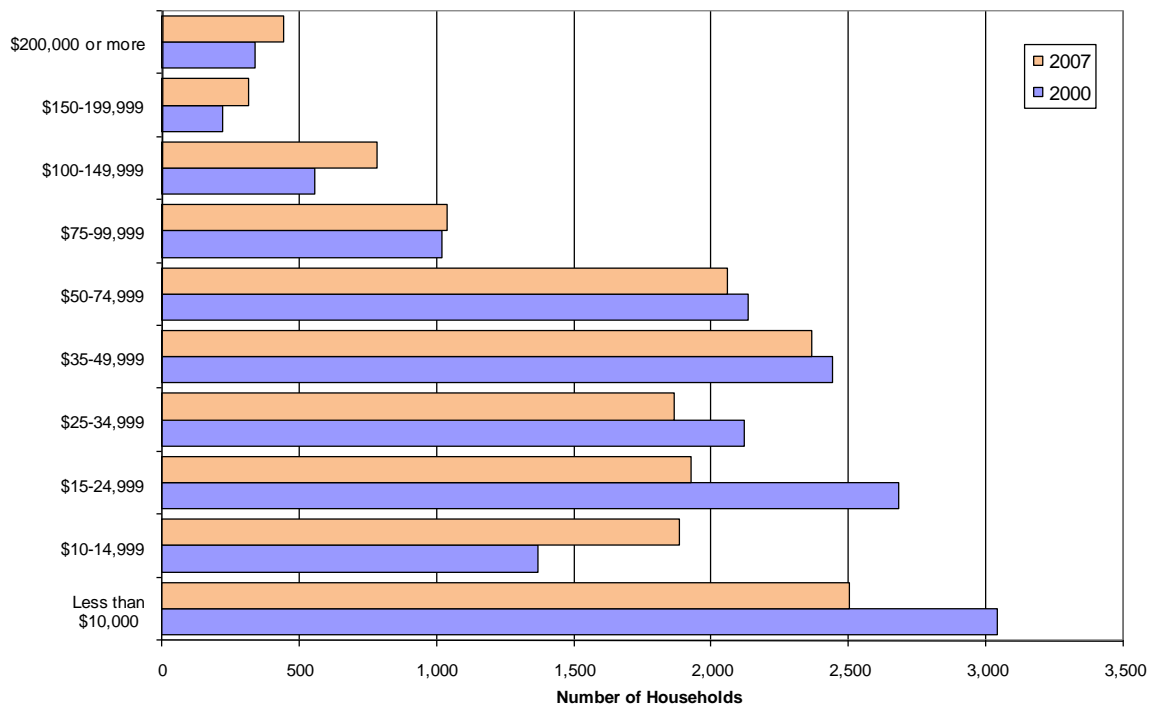
While the number of households declined from 15,924 to 15,192, the corresponding decline in household size (from 2.22 to 2.09 between 2000 and 2007) lends support to the conclusion that single individuals are increasingly forming households in Spartanburg, as is the trend nationwide.

## Income Profile

The graph below illustrates the income distribution of households in the City of Spartanburg in 2000 (illustrated by blue bars) and 2007 (illustrated in rose). The City of Spartanburg's median income in 2000 was \$28,735, which is 23.5 percent lower than the countywide median income of \$37,579. In 2000, the income bracket with the highest number of households in the City of Spartanburg was less than \$10,000, with 19.1 percent of the population earning in this range. The second highest earning level was \$15,000 to \$24,999, with 16.8 percent of households at this level.

By 2007, City's median income had risen to \$32,235, which is 20.9 percent below the countywide median income of \$40,743. In that year, the income bracket with the highest number of households was still less than \$10,000, but represented by just 16.5 percent of the population earning in this range. The second highest earning level was now \$35,000 to \$49,999, represented by 15.6 percent of households. Overall, nearly all income levels below \$75,000 lost population, with the exception of those earning \$10,000 to \$14,999. At the same time, more households earned over \$75,000 in 2007 than in 2000. There was a greater net increase in households earning more than \$75,000 than there was a loss in those earning less.

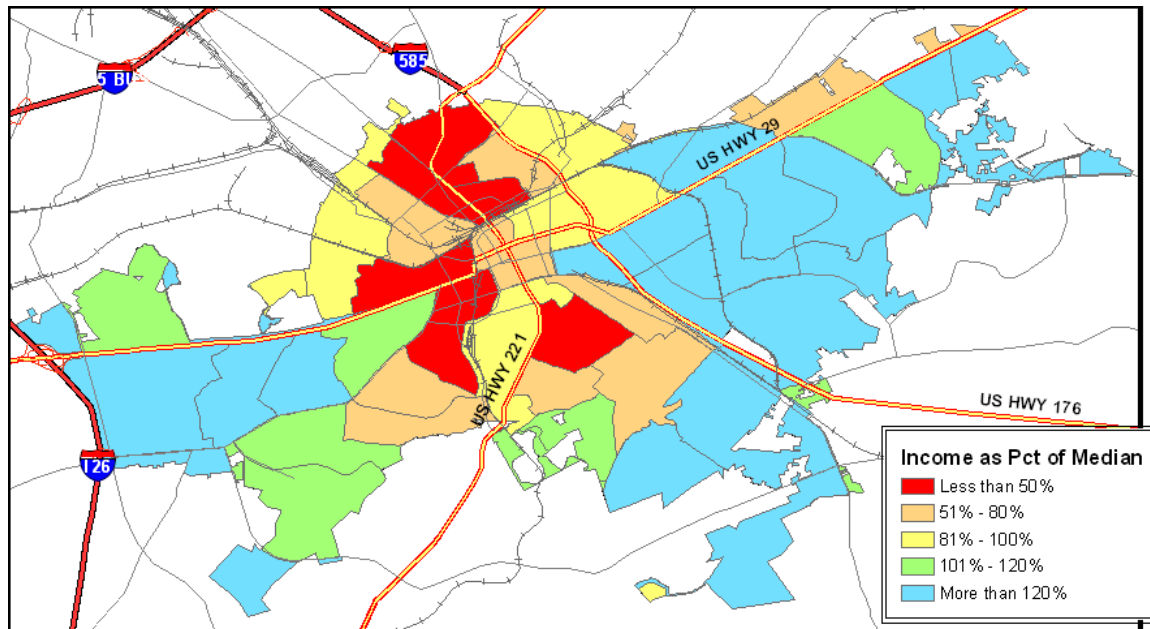
**Income Distribution**



Source: 2000 Decennial Census, 2005-7 ACS 3-year estimates

The map below geographically displays economic stratification in the City of Spartanburg, comparing each block group's median income to that of the entire City. The lowest incomes are found west of the city center along US Highway 29 and north of the railroad tracks toward I-585, where median incomes range from \$9,015 to \$13,125, with the exception of

block group 0203.01-4, which has a reported income of \$0. Adjacent to these are block groups with earnings of from 51 to 80 percent of the area's median income, encircled by those with earnings of 81 to 100 percent. The highest earners are located to the east and west of the city center, with those at the southeast edge of the city, near where US Highway 176 exits the municipal boundaries, earning 292 percent of the area median.



According to HUD, the current (2007) median income for a family of four in the City of Spartanburg is \$54,000. The table below provides 2007 income limits by family size.<sup>4</sup>

#### *Income Limits 2007*

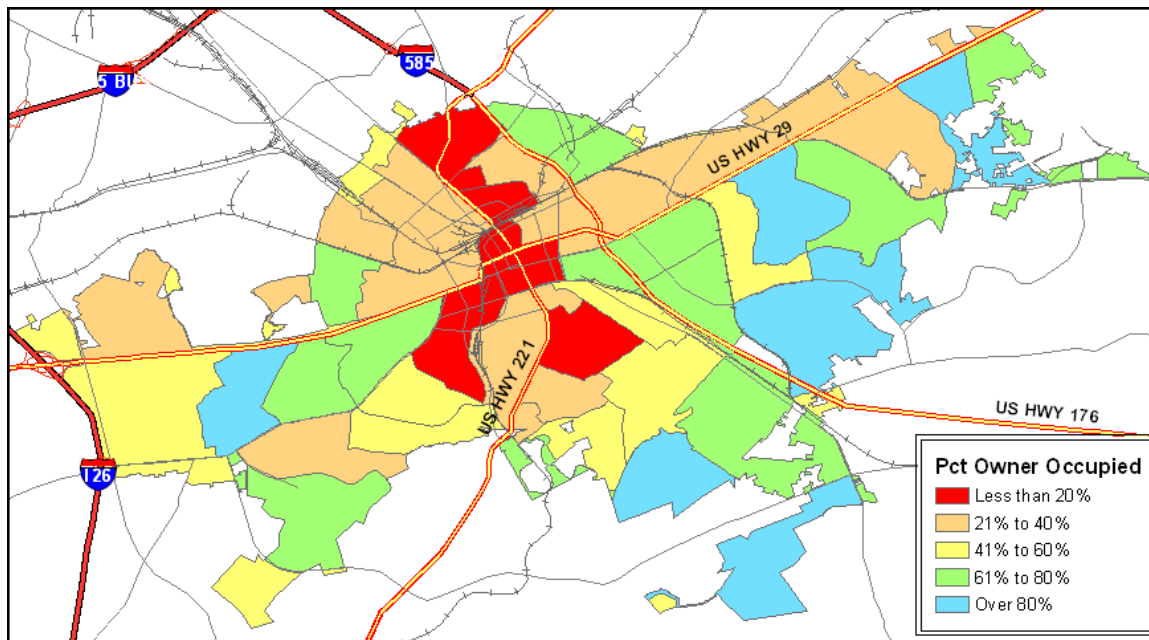
Family Size	1	2	3	4	5	6
Income Limit	\$30,750	\$35,150	\$39,550	\$43,900	\$47,450	\$50,950

#### **Tenure**

Tenure is calculated as tenant occupancy or owner occupancy as a proportion of occupied housing units. In 1990, the City's homeownership rate was 48.2 percent, which was 21.55 points below the county rate, and considerably lower than the national rate of 66.2 percent. The rate increased to 49.9 in 2000, while the county rate rose to 72.0 percent, increasing the difference between the city and county to 22.13 points. The rate of homeownership in the city continued to rise, reaching an estimated 52.2 percent in 2007, while the county rate was estimated to have increased to 75.5, increasing the spread to 23.4. While the county rate exceeded the 2007 national homeownership rate of 67.3, homeownership in the city continues to fall significantly below this figure.

<sup>4</sup> U.S. Department of Housing & Urban Development: Annual Income Limits for the CD Program, March 2007

The map below shows the distribution of the 7,923 homeowners throughout the City of Spartanburg in 2007.



While it is not surprising that the block groups with the highest incomes also appear as those with the highest homeownership rates, several block groups exhibit inconsistent patterns with regards to income and homeownership. In particular are these three block groups that have median incomes of more than 120 percent of the city's median, yet a relatively low homeownership rate of between just 41 and 60 percent:

0206.02-1: the farthest west block group, bounded by I-26 and US Highway 29

0219.02-1: adjacent to the 0206.02-1 (described previously), north of US Highway 29

0220.01-1: a partial block group, a portion of which is the southwestern-most block group in the city and the other part of which is the small sliver south of 0206.02-1 (described previously).

0213.02-2: an "L-shaped" block group located to the east of US Highway 176

These block groups become particularly noteworthy when compared to block groups 0215.00-3 (located north-most and bounded by the intersection of I-585 and the railroad tracks) and 0205.00-2 (located west in the ring surrounding the city center, bounded on the south by US Highway 29). Both block groups have median incomes of between 81 and 100 percent of the city's median, yet homeownership rates that exceed the national rate (69.2 and 69.8 percent, respectively).

## OVERVIEW OF HOUSING SUPPLY

In 2000, there were 17,712 housing units in City of Spartanburg, a net loss of 1.3 percent from 1990.<sup>5</sup> The housing stock increased by a net of 26 units (0.1 percent) between 2000 and 2007 to an estimated 17,738 housing units.

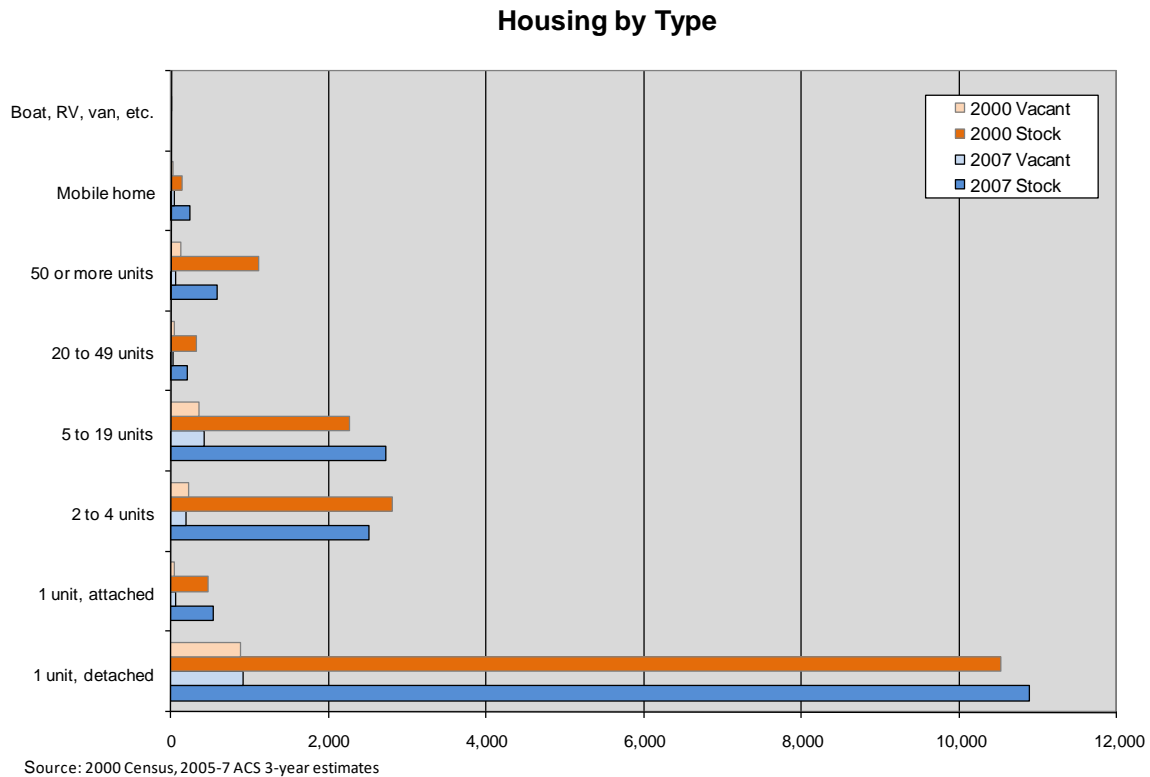
Units	2000		2007		Change	
	Number	Percent	Number	Percent	Number	Percent
Owner-Occupied	7,952	44.9%	7,923	44.7%	(29)	-0.4%
Renter Occupied	7,997	45.2%	7,269	41.0%	(728)	-9.1%
Vacant	1,763	10.0%	2,546	14.4%	783	44.4%
Total	17,712	100.0%	17,738	100.0%	26	0.1%

Despite the decrease in housing units, however, homeownership has been increasing. The rate rose from 42.1 percent in 1990 to 39.2 in 2000 and an estimated 36.6 in 2005. In all years, the homeownership rates have been significantly below the national average (which rose to 66.9 in 2005).

In 2000, single-family detached housing was the most prevalent type among Spartanburg's housing stock, with multi-family housing in structures of 5 to 19 units distantly second. While single-family detached housing continued to be most prevalent in 2007, housing in structures of 2 to 4 units became more prevalent than that in structures of 5 to 19 units. The graph below provides an overview of the housing types in the City. In total, single family detached housing represented 59.5 percent of all housing in the City in 2000, and increased to 61.4 percent by 2007. The majority of multi-family housing (15.4 percent) is located in buildings that contain between 5 and 19 units. Mobile homes represent 1.4 percent of all housing.<sup>6</sup>

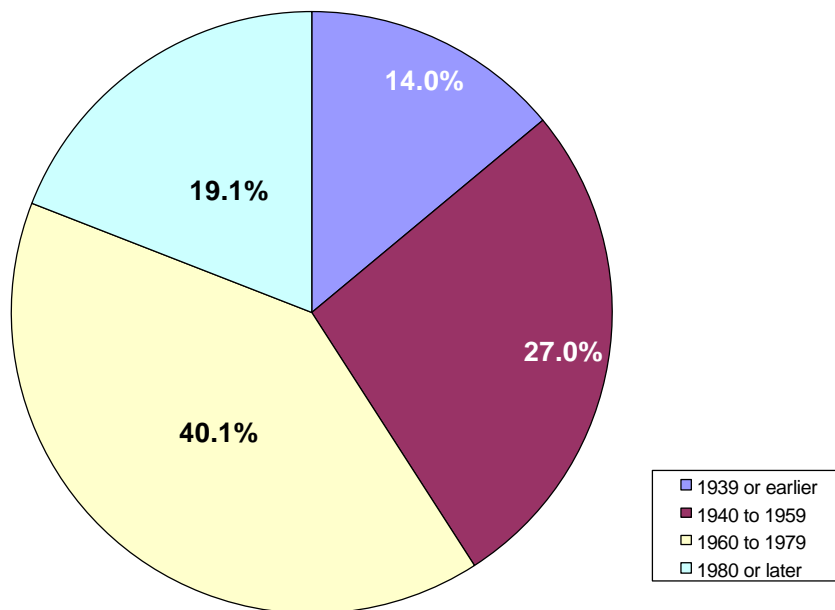
<sup>5</sup> Census 1990, Summary File 3, HO27: Tenure By Year Structure was Built (Housing Units) and Census 2000, Summary File 3, HO27: Tenure By Year Structure was Built (Housing Units)

<sup>6</sup> Census 2000, Summary File 3, H32: Tenure By Units in Structure



### Age and Condition

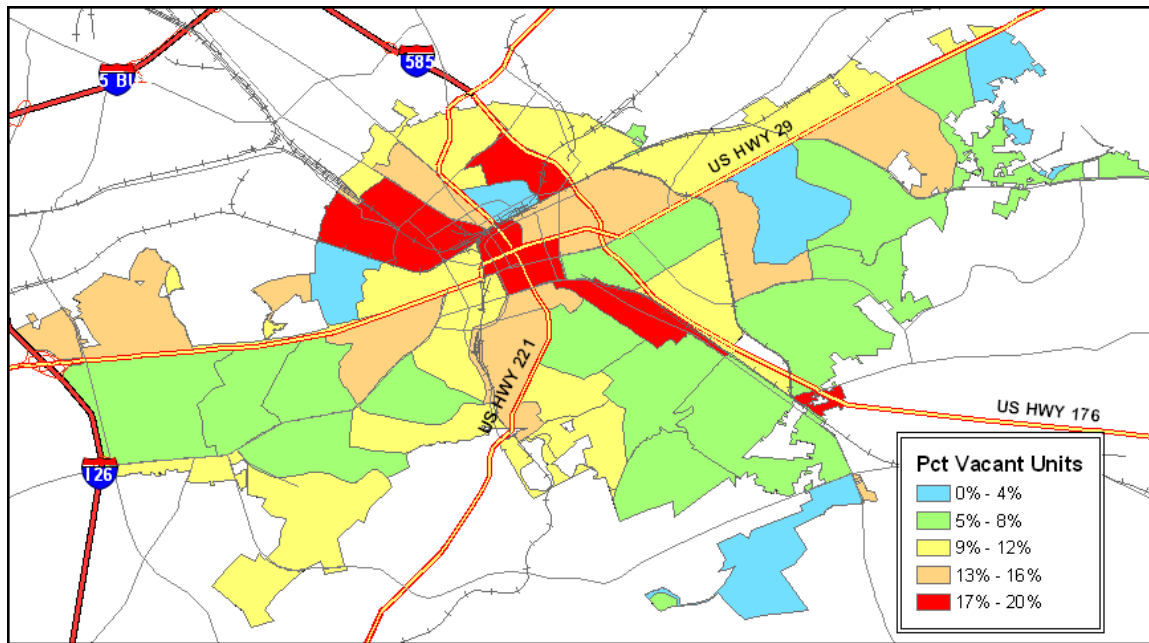
Based on the 2000 census, 41.5 percent of the total housing stock in the City of Spartanburg was built in 1959 or earlier, and is, therefore, over 50 years old. 2007 American Community Survey estimates indicate this amount to be 41.0 percent, suggesting that some demolition of housing stock has taken place in the seven-year interim. These data also indicate that between 81.0 and 82.6 percent of the housing stock was built prior to 1980, making lead-based paint a potential hazard. When compared to the national average of 56 percent, Spartanburg's housing stock is older than most and these units will need substantial financial investments in major structural systems to remain sound and livable. For low-income owners, these repairs are frequently unaffordable, and deferred maintenance hastens the deterioration of their units. Often low-income rental housing does not generate enough revenue to make improvements without raising the rent.

**Age of Housing Stock (2007)**

Source: 2005-7 ACS 3-year estimates

**Vacant Units**

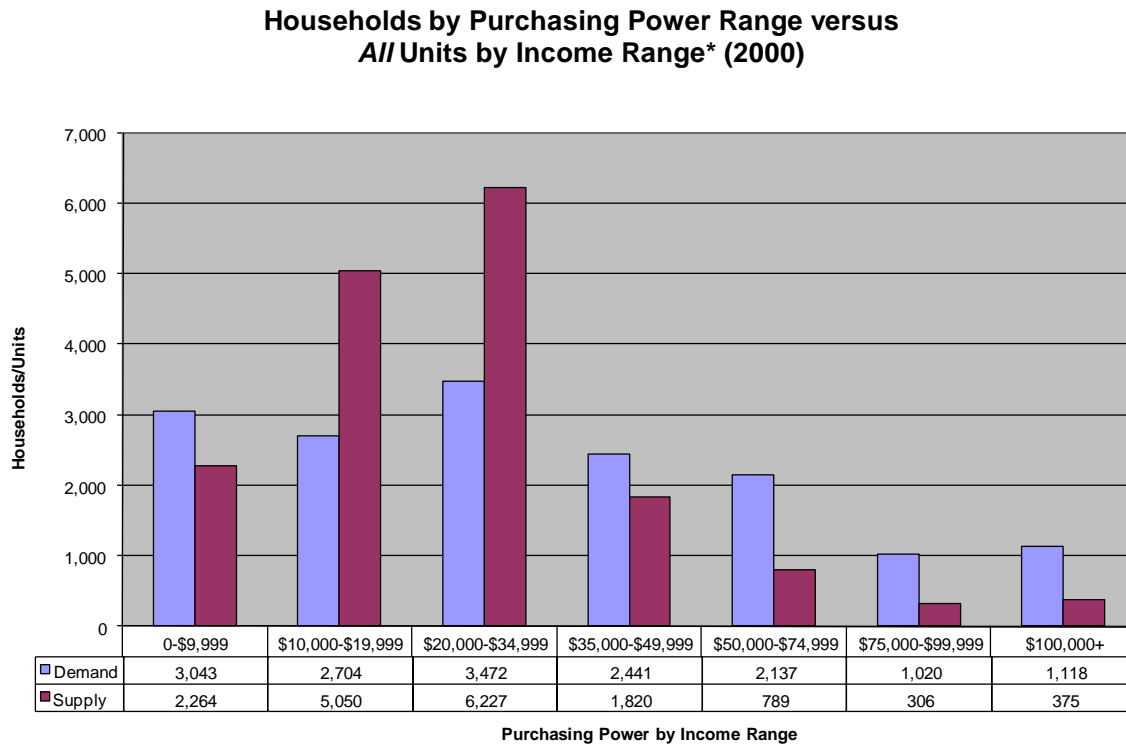
Vacancy is defined as a proportion of unoccupied units to all housing units. The map below shows the distribution of vacancies throughout the City of Spartanburg. The highest vacancy rates occur in block groups 0203.01-1, 0204.00-1, 0204.00-2, 0201.00-1, and 0211.00-1. Previously, these block groups were described as having low rates of owner occupancy, incomes of below 80 percent of the city's median, and populations that are between 40 and 80 percent black.



### Housing Demand versus Supply

The following two graphs compare the housing demand versus the housing supply in the City of Spartanburg as of 2000. The first displays the total number of households distributed among their affordable home ranges (both rental and owned units). In this graph, the term demand represents the numbers of households at each income level shown (\$0-\$9,999, \$10,000-\$19,999, etc.). The term supply represents all housing units—that is, rented and owned, occupied and vacant—valued at appropriate affordability for each income level.

In 2000 there were 3,043 households that earned less than \$10,000. Assuming that an affordable home value is roughly three times a household's annual income, this income group can afford a home valued at no more than \$29,999. In 2000 in the City of Spartanburg, there were 2,264 homes valued in this range. This represents a shortage of housing for households at this income level.



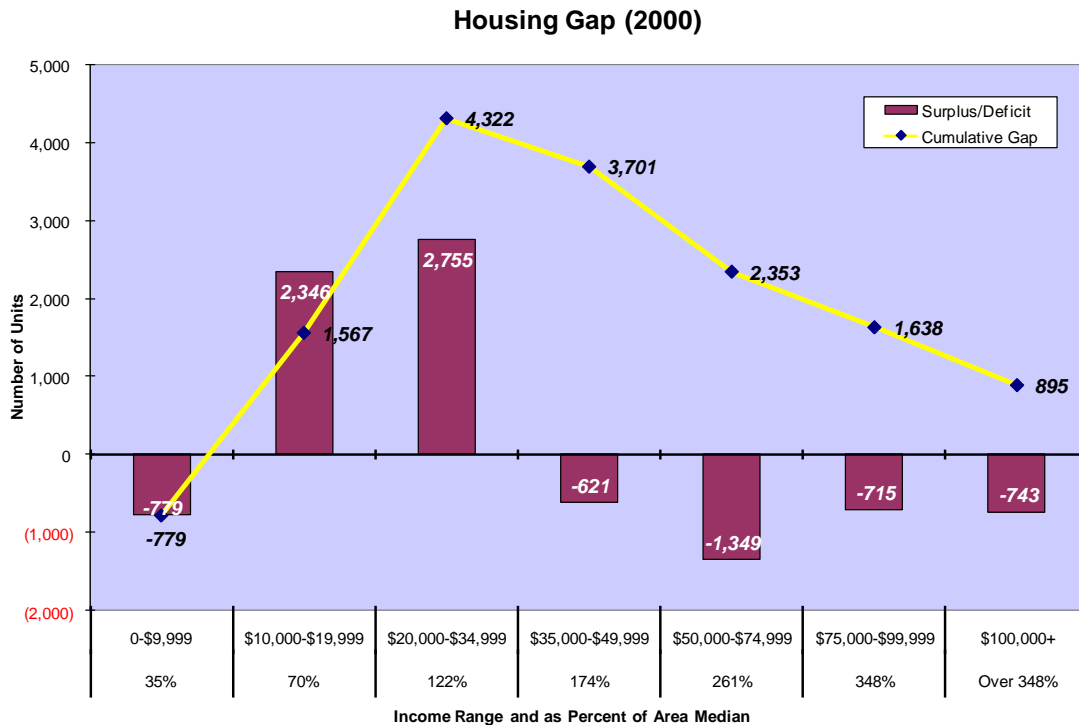
Source: 2000 Decennial Census

There is also a lower supply than demand at the highest income levels, which suggests that wealthier households might have sought higher-cost housing had there been a ready supply available. Without such a supply, higher-income households purchase homes below their affordability levels, causing them to compete for housing with those at lower incomes.

The graph below shows the gap between the supply and demand of housing units at each income level. For example, the demand of 3,043 units and supply of 2,264 (above) creates a gap of -779 units (see graph below and table above). In other words, there were 779 more households earning up to \$9,999 annually seeking housing than there were units available to them.

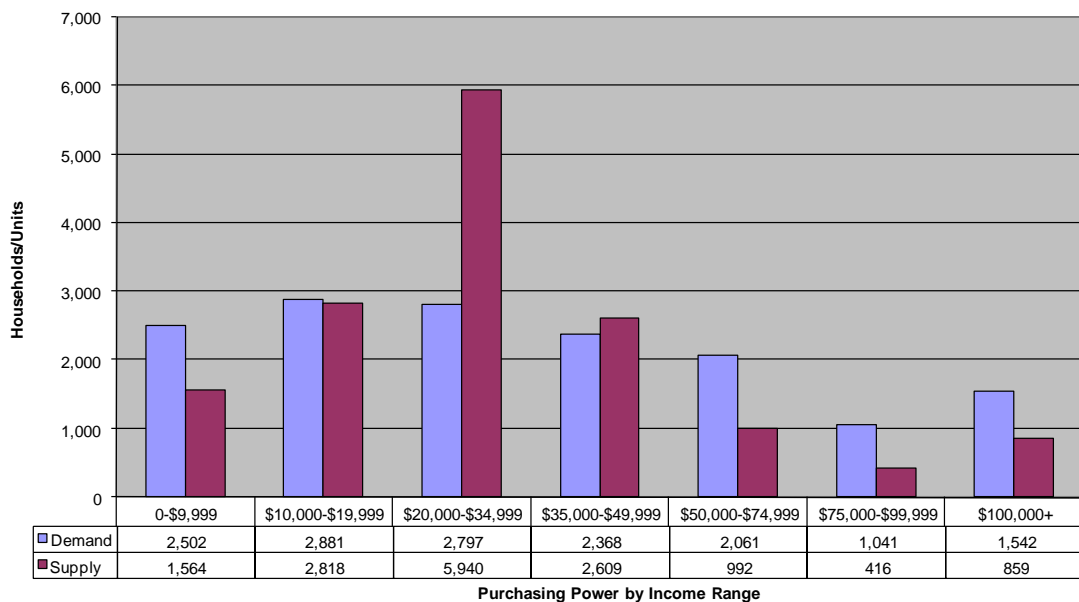
At the next level, the demand of 2,704 units and supply of 5,050 creates a gap of 2,346 units in excess of demand. When combined with the deficit of 779 units from the previous income level, the net shortage of housing units for those earning below \$20,000 is finally reconciled at the next level, where all households earning below \$20,000 can be housed within their income limitations.

A review of the cumulative housing supply and demand (yellow line) shows that in 2000 there was ample housing for the low to high income levels, and cumulative surplus of 895 units (as of the 2000 Census). This surplus indicates that there are sufficient units for all but the lowest income level for households that accept living in housing at or below their affordability levels.



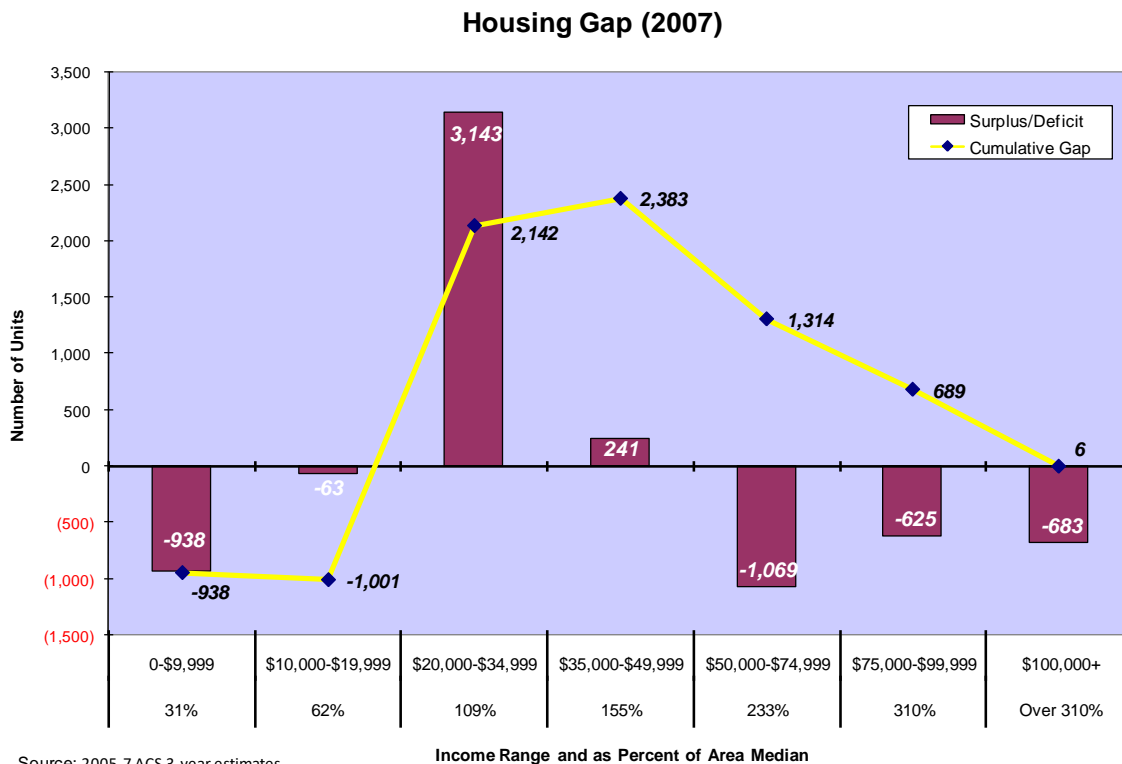
Estimates from the 2007 American Community Survey suggest the shifts as illustrated in the following graphs. Housing availability appears to have improved somewhat across the middle-income levels, falling short of demand only at the lowest and higher levels.

**Households by Purchasing Power Range versus  
All Units by Income Range\* (2007)**



The demand for 2,502 units and supply of 1,564 at the lowest level reveals a gap of -938 units—considerably larger than the gap in 2000. Important to note is that a home priced at less than \$10,000 in 2000 was available to households earning up to 34.8 percent of the area’s median income. By 2007, this home was available to those earning up to just 31.0 percent of the area’s median income. Because the price of the home is held constant against a rising median income, the affordability measure decreases.

At the next price point, the demand for 2,881 units and supply of 2,818 units fails to ease any of the demand from the lowest level, and falls 1,001 units short of housing those with incomes below 62 percent of the area’s median. Finally, relief comes at the third price point, where all earners below 109 percent of the area’s median income can afford housing. While it appears that Spartanburg has an ultimate estimated net surplus of just 6 housing units, recent demolition and new construction in 2007 and 2008 yielded an additional 223 units to the housing stock. Still, the continued low availability of stock for the highest earners illustrates that these households compete with lower earners for housing priced near the median.



### Housing Affordability

Housing affordability is calculated as 30 percent of income for rent, and 28 percent of income for homeownership. The difference is to allow for additional costs, such as utilities, that are customarily included in a tenant household’s rent, but are borne by the household’s income as homeowners.

In the City of Spartanburg, the current median cost for a home is \$114,900<sup>7</sup>. Presuming a down payment of 5 percent (\$6,245) and an interest rate of 5.66 percent, an estimated monthly payment (PITI) of \$529 makes the home affordable to a household earning \$22,691 (or 70.4 percent of the area's median income).

According to the National Low-Income Housing Coalition's "Out of Reach" database, in 2007, the City of Spartanburg's median gross rent for a two-bedroom unit was \$631. As 30 percent of annual income, this rent would be affordable to a household earning \$25,240, or 78.3 percent of the area's median income. Three-bedroom rental housing was reported to cost \$794. Affording this rent requires an annual income of \$31,760, and is affordable to households earning 98.5 percent or more of the area's median income. In general, rental housing in the City of Spartanburg is highly affordable for those who earn an income above 80 percent of the city's median.

The first table on the following page illustrates the income needed to afford a home of the 2009 median home value in the City of Spartanburg, based on interest rates of 5.66 and 6.16 percent with a 5-percent down payment. The second table illustrates the price of a home that households paying the 2007 Fair Market Rent (FMR) for two- and three-bedroom units can afford, if they were to own rather than to rent. These charts assume an affordable rental housing cost to be 30 percent of a household's monthly income and an affordable ownership cost to be 28 percent.

Assuming a 28 percent affordability index, the results of the analysis show that a median-priced home in 2009 is affordable to a household earning between \$29,946 and \$28,443 (or from 83.6 to 88.2 percent of the AMI). This assumes that the household can provide a down payment of 5 percent.

This analysis further examines the affordability of rental housing in the City of Spartanburg in comparison to the cost of homeownership. A household paying the 2007 fair market rent (FMR) for a 2-bedroom rental unit with no funds available for a down payment can afford a home between 84 and 89 percent of the 2009 median home value in the City of Spartanburg; that is, a home priced between \$96,864 and \$102,245. A household paying the 2007 fair market rent (FMR) for a 3-bedroom rental unit with no funds available for a down payment can afford a home between 106 and 112 percent of the 2009 median home value in The City of Spartanburg; that is, a home priced between \$121,886 and \$128,657. A current search of homes for sale revealed the lowest priced home in the City of Spartanburg to be \$10,000, with 457 homes priced below \$128,000.

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<sup>7</sup> Calculated from data retrieved from [www.realtor.com](http://www.realtor.com), accessed 1/24/09.

## Homeowner and Rental Housing Affordability

Area Median Income	\$ 32,235.00
Affordable Monthly Housing Cost	28% monthly income

**Homeowner Housing****Annual Wage (and % AMI) and Down Payment Needed to Buy Various Priced Homes (at 5.66% interest rate)**

	Sales Price	Down Payment	Mortgage Amount	Monthly Mortgage at 5.75% interest	Total Monthly Cost**	Required Annual Income	Percent of AMI
Median Value of Owner-Occupied Unit, 2009*	\$114,900	\$5,745	\$109,155	\$629	\$654	\$26,946	83.6%

**Annual Wage (and % AMI) and Down Payment Needed to Buy Various Priced Homes (at 6.16% interest rate)**

	Sales Price	Down Payment	Mortgage Amount	Monthly Mortgage at 6.25% interest	Total Monthly Cost**	Required Annual Income	Percent of AMI
Median Value of Owner-Occupied Unit, 2009*	\$114,900	\$5,745	\$109,155	\$664	\$690	\$28,443	88.2%

\* Median Home Value source: calculated from data retrieved from www.realtor.com on 1/24/09

\*\* Includes property taxes, homeowner &amp; mortgage insurance (if required)

**Rental Housing****Comparable Monthly Rent and Mortgage/Tax/Insurance Payments**

	Monthly Housing Expense	Comparable Monthly Mortgage	Affordable Purchase Price 5.75% interest rate	Affordable Purchase Price 6.25% interest rate	Required Annual Income	Percent of AMI
2007 FMR (2-bedroom)	\$631	\$589	\$102,245	\$96,864	\$25,240	78.3%
2007 FMR (3-bedroom)	\$794	\$741	\$128,657	\$121,886	\$31,760	98.5%

## Housing Problems

By Department of Housing and Urban Development (HUD) standards, there are three criteria by which a household is determined to have a housing problem:

- If a household pays more than 30 percent of its gross monthly income for housing, it is considered cost burdened. HUD considers households that pay more than 50 percent of their income on housing costs to be severely cost burdened.
- If a household occupies a unit that lacks a complete kitchen or bathroom, the unit has a physical defect.
- If a household contains more members than the unit has rooms, the unit is overcrowded.

Based on HUD's definition, 35.1 percent of The City of Spartanburg renters (2,789) were cost-burdened (according to CHAS tables based on 2000 data), including 18.5 percent (1,470) who were severely cost-burdened. Considerably fewer homeowners with a mortgage experience this housing problem: 20.9 percent (1,660) were cost-burdened, including 8.3 percent (659) who were severely cost burdened.

According to the 2000 Census, 95 households (0.5 percent) lacked adequate plumbing facilities, while 0.7 percent of all households (119) lacked complete kitchen facilities. The 2007 American Community Survey estimated that these conditions had improved to where there are no units lacking plumbing facilities, and 0.2 percent (41 units) lack complete kitchen facilities.

In 2000, 606 (3.8 percent) of the City of Spartanburg households were overcrowded. These were comprised of 106 owner-occupied households, or 0.7 percent of all owner-occupied households. Considerably more tenant-occupied households were overcrowded: 500, or 3.1 percent of all renters.

American Community Survey estimates reported substantial improvement by 2007, indicating that 1.3 households were overcrowded (192), represented by 0.3 percent homeowners (42 units) and 1.0 percent tenants (150).

## RECOMMENDATIONS

Take measures to reduce racial and ethnic concentration by assuring that a variety of housing options are available throughout the city.

Ascertain that low homeownership rates are a reflection of a geographic area's function (i.e., commercial areas) and not a reflection of the race, ethnicity or income levels of its residents.

## **Section III: Fair Housing Status, 2008**

### **DEMOGRAPHIC DATA**

The demographic data in Section II indicates that the population within the City of Spartanburg declined by 9.3 percent between 1990 and 2000, or about 1 percent annually, and 5.8 percent from 2000 to 2007, or 0.08 percent annually. Against this decline, the population of Spartanburg County grew by about 3 percent over this same period.

At the same time, the number of households declined by more than 4.5 percent from 1990 to 2000, and by an additional 4.7 by 2007. The slower increase in number of households than in population supports the gradual decrease in household size (from 2.45 in 1990 to 2.32 in 2000 and 2.28 in 2007).

From 1990 to 2000, the percent of persons 65 and older in the City of Spartanburg increased from 15.4 to 15.8 percent, and declined again to 15.4 in 2007. The population of Spartanburg is rising, with a median age of 32.9 years in 1990 to 35.0 in 2000, and an estimated 34.8 in 2007.

### **COMPLAINTS OF UNLAWFUL DISCRIMINATION**

This section will review both the evidence of unlawful discrimination (in the form of an analysis of discrimination complaints) and the recent fair housing related activities of Spartanburg. The purpose of this section is to describe the current fair housing environment. Subsequent sections of this report will analyze this information for the purpose of identifying current impediments and action steps to minimize the effect of those impediments.

Unlawful discrimination is one of the most blatant impediments to fair housing, and it is therefore important to make efforts to measure the extent to which unlawful discrimination occurs in the housing market. Analyzing complaints brought by those who believe they have been illegally discriminated against can shed light on the barriers to housing choice and accessibility. Though the number of complaints cannot provide a complete picture of the level of discrimination, it can provide a snapshot of some of the barriers that may exist.

The Spartanburg Community Relations Department provides fair housing and employment information, responds to requests for assistance, and tracks as many complaints or requests from consumers within the City and County.

In FY 2007, HUD and all state and local government agencies in HUD's Fair Housing Assistance Program (FHAP) across the nation received a combined total of 10,154 housing discrimination complaints. This was a slight decrease from the all-time high of 10,328 complaints filed in FY 2006. Disability and race continue to be the most common bases of alleged discrimination, cited in 43 percent and 37 percent of complaints, respectively. This is true despite a 7 percent increase in disability complaints and a 7 percent decrease in race

complaints compared to FY 2006. Housing discrimination complaints most often allege discrimination in the terms and conditions in the sale or rental of property or refusal to rent, cited in 58 percent and 26 percent of complaints, respectively. In addition to investigating complaints it receives from the public, HUD has the authority to initiate an investigation and to file a complaint when there is reason to believe that a discriminatory housing practice has occurred or is about to occur. In FY 2007, HUD launched 15 Secretary-initiated investigations, more than in the past ten years combined.

The number of complaints alleging racial or ethnic discrimination in the housing market also account for far less than the actual number of discriminatory acts suggested by recent studies. A series of national studies on the experiences of African Americans, Hispanics, and Asians and Pacific Islanders in the housing market has found evidence of consistent adverse treatment in roughly one of every five interactions with a sales or rental agent. A study on the experience of Native Americans in the rental market in three states found that they experience consistent adverse treatment in 28.5 percent of their interactions with a rental agent, on average.

In addition to presenting information on the level of racial, ethnic, or disability discrimination, recent HUD studies show that discrimination is often subtle. Much of the consistent adverse treatment reported in the aforementioned studies was uncovered using paired-testing—a method by which two persons, differing only on a single characteristic that is being tested (e.g., race), independently inquire about an advertised housing unit. Each of the testers independently records his or her experience, and any difference in treatment is often only apparent when an analyst compares the resulting information. Thus, the disparity between the number of complaints filed with HUD and FHAP agencies and the frequency of discrimination found in housing discrimination studies indicates that victims are often unaware that they have been discriminated against and suggests that discrimination is greatly underreported.

In January 2005, HUD established the Office of Systemic Investigations (OSI) to investigate discriminatory practices that are not reported by individuals. OSI uses methods such as paired-testing to investigate housing providers or other entities that it suspects of engaging in unlawful discrimination.

### **“Discrimination Against Persons with Disabilities: Testing Guidance for Practitioners”**

In July 2005, HUD published *Discrimination Against Persons with Disabilities: Testing Guidance for Practitioners* as an aid for fair housing and disability-rights advocates, civil rights enforcement agencies, and others interested in testing for disability-based discrimination. The guidebook resulted from testing in the HUD-commissioned study entitled *Discrimination Against Persons with Disabilities: Barriers at Every Step*.

The guidebook describes the advantages and challenges of conducting telephone and in-person testing for discrimination against persons with disabilities. TTY testing was found to be an inexpensive and effective testing strategy because it can be completed quickly, it does not require testers to travel, and it can span a wide geographic area. Moreover, relay operators provide customers with a verbatim report on each telephone call, providing an

independent narrative of what occurred in the disabled portion of the test. However, because telephone calls are generally brief, these tests do not offer the opportunity to capture as much information about differential treatment as in-person tests.

The report also addresses two particular challenges faced by persons with disabilities when conducting in-person tests—transportation and access to the property and/or unit. Deaf or hard-of-hearing testers were not able to access housing that contained an intercom/buzzer entry system and blind testers sometimes had difficulty finding the front door or gaining access to rental properties or management offices. Therefore, the report concluded that it might make sense to send disabled testers to their assignments with someone who could help them gain entrance, but who would not accompany them during tests.

Another significant challenge for disability testing is determining whether the property is accessible enough so that persons with mobility impairments can test it. Before using a property as a test site, Barriers at Every Step used a drive-by survey to determine whether it was accessible. The report also suggested that proxy testers be used to test properties that are not accessible.

With proper planning and support, persons with disabilities were able to effectively serve as testers. The most common types of assistance provided for testers with disabilities were transportation to and from the test site, training materials in other formats (such as Braille) and assistance from project staff in completing the test report forms. Cognitively disabled testers sometimes needed companions to accompany them during the test to help them remember and record the test experiences.

HUD intends for the study and report to serve as a guide for conducting disability discrimination testing. As such, they should be used in conjunction with other testing approaches that may be appropriate for the discriminatory practice being investigated. Copies of the report are available at "<http://www.huduser.org>."

### **HUD Fair Housing Enforcement Activity**

HUD investigates complaints of housing discrimination based on race, color, religion, national origin, sex, disability, or familial status. At no cost, HUD will investigate the complaint and attempt to conciliate the matter with both parties. If conciliation fails, HUD will determine whether "reasonable cause" exists to believe that a discriminatory housing practice has occurred. If HUD finds "no reasonable cause," the Department dismisses the complaint. If HUD finds reasonable cause, the Department will issue a charge of discrimination and schedule a hearing before a HUD administrative law judge (ALJ). Either party may elect to proceed in Federal court. In that case, the Department of Justice will pursue the case on behalf of the complainant. The decisions of the ALJ and the Federal district court are subject to review by the U.S. Court of Appeals.

It can be extremely difficult to detect unlawful discrimination as an individual home-seeker, and the resolution of these complaints, following investigation, is also important to consider. Note, the following definitions:

**Administrative Closure**—Action taken as a result of a judicial proceeding, lack of jurisdiction due to untimely filing, inability to identify a respondent or locate a complainant, or if a complainant fails to cooperate.

**Conciliation**—Parties meet to work out a resolution. Meeting is generally initiated by the equivalent agency or HUD.

**Withdrawal/Relief**—Situation where the complainant wishes to withdraw without relief or there is relief granted following a resolution between the parties.

**No Reasonable Cause**—Although there may have been an action taken that appears to be discriminatory under the Fair Housing Law, there is not sufficient evidence uncovered as a result of investigation, to prove the action was in fact discrimination, or in other words, one of “Reasonable Cause” to transfer to the U.S. DOJ, District Judge or the HUD Administrative Law Judge for a judicial ruling.

**Reasonable Cause**—As a result of investigation that may also be considered in a conciliation or other attempted resolution action, there is sufficient evidence or “Reasonable Cause” to present the case to the (DOJ) District Judge or the HUD (ALJ), for a judicial ruling.

### HUD/City of Spartanburg Title VIII Complaints

The HUD Regional Office (Atlanta, GA) was contacted to inquire whether there had been any Fair Housing complaints filed over the last five years. Upon searching their database for the Office of Fair Housing and Equal Opportunity, no record of complaints was found filed under the Fair Housing Act against the City of Spartanburg or the Spartanburg Housing Authority from 2004 to the present.

However, two complaints were filed independently with the Housing Affairs Commission regarding rental discrimination on the basis of the complainant’s race. Due to regulations to maintain confidentiality, the individual disposition of these cases was not provided.

## FAIR HOUSING INITIATIVES

### Spartanburg Staff

The City of Spartanburg has designated a staff person to support the Community Relations Department through a Strategic Plan. This office deals with many rental issues on a daily basis, as affordability and decent safe housing remain important challenges for Spartanburg City residents. The challenge for persons or families who care for persons with disabilities is even greater, as requests continue from citizens needing affordable, decent, safe and accessible rental housing.

The most common problems are:

**Suitability**—the problem of overcrowding or whether a housing unit has enough bedrooms appropriate for the size of the family.

**Adequacy**—the physical condition of a dwelling or whether a housing unit has basic facilities to provide a safe and healthy environment.

**Affordability**—exists when a household pays an excessive amount for shelter. A household has an affordability problem if more than 30% of a household's income is paid towards rental/mortgage cost.

**Discrimination**—exists when tenants and homebuyers are treated differently in their search for housing or denied housing on the basis of the following protected classes: race; color; sex; the presence of minor children (familial status); disability; national origin and religion.

### **Measuring Performance Results**

The Spartanburg 2009-14 Consolidated Plan Strategy includes a Fair Housing Certification to support fair housing initiatives designed to affirmatively further fair housing choice and to increase access to housing and housing programs and services.

### **Proposed Accomplishments:**

The prior Analysis of Impediments is being updated to correspond with the submission of the 2009-2014 Consolidated Plan and Fair Housing concerns are consistently given the utmost consideration and attention.

As described in the city's 2009-2014 Consolidated Plan, the following city programs are designed to further and support Fair Housing Choice initiatives.

**Specific Housing Objectives 2009-2014**

<b>Owner-Occupied Housing</b>		
<b>Priority 1</b>	<b>Fair Housing</b>	
<b>Objective 1</b>	Improve access to affordable rental housing.	
Funding	Annual funding	Five-year funding
	\$5,000	\$20,000
Strategy and Geographic Location	Citywide—provide information and educational awareness to Spartanburg residents through advertisement on SPARTA city buses, radio and television PSAs, and print media advertisements (billboard and newspaper).	
Funding Resources	CDBG	
Time Frame	2009-2014	
Output and Proposed Accomplishments	Annual Accomplishments	Five-year Accomplishments
	PSAs in April	PSAs in April
Outcome	Improve access to affordable owner housing.	

<b>Owner-Occupied Housing</b>		
<b>Priority 1</b>	<b>Credit counseling</b>	
<b>Objective 1</b>	Improve services for low/mod income persons.	
Funding	Annual funding	Five-year funding
	\$20,000	\$100,000
Strategy and Geographic Location	Citywide—Provide credit counseling for first-time homebuyers to buy, maintain and sustain their homes.	
Funding Resources	CDBG	
Time Frame	2009-2014	
Output and Proposed Accomplishments	Annual Accomplishments	Five-year Accomplishments
	120 households	600 households
Outcome	Improve access to affordable owner housing.	

<b>Planning/Administration</b>		
<b>Priority 1</b>	<b>Code Enforcement</b>	
<b>Objective 1</b>	Improve the quality of owner housing.	
Funding	Annual funding	Five-year funding
	\$100,795	\$503,975
Strategy and Geographic Location	Citywide—Inspect properties for minimum housing code compliance. Demolish dilapidated homes within city limits.	
Funding Resources	CDBG	
Time Frame	2009-2014	
Output and Proposed Accomplishments	Annual Accomplishments	Five-year Accomplishments
	Inspect 300; demolish 15	Inspect 1500; demolish 75
Outcome	Stop blight in targeted neighborhoods through the use of the Code Enforcement. Its ultimate recourse is to demolish either structurally unsafe houses or houses that are unhealthy and uninhabitable.	
<b>Objective 2</b>	Improve services for low/mod income persons.	
Funding	Annual funding	Five-year funding
	\$44,800	\$224,000
Strategy and Geographic Location	Salary and benefits for one Code Enforcement Officer to enforce the Minimum Housing Code in the City of Spartanburg.	
Funding Resources	CDBG	
Time Frame	2009-2014	
Output and Proposed Accomplishments	Annual Accomplishments	Five-year Accomplishments
	Inspect 300; demolish 15	Inspect 1500; demolish 75
Outcome	Stop blight in targeted neighborhoods through the use of the Code Enforcement. Its ultimate recourse is to demolish either structurally unsafe houses or houses that are unhealthy and uninhabitable.	

<b>Public Services</b>		
<b>Priority 1</b>	<b>Repair homes belonging to elderly or low-income homeowners</b>	
<b>Objective 1</b>	Improve services for low/mod income persons.	
Funding	Annual funding	Five-year funding
	\$18,000	\$90,000
Strategy and Geographic Location	Christmas In Action: expand scope of work to two Rebuilding Day events, involving 12 emergency repairs each year.	
Funding Resources	HOME	
Time Frame	2009-2014	
Output and Proposed Accomplishments	Annual Accomplishments	Five-year Accomplishments
	Improve 12 owners' homes	Improve 60 owners' homes
Outcome	Prevent slum and blight in low/mod historic areas.	

<b>Objective 2</b>	Improve quality of owner housing.	
Funding	Annual funding	Five-year funding
	\$15,000	\$75,000
Strategy and Geographic Location	Christmas In Action: Administration expenses associated with delivery of renovations made to single family homes within the city limits.	
Funding Resources	HOME	
Time Frame	2009-2014	
Output and Proposed Accomplishments	Annual Accomplishments	Five-year Accomplishments
	Improve 12 owners' homes	Improve 60 owners' homes
Outcome	Prevent slum and blight in low/mod historic areas.	
<b>Objective 3</b>	Improve access to affordable owner housing for minorities.	
Funding	Annual funding	Five-year funding
	\$54,056	\$270,280
Strategy and Geographic Location	Preservation Trust: Acquire and restore Reach home and assist with closing costs in historic Hampton Heights community.	
Funding Resources	HOME	
Time Frame	2009-2014	
Output and Proposed Accomplishments	Annual Accomplishments	Five-year Accomplishments
	Acquire/restore 1; assist 3	Acquire/restore 5; assist 15
Outcome	Prevent slum and blight in low/mod historic areas.	

Infrastructure		
<b>Priority 1</b>	<b>Improving neighborhood livability.</b>	
<b>Objective 1</b>	Improve neighborhood facilities for low-income persons.	
Funding	Annual funding	Five-year funding
	\$25,000	\$125,000
Strategy and Geographic Location	Northside-Spartan Mills: acquisition and professional services to prepare for redevelopment of property as a residential community	
Funding Resources	CDBG	
Time Frame	2009-2014	
Output and Proposed Accomplishments	Annual Accomplishments	Five-year Accomplishments
	Acquire property	Predevelopment work complete
Outcome	Prevent slum and blight in low/mod income areas.	
<b>Objective 2</b>	Improve services for low/mod income persons.	
Funding	Annual funding	Five-year funding
	\$5,000	\$25,000
Strategy and Geographic Location	Forest Park: Professional services to prepare select property for redevelopment, including infrastructure improvements	
Funding Resources	CDBG	
Time Frame	2009-2014	
Output and Proposed Accomplishments	Annual Accomplishments	Five-year Accomplishments
	Acquire property	Predevelopment work complete
Outcome	Control blight within city limits.	

<b>Objective 3</b>	Increase availability of affordable owner housing	
Funding	Annual funding	Five-year funding
	\$100,000	\$500,000
Strategy and Geographic Location	Forest Park: Acquisition and professional services to prepare site for redevelopment, including infrastructure.	
Funding Resources	HOME	
Time Frame	2009-2014	
Output and Proposed Accomplishments	Annual Accomplishments	Five-year Accomplishments
	4 housing units	20 housing units (complete project)
Outcome	Control blight within city limits.	
<b>Objective 4</b>	Improve services for low/mod income persons.	
Funding	Annual funding	Five-year funding
	\$92,174	\$460,870
Strategy and Geographic Location	Midtowne Heights: Acquisition and professional services to prepare site for redevelopment, including infrastructure.	
Funding Resources	CDBG	
Time Frame	2009-2014	
Output and Proposed Accomplishments	Annual Accomplishments	Five-year Accomplishments
	4 housing units	20 housing units (complete project)
Outcome	Control blight within city limits.	
<b>Objective 5</b>	Increase availability of affordable owner housing	
Funding	Annual funding	Five-year funding
	\$187,134	\$935,670
Strategy and Geographic Location	Midtowne Heights: Acquisition and professional services to prepare site for redevelopment, including infrastructure.	
Funding Resources	HOME	
Time Frame	2009-2014	
Output and Proposed Accomplishments	Annual Accomplishments	Five-year Accomplishments
	4 housing units	20 housing units (complete project)
Outcome	Control blight within city limits.	

## Section IV: Public Sector Analysis

### OVERVIEW

The Fair Housing Act generally prohibits the application of special requirements through land-use regulations, restrictive covenants, and conditional or special use permits that, in effect, limit the ability of minorities or the disabled to live in the residence of their choice in the community. If large-lot minimums are prescribed, if a house must contain a certain minimum amount of square feet, or if no multi-family housing or manufactured homes are permitted in an area, the results can exclude persons protected by the Act. If local mandates make it unfeasible to build affordable housing or impose significant obstacles, then a community must affirmatively work toward eliminating this impediment to fair housing choice.

The Fair Housing Acts of 1968 and 1988, as amended, also make it unlawful for municipalities to utilize their governmental authority, including zoning and land use authority, to discriminate against racial minorities or persons with disabilities. Zoning ordinances segregate uses and make differentiations within each use classifications. While many zoning advocates assert that the primary purpose of zoning and land use regulation is to promote and preserve the character of communities, inclusionary zoning can also promote equality and diversity of living patterns. Unfortunately, zoning and land-use planning measures may also have the effect of excluding lower-income and racial groups.

Zoning ordinances aimed at controlling the placement of group homes is one of the most litigated areas of fair housing regulations. Nationally, advocates for the disabled, homeless and special needs groups have filed complaints against restrictive zoning codes that narrowly define “family” for the purpose of limiting the number of non-related individuals occupying a single-family dwelling unit. The ‘group home’ arrangement/ environment affords many persons who are disabled the only affordable housing option for residential stability and more independent living. By limiting the definition of “family” and creating burdensome occupancy standards, disabled persons may suffer discriminatory exclusion from prime residential neighborhoods.

### TRANSPORTATION

Transportation links are an essential component to successful fair housing. Residents who do not have access to commercial areas are limited in where they can shop for goods and services, as well as seek employment. The converse is true as well. Inadequate transportation routes limit the selection of housing to neighborhoods within transportation service areas. Convenient roads in good repair are as important for those who rely on their own vehicles for transportation as they are for those who rely on public transportation provided by the Spartanburg Area Regional Transit Agency (SPARTA).

SPARTA transportation routes appear to adequately link residential areas to commerce and industry within the city limits, with a few routes extending into the urbanized areas of Spartanburg County. However, most routes do not extend beyond the city limits and present challenges for those seeking transportation outside the city.

## **NEIGHBORHOOD REVITALIZATION**

The City of Spartanburg carries out Federal programs administered by the U.S. Department of Housing and Urban Development. At the present time, the City of Spartanburg is in the process of compiling its Consolidated Five Year Strategic Plan, which addresses housing and community development needs during the period of FY 2009 to 2014. The one-year Action Plan describes the activities to be undertaken during the fiscal year and how the City will use Federal and local resources to accomplish the stated objectives. The annual plan also describes how other community resources will be utilized to address the needs of the homeless, low to moderate income individuals and families, and other targeted populations. The 2009-2014 Consolidated Plan will be submitted to HUD by May.

## **PROPERTY TAX POLICIES**

Across the country, older cities—with the support of the federal government—have begun to invest in economic and community development programs designed to revitalize their decaying urban cores. Spartanburg is no exception. The foundation upon which this kind of development is built is the ability to achieve fairness in the appraisal process within these neighborhoods. Since the starting point for most bank appraisals is the tax department, discriminatory assessment practices can undermine a homebuyer's ability to secure mortgage financing in an amount commensurate with the property's true market value.

Although the Fair Housing Act specifically prohibits the consideration of the racial or ethnic composition of the surrounding neighborhood in arriving at appraised values of homes, no practical means exist to investigate violations of this kind. One reliable approach, however, is to review, periodically, the assessment policies and practices of the taxing jurisdiction since their valuations generally comprise the bases for private appraisals.

Property tax assessment discrimination against low-income groups occurs when lower value properties and/or properties in poorer neighborhoods are assessed for property tax purposes at a higher percentage of market value, on average, than other properties in a jurisdiction. Regressive assessments (the tendency to assess lower value properties at a higher percentage of market value than higher value properties) are not uncommon in this country. They result from political pressures, practical problems in assessment administration and the use of certain inappropriate appraisal techniques. Assessments tend to remain relatively rigid at a time when property values are rising in middle income neighborhoods and are not appreciating in value or are declining in low-income neighborhoods.

Inequities in property tax assessments are a problem for both lower-income homeowners and low-income tenants. Millions of low-income families own homes. Variations in assessment-

to-market value ratios between neighborhoods or between higher and lower value properties can make a difference of several hundred dollars or more each year in an individual homeowner's property tax bill. In addition to causing higher property tax bills, discriminatorily high assessment levels can also have an adverse impact upon property values. Buyers are less likely to purchase a property if the property taxes are perceived as too high, thereby making the property less attractive and reducing its market value.

Another common inequity is the assessment of multifamily dwellings at a higher ratio to market value than single family dwellings. While understandable from the standpoint of taxing income property at a commercial rate, this type of inequity may be considered a form of discrimination against low-income groups because a higher percentage of low-income than middle-income persons live in multifamily rental dwellings. The requirement to pay a higher assessment is passed on to the tenant in the form of higher rent. Quite often, higher assessments also make it difficult for landlords to maintain property within the limits of the property's rent structure leading to substandard housing conditions.

Most jurisdictions rely heavily on a market value approach to determining value when conducting their property assessment appraisals. Under this approach, an appraiser compares recent sale prices of comparable properties within the area—in addition to site visits and a good deal of expert speculation—to arrive at an appraised value. The limitations inherent in market value approaches are many. Most prominent among them is the cumulative result of decades of discriminatory valuations, especially where the neighborhood is a minority one. Unless some radical re-appraisal process has been conducted within the preceding 10-year period, the present market value approach merely compounds past discrimination.

While the market value approach may operate successfully in some jurisdictions, a substantial percentage of jurisdictions rely primarily on a replacement cost approach in valuing properties. Making determinations of value based on comparable sales is a complex task, which requires considerable exercise of judgment. Assessor's departments, which must appraise every property within a jurisdiction, often do not find it feasible to make the detailed individual analysis required to apply the market value approach.

## **ZONING AND SITE SELECTION**

Zoning may have a positive impact and can help to control the character of the communities that make up a City. In zoning, a careful balance must be achieved to avoid promoting barriers to equal housing.

Professor Richard T. Lai, Arizona State University, surveying the view of representative studies concerning the nature of zoning discrimination, states,

“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>8</sup>

In considering how zoning might create barriers to fair housing, four key areas were selected for review because of the possible adverse effects they could have on families and persons with disabilities.

- Definitions used for “families” and “group homes”
- Regulations (if any) regarding group homes
- Ability for group homes or other similar type housing to be developed
- Unreasonable restrictions on developing multifamily units, such as lot size requirements.

While the definition of a group care facility is broader in terms of the number of people that can be served and not limited related to temporary disability, group housing is much more restricted in where it is permitted under current zoning designations. Family care homes are permitted under all single-family zoning districts as well as all multifamily and office use districts, neighborhood business districts (light commercial), agriculture districts and mixed use districts (traditional neighborhoods). In Spartanburg, group homes are also permitted in single-family zoning districts and are not restricted to the highest density multifamily residential districts and commercial, office and public and institutional districts. Generally, the concept of group homes is to integrate them into neighborhoods, providing the maximum amount of independent living in a community-based environment. Current zoning regulations do not appear to restrict group homes that serve persons with permanent disabilities and/or more than six occupants, allowing full neighborhood integration.

Spartanburg’s land use plan requires that adequate public facilities be available for any development activities. In this context, “adequate public facilities” generally refers to governmental strategies for assuring that all infrastructure required to meet the service demands of a particular development is available as development occurs. Such strategies can, where permitted by statute, require that the costs for all or a portion of such infrastructure be borne by the developer (ultimately the consumer), and not the general public. Currently, the policy of the City of Spartanburg is that all streets, water, sewer and storm drainage facilities within a subdivision, including any required water quality retention ponds, are paid for by the developer.

The ability to provide affordable housing to low-income persons is often enhanced by an entitlement grantee’s willingness to assist in defraying the costs of development. Effective approaches include contributing water, sewer or other infrastructure improvements to projects as development subsidies or waiving impact and other fees. These types of approaches help to reduce development costs and increase affordability allowing developers to serve lower-income households.

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<sup>8</sup> The Effects of Exclusionary Zoning on Affordable Housing, Richard T. Lai, 1991, p. 3.

### **Planning and Zoning Commission**

The Planning and Zoning Commission is an advisory body appointed by the Mayor and confirmed by City Council. The Commission is intended to be representative of the community and members are encouraged to be deeply interested in its physical, social and economic betterment. Members are responsible for the development of a comprehensive plan, which the Commission prepares and recommends to City Council, along with other specialized plans and studies. A majority of the Commission's work, however, involves hearing and making recommendations to the City Council on zoning map amendments, conditional use permit requests, special use permit requests and street closings.

Membership on the commission requires several hours a month attending regular meetings, with special meetings often necessary to consider projects and plans. Although the commission's work is concentrated mostly in meetings, additional time is needed to adequately review agenda items and visit sites prior to meetings.

### **Building Codes (Accessibility)**

The City of Spartanburg has adopted South Carolina's statewide building codes, which include the following provision with respect to Title III of the Americans with Disabilities Act: "rental apartment complexes of twenty units or more and temporary lodging facilities of twenty units or more shall provide for not less than five percent of all units or a minimum of one unit, whichever is greater, to be accessible for use by people with disabilities." Furthermore, with the exception of detached one-and two-family dwellings, any alterations performed on buildings, structures or facilities of any occupancy classification must be designed to conform to the requirements of Section 10-5-260 of the South Carolina Code of Laws.<sup>9</sup>

In both new construction and rehabilitation efforts, developers and contractors are firmly held to compliance by city departments from the beginning, when plans are proposed for permits. Inspectors are trained in compliance requirements and specifically address ADA issues such as ramp pitch and other accessibility requirements during inspections prior to issuing Certificates of Occupancy.

## **CONSOLIDATED PLAN HOUSING PROGRAMS**

### **Affordable Housing Needs and Activities**

The Spartanburg Community Development and Housing Programs are designed to implement various housing assistance strategies that include rehabilitation, down payment assistance for first-time homebuyers and affordable new construction. The City's community and neighborhood development activities are designed to

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<sup>9</sup> South Carolina Code of Laws (Unannotated), located at <http://www.scstatehouse.gov/code/t10c005.htm>, retrieved 5/11/09.

- assist with neighborhood improvement projects
- assist small businesses
- provide public services
- help low to moderate-income residents acquire needed information, knowledge and skills; and
- enhance the provision of public services

The majority of the projects on the City's near-term agenda will be located to the north in the Northside Spartan Mills and Midtowne Heights areas.

### **Community Development Block Grant Program**

The Community Development Block Grant (CDBG) program is used to plan and implement projects that foster revitalization of eligible neighborhoods. The primary goal of the program is the development of viable urban communities. Program objectives include the provision of decent housing, a suitable living environment and expanded opportunities principally for low- to moderate-income individuals and families. Spartanburg has been an entitlement City for many years and receives its CDBG allocation directly from HUD.

### **HOME Investment Partnership Program**

The HOME Investment Partnership (HOME) program is used to assist in developing affordable housing strategies that address local housing needs. HOME strives to meet both the short-term goal of increasing the supply and availability of affordable housing and the long-term goal of building partnerships between state and local governments and nonprofit housing providers. Spartanburg receives its HOME program funding directly from HUD.

### **Affordable Housing Needs and Activities**

The Neighborhood Services Department has designed and implemented various housing assistance strategies that include rehabilitation, down payment assistance for first-time homebuyers and affordable housing new construction. The city's community and neighborhood development activities are designed to assist with neighborhood improvement projects, assist small businesses, provide public services, help low- to moderate-income residents acquire needed information, knowledge and skills to build their capacity, enhance the provision of public services and provide relocation assistance to residents who are required to move from their homes. The majority of these projects will be located in the Northside Spartan Mills and Midtowne Heights areas.

Housing and neighborhood improvement needs and activities are described 2009-14 Consolidated Plan Strategic plan. The City provides funding to nonprofit developers for the acquisition and rehabilitation of existing structures, as well as for new construction of affordable houses for purchase by low-income families. Housing assistance for AIDS victims is provided through the State funded HOPWA Program. Assistance to the homeless is provided through the State funded ESG and various federally funded SHP Programs.

### **Spartanburg Housing Authority**

The Spartanburg Housing Authority is rated as a “high performer”, particularly in Section 8 housing. As described in the Consolidated Plan 2009-2014, its wait lists are quite long, but the Housing Authority is taking steps to minimize the shortage.

## **FIVE-YEAR HOUSING STRATEGY: AFFORDABLE HOUSING PRIORITIES**

Faced with the reality of limited Federal and local government resources for housing, Spartanburg has been challenged to create a comprehensive, affordable housing program to meet the demands of priority needs households along the entire housing continuum—rental, ownership, special needs, supportive housing, etc. While the unmet need for rental housing for extremely low income households might suggest that all resources should be devoted to addressing this gap, resources must also be devoted to addressing the housing needs of low- and moderate-income households that have cost burdens and other housing problems to ensure the housing continuum is intact and flowing. This includes enabling more homeownership among these income groups, which the City has determined is important for stabilizing families and neighborhoods. It also includes preserving the existing affordable housing stock—also key for neighborhood revitalization, particularly in the neighborhoods north of downtown Spartanburg.

To meet the needs of households along the entire housing continuum, the City has identified the following as its top priorities for using CDBG, HOME and other public funds between 2009 and 2014 for affordable housing.

### **TOP PRIORITIES**

- Fair Housing—for improved access to affordable rental housing.
- Credit Counseling—for low- and moderate-income persons.
- Code Enforcement—to improve the quality of owner-occupied housing.
- Public Services—expand the scope of work to repair homes belonging to elderly or low-income homeowners.
- Infrastructure—acquire and engage professional services to eliminate blighted neighborhoods and prepare for their redevelopment in two residential communities.

### **Institutional Structure**

The Neighborhood Services Department of the City of Spartanburg is the lead agency implementing the city’s strategies for addressing housing and community development needs identified as part of its consolidated planning process. The Department, with City Council approval, oversees the allocation of Spartanburg’s allocation of CDBG and HOME funds and is responsible for maintaining records, overseeing work done using these federal funds and reporting information to HUD concerning the performance of these programs. The Spartanburg Housing Authority is responsible for the development and maintenance of the

City's public housing. The City worked with the Upstate Homeless Coalition of South Carolina on the Ten-Year-Plan to Eliminate Homelessness and to address the ongoing needs of the homeless and persons with special needs. The City also coordinates its efforts with other local, state and federal institutions to address specific needs or to implement new programs. Affordable housing in Spartanburg is provided through a variety of public agencies, nonprofit organizations, private sector developers and lenders. In many cases, individual housing providers focus their efforts on specific income groups, tenure types or on providing certain types of housing and supportive services.

### **Intergovernmental Cooperation**

The City of Spartanburg has enjoyed a positive relationship with the Spartanburg Housing Authority, Spartanburg County, and the Continuum of Care Agencies in cities throughout the area for many years. The City of Spartanburg staff and the other agencies work cooperatively and share information relative to the City's strategies to address housing and other community development needs.

### **Lead-Based Paint Hazard Reduction**

Lead poisoning is one of the worst environmental threats to children in the United States. While anyone exposed to high concentrations of lead can become poisoned, the effects are most pronounced among young children. All children are at higher risk to suffer lead poisoning than adults, but children under age six are even more vulnerable because their nervous systems are still developing. At high levels, lead poisoning can cause convulsions, coma, and even death. Such severe cases of lead poisoning are now extremely rare, but do still occur. At lower levels, observed adverse health effects from lead poisoning in young children include reduced intelligence, reading and learning disabilities, impaired hearing, and slowed growth.

Since the 1970s, restrictions on the use of lead have limited the amount of lead being released into the environment. As a result, national blood lead levels for children under the age of six declined by 75 percent over the 1980s (to approximately 9 percent of children) and dropped another 29 percent through the early 1990s. In 2004, Federal researchers determined that just 1.4 percent of children had elevated lead levels, as compared to almost 9 percent in 1988.

Despite this decline in blood-lead levels, the data show that thousands of children in the United States still have blood lead levels above 10µg/dL (micrograms of lead per deciliter of whole blood). These levels are unacceptable according to the Centers for Disease Control and Prevention (CDC) which lowered blood lead intervention levels for young children from 25µg/dL to 10µg/dL in 1991.

From new research<sup>10</sup>, we have now learned that racial disparities among children with high levels of lead have largely disappeared: about equal numbers of white, black and Hispanic children have levels in this range. However, racial disparities are evident among children with lower blood lead levels, and the connection to low income and living in old homes with heavy concentrations of lead-based paint persists. Lead-based paint in old housing (built before 1978) continues to be the main source of lead poisoning, contaminating both dust inside the house and the soil around it, also contaminated by past emissions of leaded gasoline. Secondly, old plumbing pipes can leach lead into the domestic water, particularly when hot water is used for drinking, cooking and mixing infant formula.

The national goal for blood lead levels among children ages six months to five years is to limit elevations above 15µg/dL to no more than 300,000 per year and to entirely eliminate elevations above 25µg/dL.

Many housing units in Spartanburg may have lead-based paint. Since the City of Spartanburg undertakes limited to comprehensive rehabilitation of housing units (many of which were constructed prior to 1978), painted surfaces will be disturbed as part of this process. As such, the city is required to incorporate lead-based paint hazard evaluation, approved remediation/reduction strategies and clearance requirements for all housing structures built before 1978.

To reduce the potential for adverse health effects attributable to the rehabilitation of deteriorated lead-based paint surfaces, the city provides educational material. All customers receiving housing rehabilitation assistance from the city are informed about the potential health hazards posed by the presence of deteriorated lead-based paint, which includes information about protecting their families from this hazardous substance.

In addition, Project Managers who oversee rehabilitation projects are trained to incorporate proper hazard reduction techniques into the treatment of lead-based paint. Instead of performing lead hazard evaluations on properties proposed for rehabilitation, it is Spartanburg's policy to automatically presume that lead-based paint and/or lead-based paint hazards are present when the housing was built before 1978. Visual assessment, stabilization and standard treatment methodologies are employed to achieve clearance for each comprehensive rehabilitation project. The City of Spartanburg will conduct one of the following lead hazard reduction methods as routine to rehabilitation activity:

- If interim controls are required, conduct standard treatments in lieu of interim controls on all applicable surfaces, including soil, to control lead based paint hazards that may be present
- If abatement is required, abate all applicable surfaces, including soil, to control lead based paint hazards that may be present

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<sup>10</sup> "Trends in Blood Lead Levels and Blood Lead Testing Among US Children Aged 1 to 5 Years, 1988–2004", Robert L. Jones, David M. Homa, Pamela A. Meyer, Debra J. Brody, Kathleen L. Caldwell, James L. Pirkle, and Mary Jean Brown, Pediatrics, Mar 2009, e376 - e385.

## Section V: Fair Housing and Spartanburg's Private Sector

Homeownership rates are important to a community's stability and financial well-being. Prospective homebuyers expect to have access to mortgage credit; and homeownership programs must be available without regard to discrimination, income, or profession. To truly live up to fair housing laws, 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. Access to refinancing loans allows homeowners to make use of the equity in their home for other expenses. Mortgage credit, home improvement loans, and refinancing loans together keep neighborhoods attractive and keep residents vested in their communities.<sup>11</sup>

### LENDERS IN SPARTANBURG

Poor lending performance results in various long-term and far ranging community problems. Of these, disinvestment is probably the most troubling. Disinvestment in Spartanburg by its lenders would reduce housing finance options for borrowers and weaken competition in the mortgage market for low- and moderate-income neighborhoods. High mortgage costs, less favorable mortgage loan terms, deteriorating neighborhoods, reduced opportunities for homeownership, reduced opportunities for home improvement and the lack of affordable housing are only a few of the consequences of inadequate lending performance. Financial decay in the business sector as well as in the private sector is also a result of disinvestment in the form of business relocation, closure, and bankruptcy. Full service local lenders that have traditionally served residents and businesses are among the main elements that keep neighborhoods stable.

Significant changes are occurring in the lending market not only in Spartanburg but throughout the United States. The number and type of lenders have changed over the last ten years, and it is a common occurrence to read about national lenders buying local lenders. These national lending institutions are becoming increasingly more active locally as the market share of national corporations is growing yearly.

The newest issue to emerge from the changes in the market is the substantial growth of the subprime market and the impact these lenders have on communities and neighborhoods. Beyond the recent difficulties subprime lending has caused throughout the economy, more and more we see large-scale community disinvestment as local commercial banks lose market share to lenders outside the city.

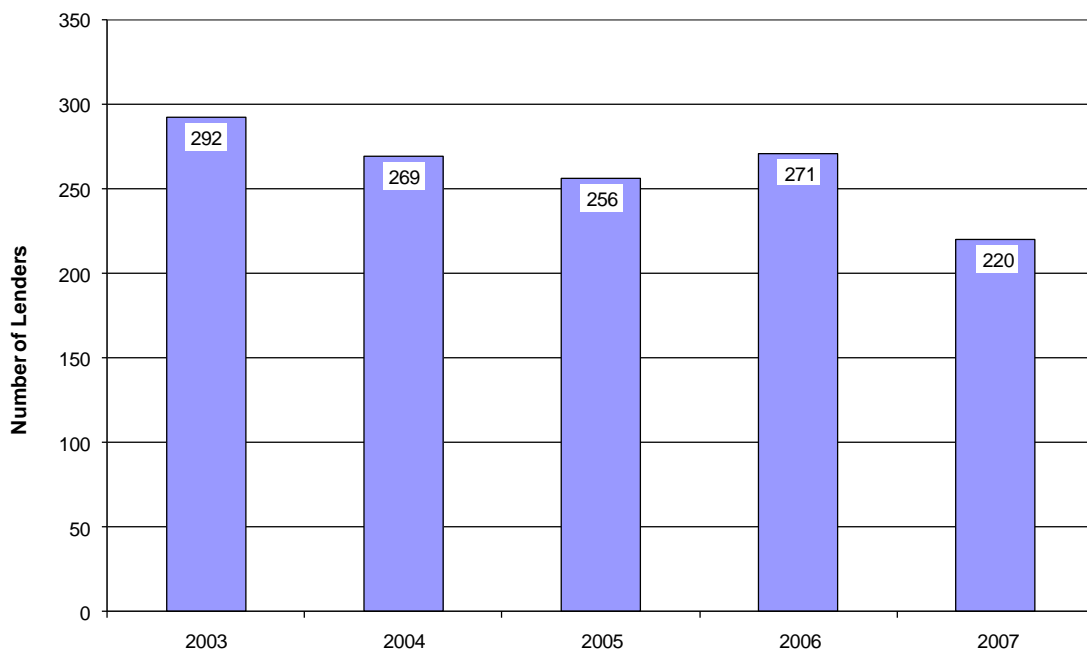
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<sup>11</sup> Profile of Lima, Ohio, Federal Reserve Bank of Cleveland, Fall 2000.

In part, this is attributable to the advent of on-line loan services (such as Lending Tree, e-loan, Ditech, and others) who submit applications on the borrower's behalf to several lenders. More favorable terms can often be available from remote lenders than can be found locally. Home Mortgage Disclosure Act (HMDA) data also reflect other impacts of the popularity of on-line loans. First, since several prospective lenders may report the same borrower's application, this results in the increase in the number of loan applications, often by three or four times the actual number of loans sought. Secondly, since each borrower may ultimately only choose one loan, the number of applications approved but subsequently denied also increases. These effects are evident in the data.

There were 220 financial institutions with a home or branch office in Spartanburg, and whose data make up the 2007 aggregate report for the City Of Spartanburg. The number of all mortgage lenders in Spartanburg has been declining in recent years, and has fallen by an overall average of 6 percent each year since 2009. In 2007, there were 24.7 percent fewer lenders serving the area than in 2003.

**Fig. 1. Number of Lenders**



Source: HMDA, 2003-2007

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

Number of Lenders Percent Change 2003 to 2007	
2003 to 2004	-19.8%
2004 to 2005	5.9%
2005 to 2006	4.1%
2006 to 2007	-20.7%

The number of all mortgage lenders in Spartanburg showed an overall decline of 24.7 percent from 2003 to 2007. This pattern of lender activity closely mirrors a similar pattern nationwide that reflects the recent instability of the lending industry.

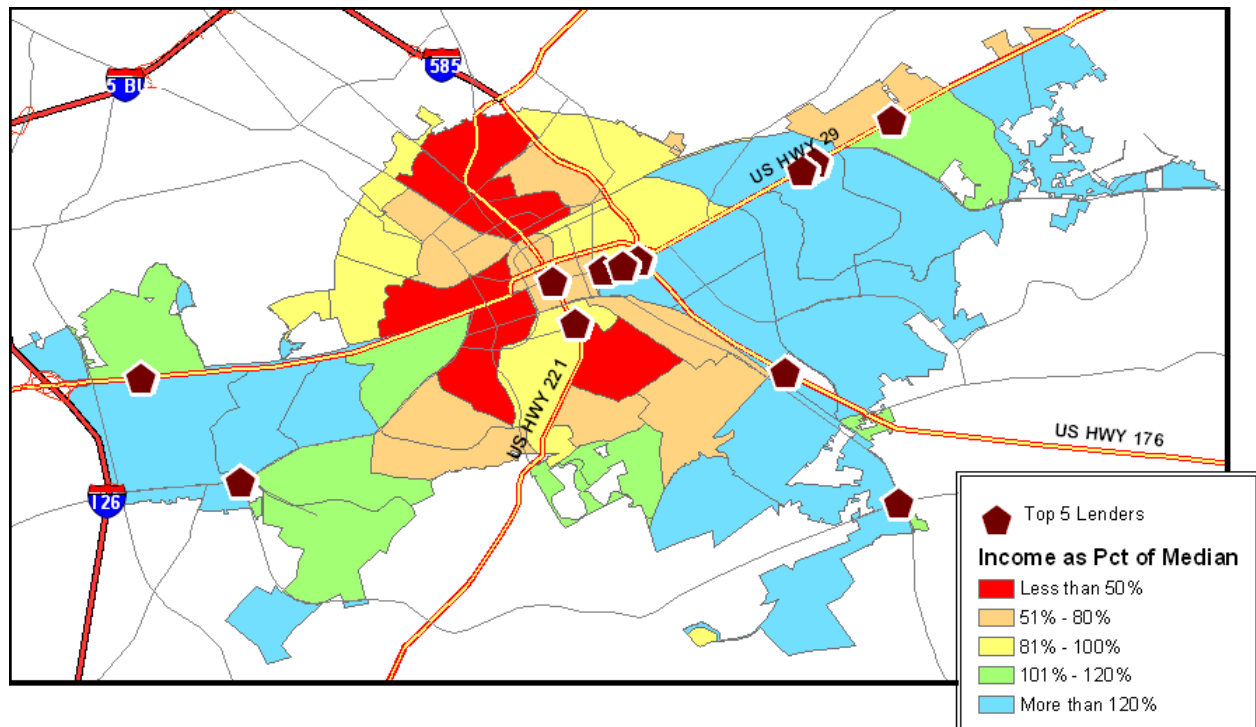
Table 1 shows the top five lenders in Spartanburg and their 2007 market share for mortgage applications (all types and purposes). As lenders, these institutions wrote 15.6 percent of the residential lending business in Spartanburg in 2007. With all other lenders with locations in the City harnessing another 10.5 percent, local lenders realized a local total of 26.1 percent of the city's residential mortgage business in 2007. The remaining 73.9 percent went to lenders who do not have offices or branches in Spartanburg. This means that the residential real estate lending marketplace in Spartanburg is controlled by remote lenders.

**Table 1. Five Largest Lending Institutions**

<b>Institution</b>	<b>Branches/ Offices</b>	<b>% Market Share 2007</b>
BANK OF AMERICA	7	5.7%
WACHOVIA MORTGAGE	1	2.7%
BENEFICIAL COMPANY LLC	1	2.5%
WACHOVIA BANK	3	2.5%
BRANCH BANKING AND TRUST CO	5	2.2%
<b>TOTAL</b>	<b>17</b>	<b>15.6%</b>

Source: HMDA, 2007

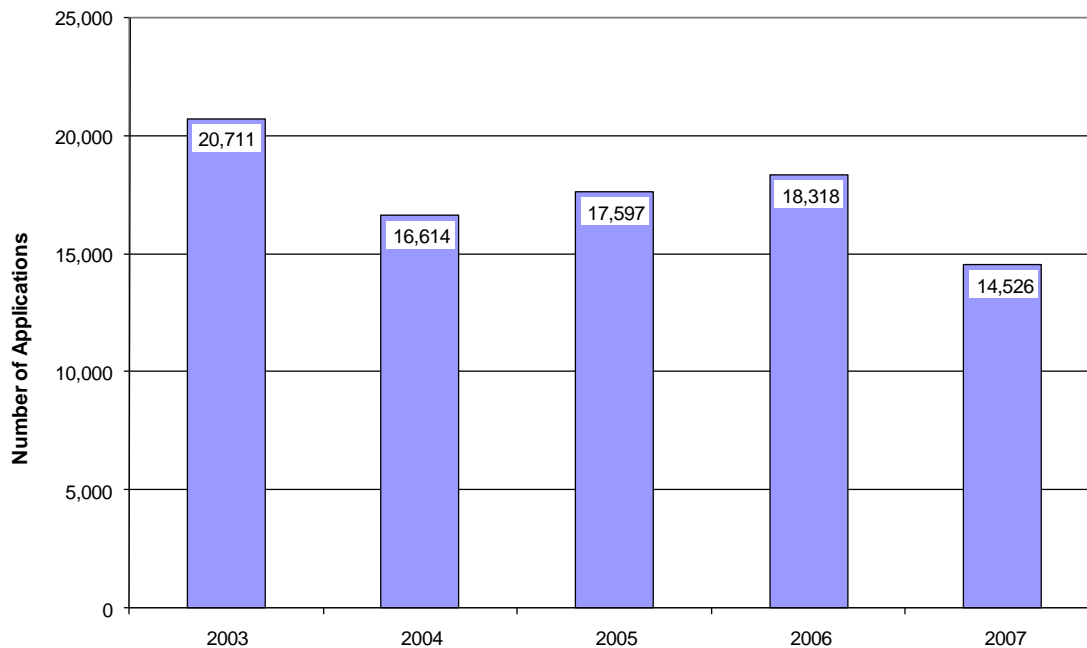
The map on the following page illustrates the locations of the five top local lenders in Spartanburg. The clustered sites at the city center are relatively accessible by residents at lower income levels, particularly since these locations are accessible by local public transportation. Those sited along the paths of several high-traffic routes are more conducive to access by affluent borrowers. Spartanburg's highest-volume lenders are scarcer in high-income tracts. However, affluence allows prospective borrowers greater access to other sources of funds, such as might be found through remote or on-line brokers, who accommodate their needs remotely without the need for face-to-face interaction.

**Map 1: Lenders in Neighborhoods**

According to HUD's Subprime Lender criteria, 15.0 percent of the lenders active in 2007 lending in Spartanburg were subprime lenders. Generally located outside the state, their services are most often sought electronically through on-line brokers. These lenders are easy to access nationwide, making it convenient to shop for loans, and the nearly equal presence and strength of top-tier lenders indicates that the subprime market is no less attractive for local borrowers.

### **Lending Activity in Spartanburg, 2002-2006**

The statistical databases used for this analysis were 2000 decennial census data and the Home Mortgage Disclosure Act (HMDA) data for the years 2003 to 2007, inclusive. HMDA data on loan activity are reported to document home purchase, refinancing, and home improvement loans. The broadest measure of lending activity is total market activity, which covers all three categories of home loans (purchase, refinance, and home improvement). In this report, if the loan purpose is not specified in the text or figures, the reference is to total market activity.

**Fig. 2. Home Mortgage Applications, All Types**

Source: HMDA, 2003-2007

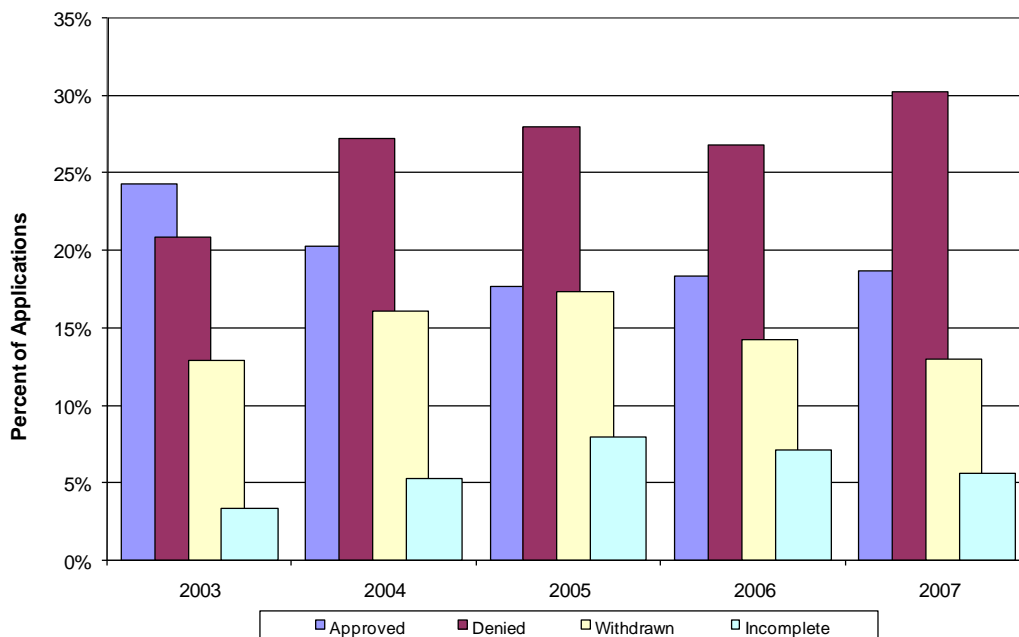
Early federal homeownership initiatives, coupled with creative escalating financing plans offered by lenders, began to decline by 2004, when increasing interest rates started to outpace borrowers' earnings. Reasonable interest rates in conventional products encouraged many homeowners to seek refinancing to help reduce monthly payments, while new home buyers reacted with caution.

Mortgage loan activity in Spartanburg illustrates these trends in its mortgage application pattern over the last five years (Figure 2), when the total number of applications submitted to lenders in Spartanburg fell by 19.8 percent from 2003 to 2004. Despite the gradual growth over the next two years, applications in 2007 fell again by 20.7 percent.

This timeframe (beginning in 2004) roughly corresponds with United States military involvement in Iraq. The uncertainty of its outcome may have resulted in residents viewing commitment to a new mortgage a low priority. The gradual increase through 2006 may have been an effort to stabilize housing expenses and take advantage of steady interest rates (i.e., conventional), rather than escalating rates (Adjustable Rate Mortgages) in the face of an uncertain economy.

The applications represented are for all loans: conventional, government-backed, refinance, home improvement for owner-occupied, single-family dwellings.

**Fig. 3. Actions Taken on Applications  
All Applications, All Loan Categories**

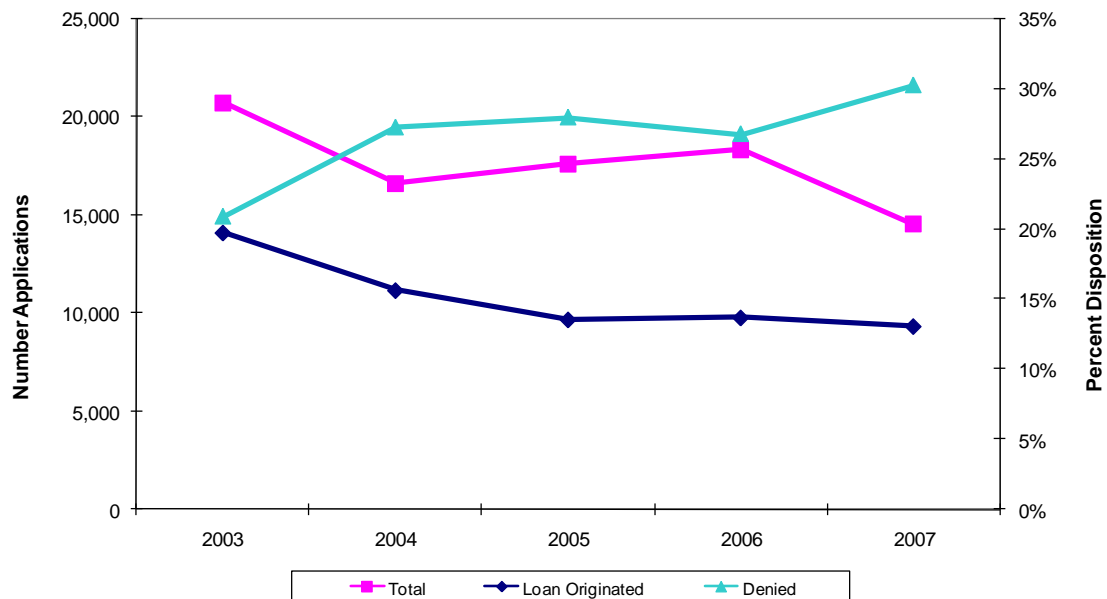


Source: HMDA, 2003-2007

From 2003 to 2005, approval rates<sup>12</sup> declined (Figure 3), likely in response to general economic conditions nationwide, which were characterized by a slowing economy and rising mortgage interest rates. In 2003, 19.7 percent of all loans were originated (not shown separately), while 4.6 percent of approved loans were declined by the applicants. Withdrawals peaked in 2005 at 17.3 percent, while incomplete applications peaked at 8.0 percent the same year. This increase in both withdrawals and incomplete applications may be signs of applicants reconsidering their decisions to purchase or refinance in uncertain economic times.

Figure 4 shows the relationship among percent of applications, originations, and denials for the five-year period in Spartanburg. Against the drop in number of applications in 2004, rates of originations fell as denials rose. Despite the slight peak of applications in 2006, originations have been steadily declining, and reached 13.1 percent in 2007, while denials rose from 20.1 in 2003 to 30.3 percent in 2007. In this context, Originations are those loans that culminated in a closing. Loans that were approved but subsequently declined by the borrower have been subtracted from the total number approved (shown above). As anticipated, the number of loans declined by the borrower grew from 4.6 percent in 2003 to 5.6 percent in 2007 (not shown separately).

<sup>12</sup> Approved loans are those that originated (culminated in a closing) as well as those approved by the lender but subsequently declined by the borrower.

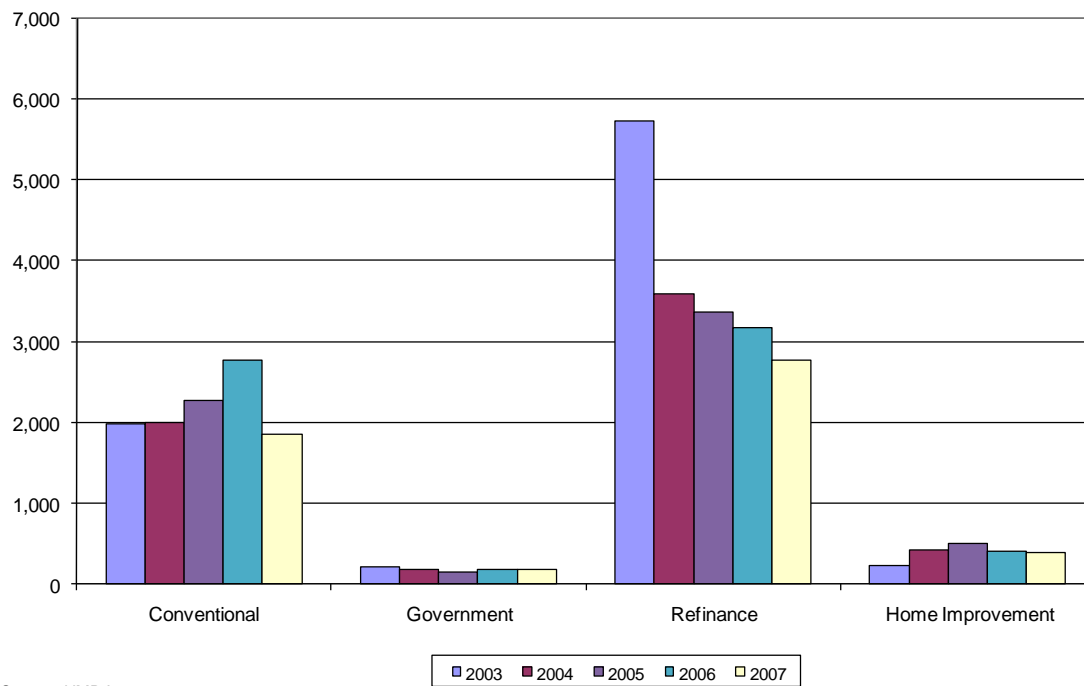
**Fig. 4. Change in Applications Submitted, Originations and Denials**

Source: HMDA, 2003-2007

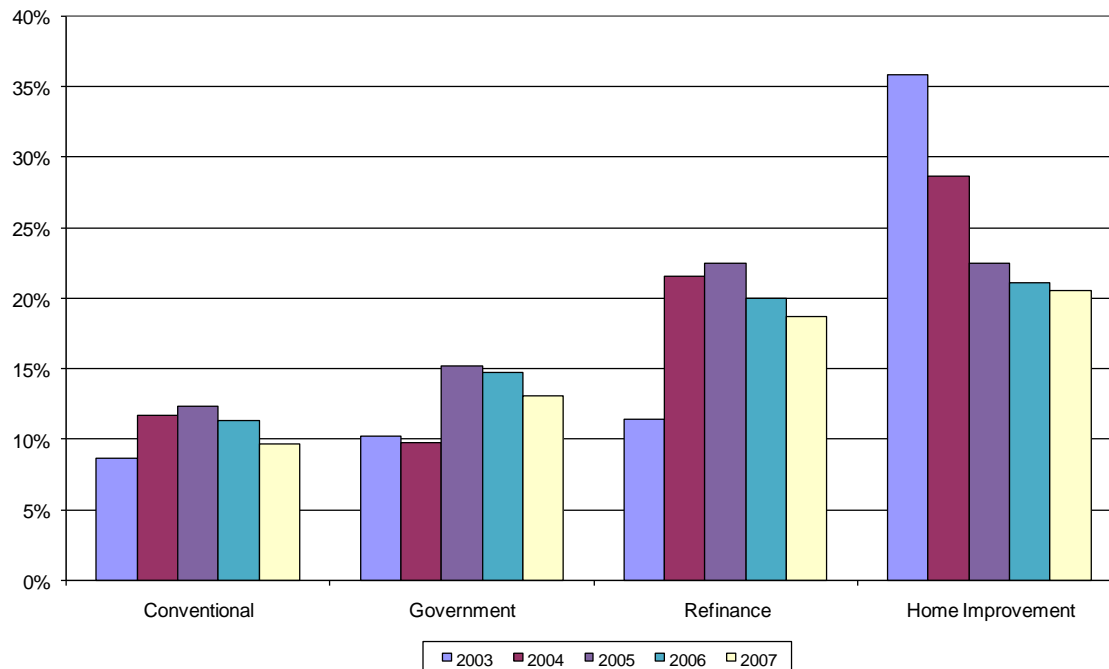
One factor that might contribute to a change in the rate of loan originations is the difference in the types of loans applicants seek. A review of applications by type (Figure 5) reveals that, generally, refinancing is the most sought-after loan type. Refinancing is commonly thought of as a way for homeowners to access cash. Undoubtedly, the large rate of applications in 2003 is an indication of homeowners taking advantage of the low interest rates available that year (5.8 percent, on average, for conventional 30-year fixed rate loans).

While conventional loan applications rose steadily throughout the period, the significant leap in 2006 to nearly 3,000 applications reiterates efforts of homebuyers seeking to take advantage of conventional loans despite climbing interest rates, as well as a probable increase in the use of on-line lending brokers to seek out loans. The sudden drop in conventional applications in 2007 can be, at least partly, attributed to the higher interest rates that year (averaging 6.3 percent for conventional 30-year fixed rate loans).

Home improvement loan applications, in general are the least sought-after product. However, in Spartanburg, these more than doubled in 2005 over two years prior.

**Fig. 5. Applications by Type**

Conventional home purchase loans are a strong indicator of how many families are able to purchase single-family housing in the city. Over the five years of this analysis, the denial rate for these loans ranged from 8.7 and 12.3 percent, reaching its highest point in recent years in 2005 (Figure 6). Government loans maintain their position as lowest in rate of denials, also peaking in 2005 at 15.2 percent.

**Fig. 6. Denial Rates by Type of Loan**

Source: HMDA, 2003-2007

Applicants for both refinance and home improvement loans already have equity in their homes and have histories as borrowers. For these reasons, securing additional financing ought to be easier. In general, there are two reasons why homeowners apply for refinance loans. One involves borrowing funds in the amount of the existing mortgage at a lower interest rate so that the homeowner's monthly mortgage payment is lower. Certainly, this type of loan is favorable, since the homeowner will be spending less income on the home's mortgage and, theoretically at least, will have more money to distribute within the local economy. The second type is one in which the homeowner extracts accumulated equity in order to afford a large-ticket expense, such as a wedding or a new vehicle, or to consolidate accumulated smaller debts. This type of refinance can be viewed less favorably, since the owner is disinvesting in the property by withdrawing accumulated wealth. From a lender's point of view, this reduction in the owner's equity represents a higher risk. Not surprisingly, the lowest rate of denials for refinances was in 2003, when mortgage rates were at their lowest point in recent years. Since the jump in 2004 and a further increase in 2005, the rate of denials for refinance applications has been steadily declining for loans to refinance. In other words, more applicants were able to reduce their monthly expenses or were granted access to their equity.

Historically home improvement loan applications appear to have had the highest rate of denials. In part, this is due to the fact that lenders use the home improvement category to report both second mortgages and equity-based lines of credit. Although home improvement loans may be a means for financially ailing homeowners to generate funds for needed repairs, in Spartanburg, denial rates were exceptionally high in 2003 (35.8 percent). An important consideration in this area is the fact that approximately 41 percent of Spartanburg's housing

stock is more than 50 years old. Reinvestment in the form of home improvement is crucial to maintaining the supply of comfortable—and ultimately sellable—homes. Without improvements, homeowners are unable to command a fair market value once they decide to sell. Rising denial rates on these types of loans may reflect changing policies in the lending industry, so this is an area that may warrant some attention in Spartanburg when it occurs. The associated disinvestment can have an undesirable effect on the community when it occurs in great numbers.

When loans are denied, lenders record the reasons for these decisions. Figure 7 shows the percent of denials by reason for the period from 2003 to 2007 for all loans of all types. Overall, the most common reason for denying loans continues to be the applicant's Credit History. Although this rate has been gradually declining after a peak of 41.0 percent of all denials in 2004, it is still the most common reason, at 34.4 percent in 2007.

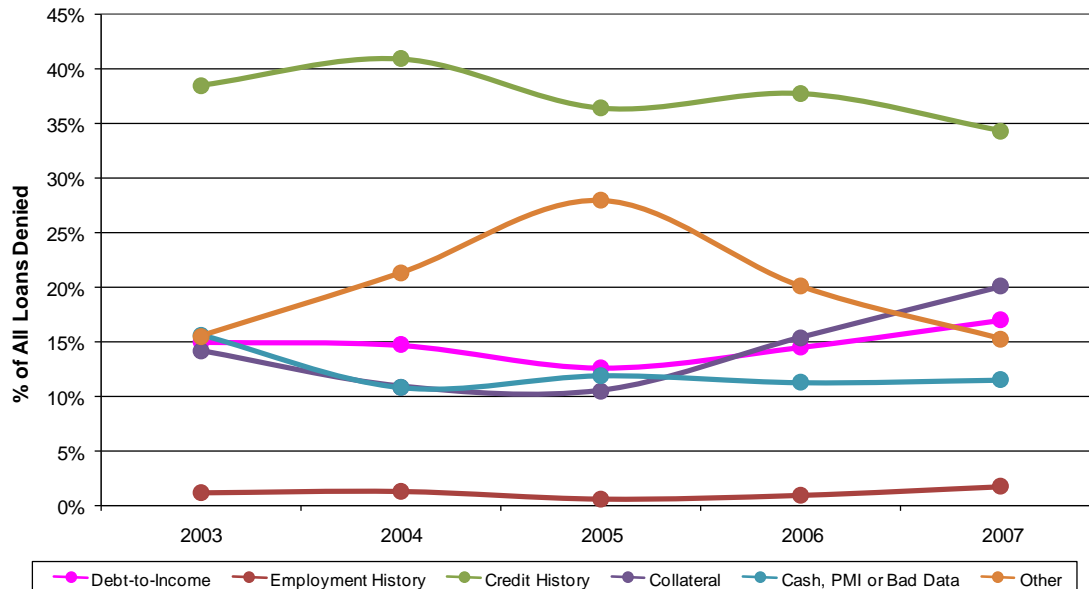
Historically, the second most common reason for denial is “Other” reasons<sup>13</sup>, which showed an abrupt increase from 15.5 in 2003 to as high of 28.0 percent in 2005. However, this apparent thirteen-point increase appears to be consistent across markets nationwide and is a function of recent changes in HMDA reporting criteria or analysis methodology.

Showing significant rise as reasons for denial from 2005 to 2007 are Sufficient Collateral (20.1 percent) and Debt-to-Income ratio (17.0 percent in 2007). The combined value of insufficient cash, unverifiable information, and an incomplete credit application was at a recent high of 15.6 percent, but has declined in recent years to 11.5 percent in 2007.

Employment history continues to be the least common reason for denials, and despite the small increase since 2005, still accounted for just 1.8 percent of denials in 2007.

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<sup>13</sup> This category was redefined in 2004 and now includes reasons that were independently specified in prior years. Consequently, denials for “Other” reasons increased for all applicants in 2004.

**Fig. 7. Reasons for Denial of Applications**

Source: HMDA, 2003-2007

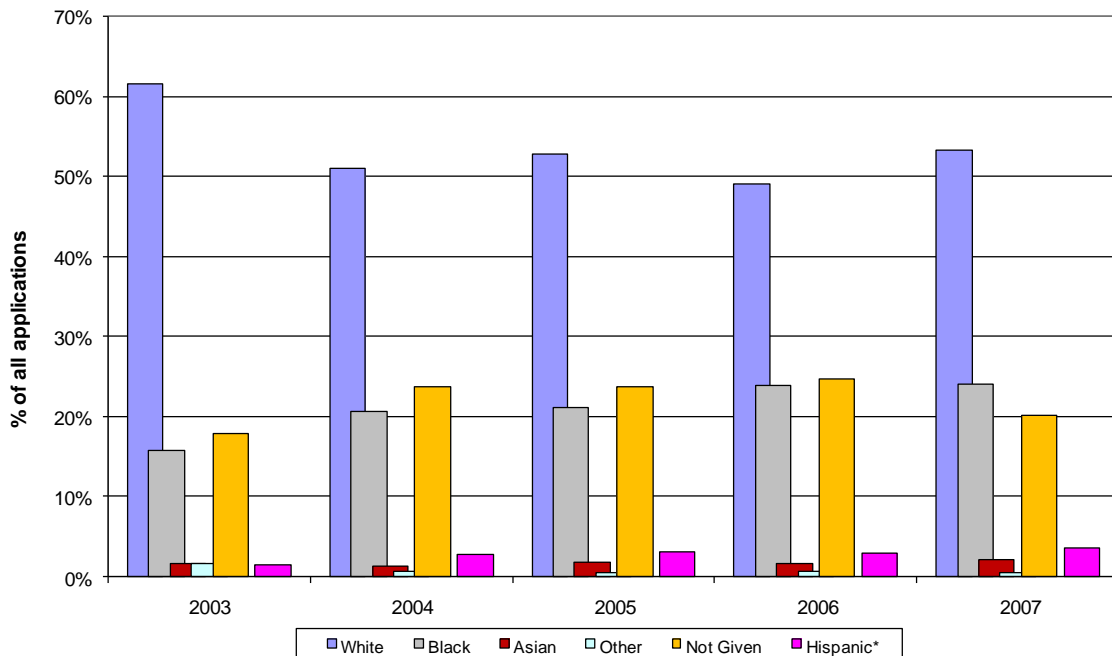
### Analysis by Race and Ethnicity

Ideally, the percentages of loan applications received would mirror the percent of population of each racial group. As described in the Demographic section of this report (Section II), the 2000 population of Spartanburg is comprised of 47.3 percent White and 49.4 percent Black residents. However, in Spartanburg there is significant disparity between loan applications received from Blacks and those received from Whites. In 2006 the percent of applications made by white consumers was 49.1 percent, down from a high of 61.6 percent in 2003 (Figure 8). At the same time, the rate of applications from Black consumers has grown from 15.8 percent in 2003 to 24.0 in 2007—the highest rate in the analysis. Still, in an area where they comprise nearly one-half of the population, these percentages show that black applicants are clearly underrepresented as customers in lending market. This fact should be an area of concern for the city of Spartanburg.

At the same time, while Applications have declined by 8.4 points for White applicants since 2003, they have increased by this nearly same amount for Black applicants (8.2 points). Applications from Hispanic applicants have increased by 2.1 points, which represents a 2007 participation rate of more than double that in 2003.

**Fig. 8. Applications by Race and Ethnicity**

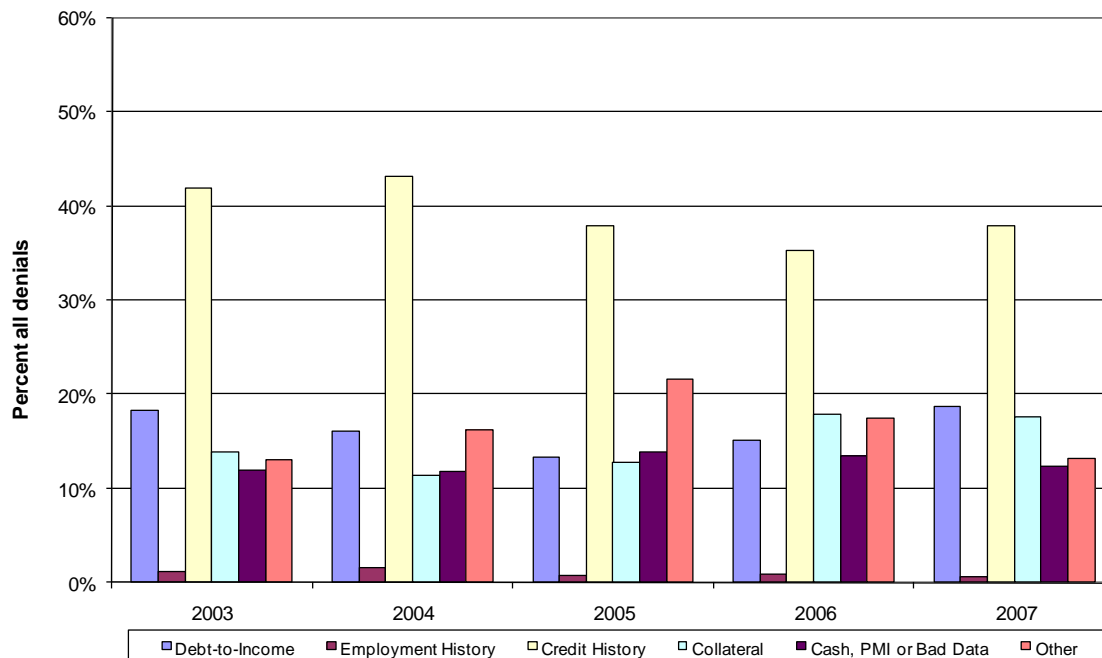
\* Prior to 2004, the response "Hispanic" was part of Race. Beginning in 2004, respondents selected Race and Hispanic Ethnicity separately.



Source: HMDA, 2003-2007

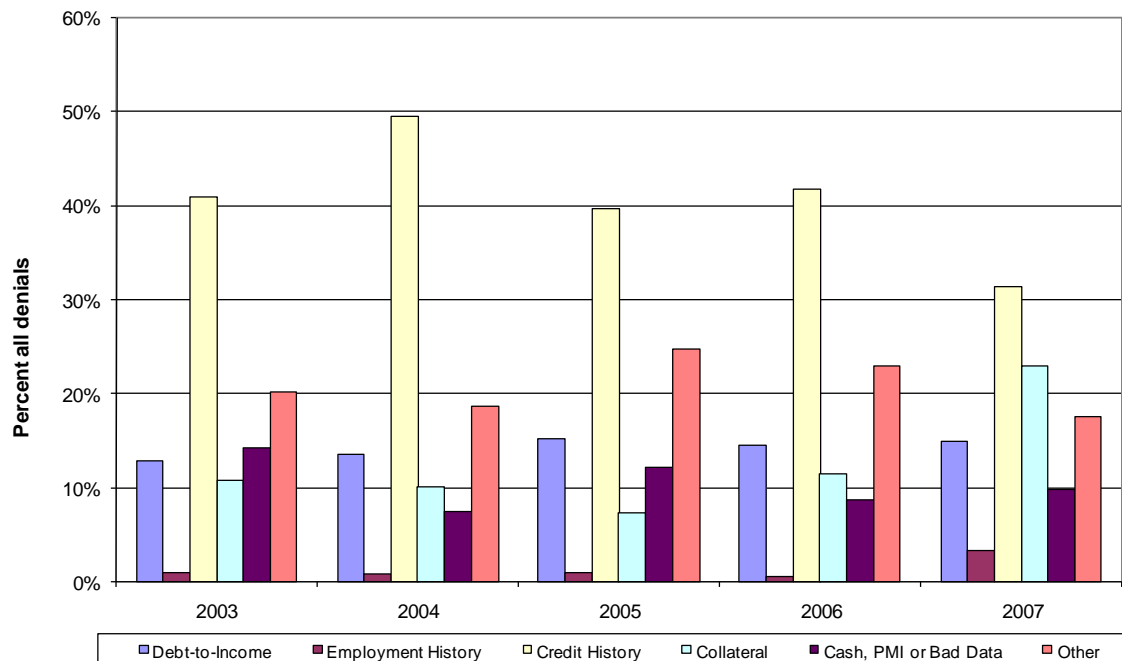
When examining reasons for denial among only white applicants, unacceptable credit history maintains its position as the most common (Figure 9a), although this measure has declined distinctly from 43.2 percent in 2004 to 37.9 in 2007. Insufficient collateral has been on the rise in recent years as the second most common reason for denial (17.6 percent in 2007), with the exception of 2005, when “Other” reasons were more prevalent (21.6 percent). Historically, Debt-to-Income ratio has been second or third in reasons for denials. This reason is showing signs of increasing since 2005, and was the reason for denial of 18.7 percent of applications in 2007. “Other” reasons for denial remains rather high as the second of third reason since 2003, and was the reason for denial of 13.1 percent of loan applications made by White applicants. The rate for the combined category of insufficient cash, unverifiable information, inability to secure private mortgage insurance and incomplete applications fluctuated from a low of 11.9 percent in 2003 to a high level of 13.8 percent in 2005.

**Fig. 9a. Reason for Denial of Application  
White Applicants**



As with White applicants, credit history was the most common reason for loan denials among Black applicants (Figure 9b). After a peak of 49.4 percent in 2004, it reached its lowest point of recent years in 2007 of 31.4 percent. Denials due to Other reasons consistently emerges as the second most frequent reason for denials among Black applicants, with the exception of 2007, when insufficient collateral was the second reason. “Other” reasons for denials ranged from a low of 18.7 percent in 2004 to its highest point of 24.7 percent in 2005. When compared with White applicants, both experienced a peak in 2005 and both reached the lowest levels in the analysis period in 2007. However, the rate of denial of applications from Black consumers is consistently higher. Denial due to debt-to-income ratio varies from year to year when comparing black applicants to white (Figure 9a). This reason for denial was more frequent among white applicants in all years except 2005, with nearly two points separating the rates between Black and White applicants. Just 15.2 percent of applications from black consumers were denied on the basis of debt-to-income ratio in 2005, which was the highest frequency over the analysis period. Insufficient collateral was next in frequency among Black applicants, but in 2007 this rate escalated to its highest level (23.0 percent). The combined category of insufficient cash, unverifiable information, inability to secure private mortgage insurance and incomplete applications consistently fell below the rate for white applicants, with the exception of 2003, when 14.3 percent of applications from Black applicants were denied for this reason. In other years, the rate varied from 7.8 percent (in 2004) to 12.2 percent (in 2005). Employment History continues to be the least frequent reason for denials for both White and Black applicants. With the exception of 2007, when 3.3 percent of applications from Black consumers were denied for this reason, the rates have been below 1 percent, and consistently below those of White applicants.

**Fig. 9b. Reason for Denial of Application  
Black Applicants**



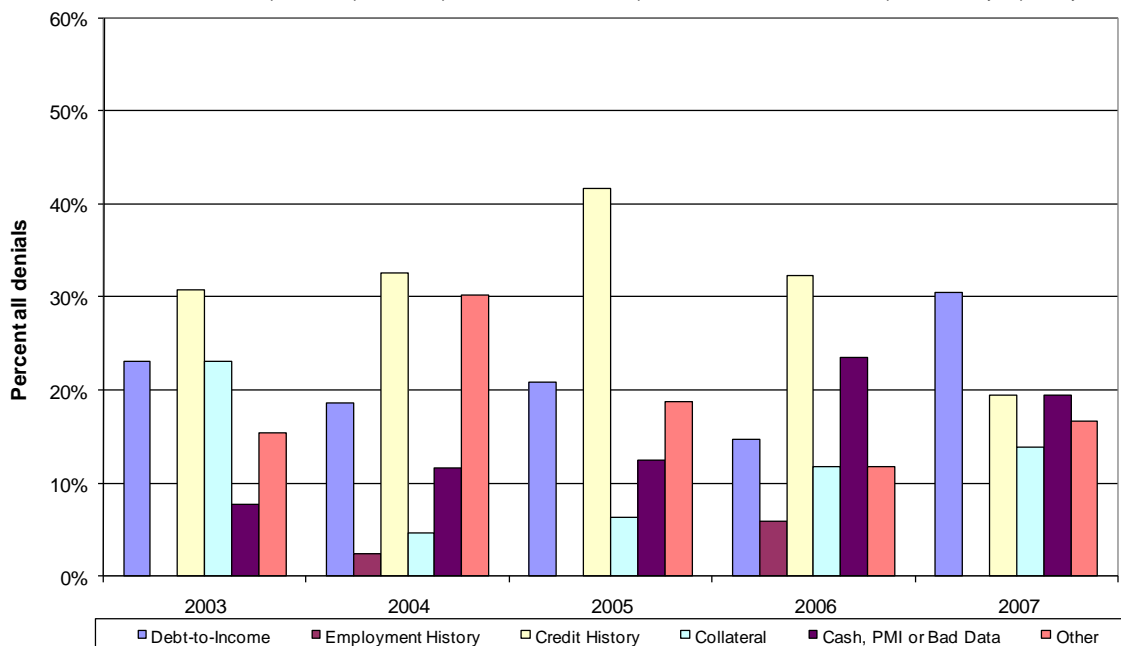
Source: HMDA, 2003-2007

Hispanics comprise 1.9 percent of the population of the City, while Asians constitute 2.5 percent. While neither is represented in great numbers, as homeowners, borrowers and consumers, their activity in the community should not be ignored, and a review of lending data for these populations should be included. Important to remember, however, is that Hispanic ethnicity is not independent of White or Black race. These consumers' data have been included in the graphs above (Figures 9a and 9b).

The graph below illustrates denial reasons for Hispanic applicants; however, their very small numbers—particularly in the early years—make meaningful analysis difficult, especially in attempting to identify trends over the five years. As with White and Black applicants, credit history is the most prevalent reason for denials, with one notable exception, when debt-to-income became the Number One reason in 2007. What is significant to note, however, is that the number of applications from Hispanic applicants has declined substantially, from 181 in 2003 to just 101 in 2007. Also significant is the comparatively high rate of denials for insufficient cash, unverifiable information, inability to secure private mortgage insurance and incomplete applications. Although growing steadily since 2003, this reason was significantly higher in 2006 and 2007 than for White and Black applicants.

**Fig. 9c. Reason for Denial of Application  
Hispanic Applicants**

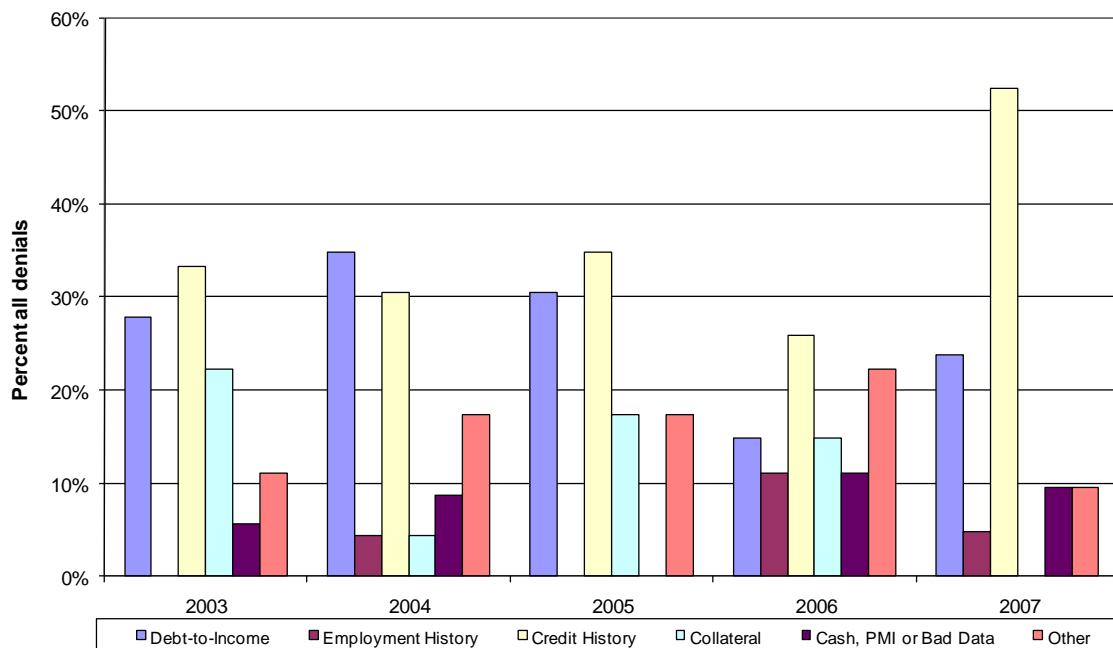
\* Prior to 2004, the response "Hispanic" was part of Race. In 2004, respondents selected Race and Hispanic ethnicity separately.



Source: HMDA, 2003-2007

Asian applicants are also rather infrequent in Spartanburg, with just 118 applications in 2007—up from 105 in 2003. As with Hispanic applicants, identifying trends over the five-year period is difficult. This graph illustrates denial reasons over the analysis period. Significantly, however, Asian applicants are denied on the basis of debt-to-income at considerably higher rates than any other group addressed in this analysis. In 2004, this was the most common reason for denials, while credit history was the most prevalent in all other years.

**Fig. 9d. Reason for Denial of Application  
Asian Applicants**



Until 2007, Black applicants were denied more frequently than any other on the basis of their credit history. In 2007, however, Asian and White applicants were denied more frequently on this measure.

Whereas in most years, Asian applicants were denied for debt-to-income more frequently than any other group, in 2006, all groups were denied on this basis at nearly the same rate (about 15 percent).

Notably, Black applicants are consistently more likely to be denied for “Other” reasons than any other group, with the exception of 2004, when the rate for denials of Hispanic borrowers was higher than that of any other group in any other year.

In most years, White applicants were denied more frequently on the basis of insufficient cash, unverifiable information, inability to secure private mortgage insurance and incomplete applications. While the rate remained relatively stable over all five years, in 2006 and 2007, Hispanic applicants were denied on this measure at nearly twice the rate of White borrowers.

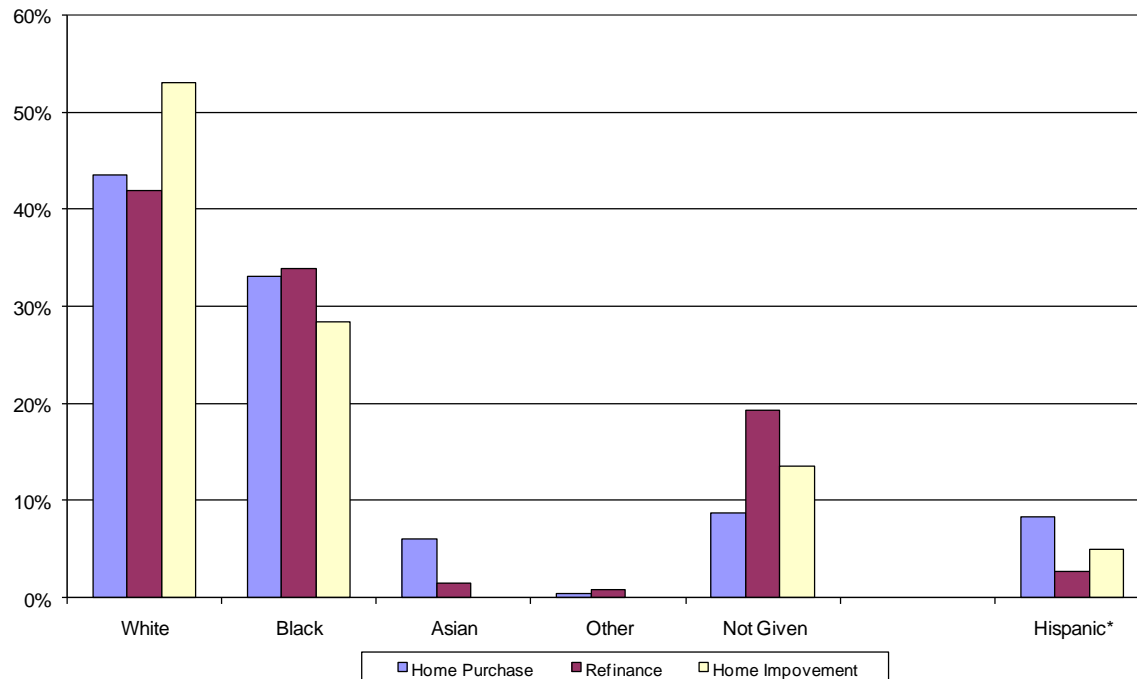
There do not appear to be any real consistencies with regards to reasons of denial for one race over the other. While credit history and debt-to-income ratio are generally the two most cited reasons for denial, the recent rise of “Other” reasons among Black applicants may be an area of concern. Still, these data show only a small piece of the lending picture.

When examining the denial rates by the loan type (purchase, refinance, or home improvement), White applicants were denied consistently more often than were Black or

Asian, among applicants who reported their race (Figure 10). However, a crucial caveat in these data is the very large percentage of applicants whose race was not reported, particularly among those seeking loans to refinance. With nearly one-fifth of applicants for refinance loans and an additional 13.4 percent of those seeking home improvement loans not reporting their race, any conclusions attempted from comparing data from applicants by race in these areas will be critically flawed. Nonetheless, this is an area that merits continued attention.

**Fig. 10. Denial Rates by Race and Purpose of Loan**

\* Hispanic ethnicity includes White and Black applicants.



### Analysis by Income

Low- and moderate-income households make up a substantial portion of Spartanburg's total households. According to the description in the demographic section of this report, in 2000 nearly 28 percent of Spartanburg's residents earned under \$15,000 annually, and another 17 percent earned from \$15,000 to \$25,000. As compared to a median income of \$28,735, this means that 41.6 percent of the population earned less than 87 percent of this amount. By 2007, 29 percent of the population earned less than \$15,000, with an additional almost 13 percent earning less than \$25,000. As compared to a median income of \$32,235, 41.6 percent of the population earned less than 78 percent of this amount. Because homeownership is the primary way of increasing personal net worth and assets, for these households access to credit for home loans is essential.

In Spartanburg, of the 4,081 loans approved in 2003, 23.6 percent went to low- and moderate-income borrowers combined: 7.0 percent to those households earning less than 50 percent of the area's median and 16.6 percent to those earning from 50 percent to 80 percent (Figure 11). Of the 1,896 loans approved in 2007, 18.0 percent went to low- and moderate-

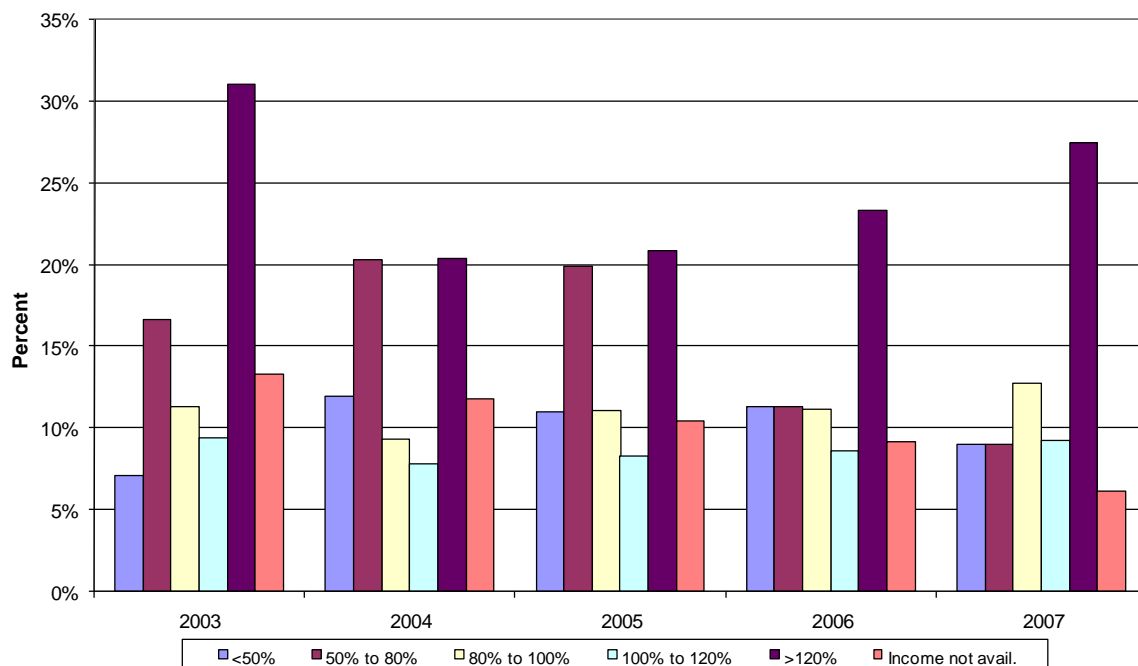
income households combined, with approvals evenly divided between those earning less than 50 percent and those earning from 50 to 80 percent of the area's median (9.0 percent each).

By 2007, just 73.6 percent of all loans originated, as compared to 88.6 in 2003. The difference was felt primarily among moderate-income borrowers (whose origination rate fell by more than 7 points) and highest-income borrowers (whose origination rate fell more than 4 points). These two groups together experienced a net decrease of 11.2 points from 2003 to 2007. At the same time, the rate among lowest-income applicants (earning below 50 percent of the area's median) rose by 2 points, and that of middle-income applicants (earning between 80 and 100 percent of the area's median) increased by 1.5 points.

Households earning 50 to 80 percent of the city's median received just 7.0 percent of the loans originated in 2003, but saw approval rates over 11 percent from 2004 to 2006. Those earning 100 to 120 percent of the city's median experienced a decline in approval, from 9.4 to less than 8, returning to 9.2 by 2007.

While it is not difficult to understand that those whose earnings exceed 120 percent of the area's median would be more likely to secure loan approval, the graph below illustrates the great disparities that exist among income levels. From 20 to 31 percent of applications from this group are approved.

**Fig. 11. Approvals by Median Income**



Source: HMDA, 2003-2007

On average, about 10.2 percent of applicants' incomes are not available. Applicants who earn incomes near the median are more likely to be required to verify income; whereas, those at the highest level often do not face this requirement, qualifying for loans for which no income

documentation is required (“no doc”). It is, therefore, fairly certain that this additional 10.2 points refers to the highest earners. This means that an additional 10.2 percentage points can be added to those of higher income groups. Adding this group’s approved loans to those of the highest income level increases wealthiest applicants’ approval rates to a range from 31.3 to 44.3 percent, and illustrating an even further disparity among income groups in loan approvals.

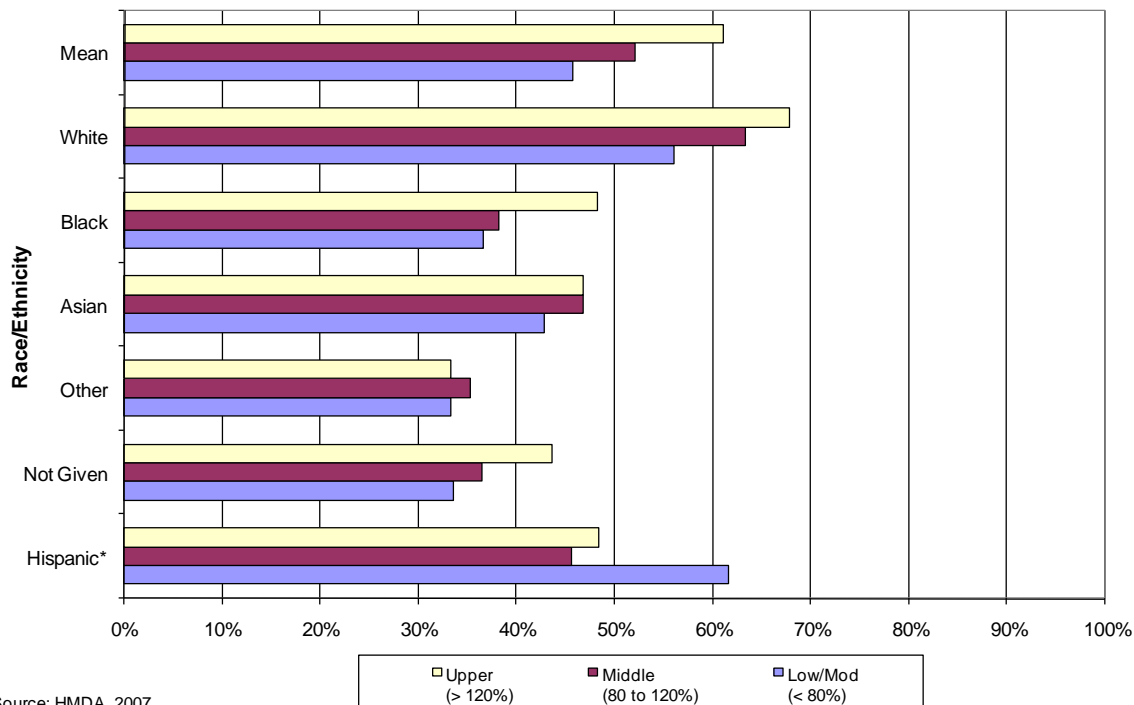
An examination of approval rates by income by race can prove to be a revealing tool. The uppermost bars on the graph shown in Figure 12 represent the mean rate of approvals for each income group (Low/Mod, Middle and Upper), regardless of race.

White applicants were well above the mean at all income levels (28 points, overall). Applicants of all other races were below the mean at all income levels, at varying degrees. Black applicants fell 36 points below the mean, while the discrepancy for Asian applicants was 22. Applicants whose race was not given and those who reported their race as “Other” had net approval rates of 45 and 57 points below the mean.

The distance for Hispanic applicants was the smallest, at just 3 points below the mean overall, with those earning less than 80 percent of the area’s median income receiving approval 16 points higher than the mean. However, this should be considered with caution due to the very small Hispanic population in Spartanburg.

**Fig. 12. Approval Rate by Race and Income**

\* Prior to 2004, the response “Hispanic” was part of Race. In 2004, respondents selected Race and Hispanic ethnicity separately.



While this analysis reveals considerable preference for white applicants in rates of approval, it is often difficult to disentangle race from income, especially in light of the high rate of applicants who did not specify their race. Still, there appears to be evidence that race plays a large role in loan approval in Spartanburg, which may or may not be specifically attributable to overt discrimination in lending.

Conventional wisdom points to structural factors that serve to restrict access to the services that accompany participation in the homeownership and mortgage arenas. When prospective homebuyers are prevented from accessing the appropriate opportunities, structural discrimination takes place. Obvious examples of these factors may be steering in the real estate industry, a lack of earning opportunities in the labor market, or the absence of educational opportunities that can lead to incomes that might improve creditworthiness. While these examples are easy to cite, most structural discrimination is quite unintentional, very subtle and extremely difficult to identify.

## **ALTERNATIVE LENDING SOURCES**

### **Subprime Lenders**

While conventional lenders focus their marketing efforts on consumers with few or no credit blemishes (those with “A” credit), an alternative source of loan funds for consumers with lower credit scores (“B” or “C” credit) is subprime lending institutions. While subprime lenders simplify the application process and approve loan applications more quickly and more often, these lenders also charge higher interest rates to help mitigate the increased risk in lending to consumers with poorer credit histories. Interestingly, consumers who borrow from subprime lenders often do qualify for loans from conventional lenders, but succumb to marketing tactics that encourage them choose subprime institutions over conventional. Recent studies by Freddie Mac, the government-sponsored entity that purchases mortgages from lenders and packages them into securities that are sold to investors, show that between 25 percent and 35 percent of consumers receiving high cost loans in the subprime market qualify for conventional loans.<sup>14</sup> This may be a result of the loss of conventional lenders in the community. Having fewer lenders from which to choose, consumers select those that are conveniently located, even at a higher price.

Each year, HUD publishes a list of subprime lenders that corresponds to HMDA data disseminated by the FFIEC. HUD uses a number of HMDA indicators to identify potential subprime lender specialists. First, subprime lenders typically have lower origination rates than prime lenders. Second, home refinance loans generally account for higher shares of subprime lenders' total originations than prime lenders' originations. Third, lenders who sell a significant percentage of their portfolios to the GSEs do not typically specialize in subprime lending. The rate spread variable available for the first time with the 2004 HMDA data can also be used as a screen to identify potential subprime lender specialists. As would be

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<sup>14</sup> Information for this discussion provided by Miami Valley Fair Housing Center.

expected, the ranking of potential subprime lenders using the HUD indicators is very similar to the ranking of potential subprime lenders using the rate spread premium variable alone.

When contacted by HUD, a large number of lenders reported that they offer subprime loans but they do not constitute a large percentage of their overall conventional mortgage originations. Most lenders readily identified themselves as prime or subprime lender specialists. Some lenders identified themselves as all-purpose lenders and broke out their loan portfolios by mortgage product. In a couple of cases, HUD identified a lender as subprime if their subprime percentage exceeded 50 percent.<sup>15</sup>

### **“Payday Lenders”**

Another source of loans is check cashing or “payday” lenders. Check cashing outlets (such as currency exchanges) cash payroll, government, and personal checks for a fee. Their popularity increases as customers lose access to banks or cannot afford rising fees associated with the inability to maintain minimum balance requirements. Consumers use these outlets for their banking needs and are charged for the services they receive. These businesses offer temporary “payday loans” by accepting a postdated check from the customer, who receives the funds immediately, minus a fee. When used regularly, these fees can equate to double-digit interest rates.

Although these services tend to be located in areas of highest minority and low-income concentration, they are also found in very close proximity to local lenders. Customarily, however, they fill the void left by banks that have moved from the area.

### **Predatory Lenders**

While most subprime lenders serve a need by targeting borrowers with sub-par credit histories, some go too far. Those that do are known as predatory lenders. Lending becomes predatory when lenders target specific populations (such as low-income, minority, or elderly homeowners), charge excessive fees, frequently refinance the loan, and often mislead the borrower. Since wealth is often tied to property ownership, this system threatens to deprive residents of their assets by overextending their home’s equity and, in some cases, foreclosing on the homes of people who cannot afford the high interest rates and associated fees.

Mainstream financial institutions often unwittingly exclude the very groups targeted by predatory lenders when they market loan products. Additionally, unknowing consumers find themselves at a disadvantage due to a lack of financial savvy. The lending process can be complicated, and often consumers are ill prepared to deal with the large volume of paperwork required for the loan process. Most predatory lenders use their clients’ inexperience to their advantage, however, and do not provide quality counseling for consumers seeking their products. They use the consumers’ ignorance as their opportunity to

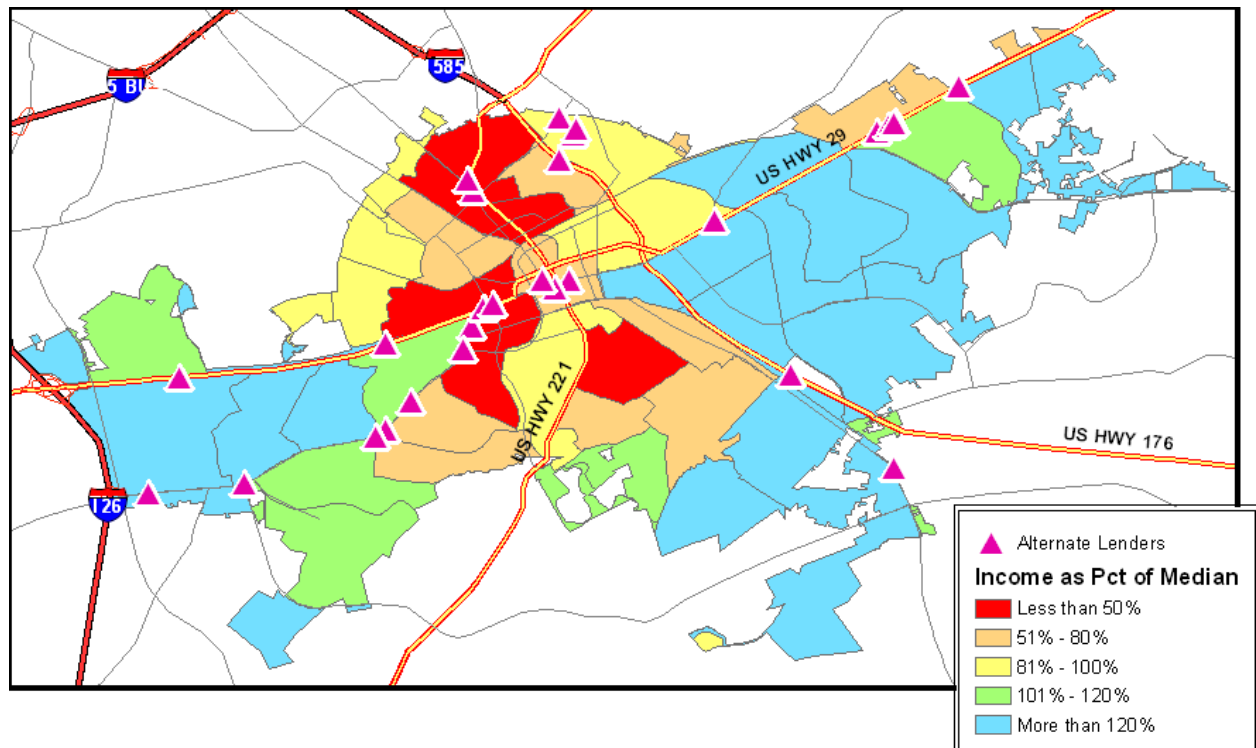
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<sup>15</sup> From HUD Subprime and Manufactured Home Lender List, updated 3/16/07.

reap profits. In the end, borrowers pay substantially higher interest rates and purchase unnecessary credit, life, and disability insurance products.

Subprime lenders charge higher rates to compensate for higher risk. While these types of loans and lenders provide an important service to those without opportunities, these institutions have been associated with predatory lending nationally and are a source of potential concern locally. When compared to the list of subprime lenders provided by HUD, there were none identified within the city limits of Spartanburg through this analysis. However, 33 personal lending sources were identified, including pawnshops, “payday” lenders, personal and title loan establishments, and others. These are located throughout the city and along the primary traffic corridors, where they mainly serve low- and mid-income populations.

**Map 2: Locations of Other Lenders in Spartanburg**



## OTHER PRIVATE ENTITIES THAT IMPACT FAIR HOUSING CHOICE

### Homeowners Insurance Industry

Fair housing is about expanding the housing choice for those restricted by economic, social, political, and other forces. The persistence of unfair housing underlies unequal education, unequal access to jobs, unequal income, and redlining. Redlining is an exclusionary practice of real estate agents, insurance companies, and financial institutions that exists when ‘there is a lack of activity by [an] institution to extend credit or coverage to certain urban

neighborhoods because of their racial composition; or they are denied because of the year-to-year change in racial composition and the age of structure in a neighborhood regardless of the creditworthiness or insurability of the potential buyer and policy holder or the condition of the property.”<sup>16</sup>

Over 40 years ago, an observation was made that “insurance is essential to revitalize our [American] cities. It is the 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 survive. Without insurance, buildings are left to deteriorate, and services, goods and jobs diminish.”<sup>17</sup> This statement can just as accurately describe many cities in 2009 as it did those in 1968. Investigations and statistical and applied research throughout the United States has shown that residents of minority communities have been discouraged in pursuit of homeownership, while many predominantly white neighborhoods have been successful in attracting those seeking the American dream of owning a home.

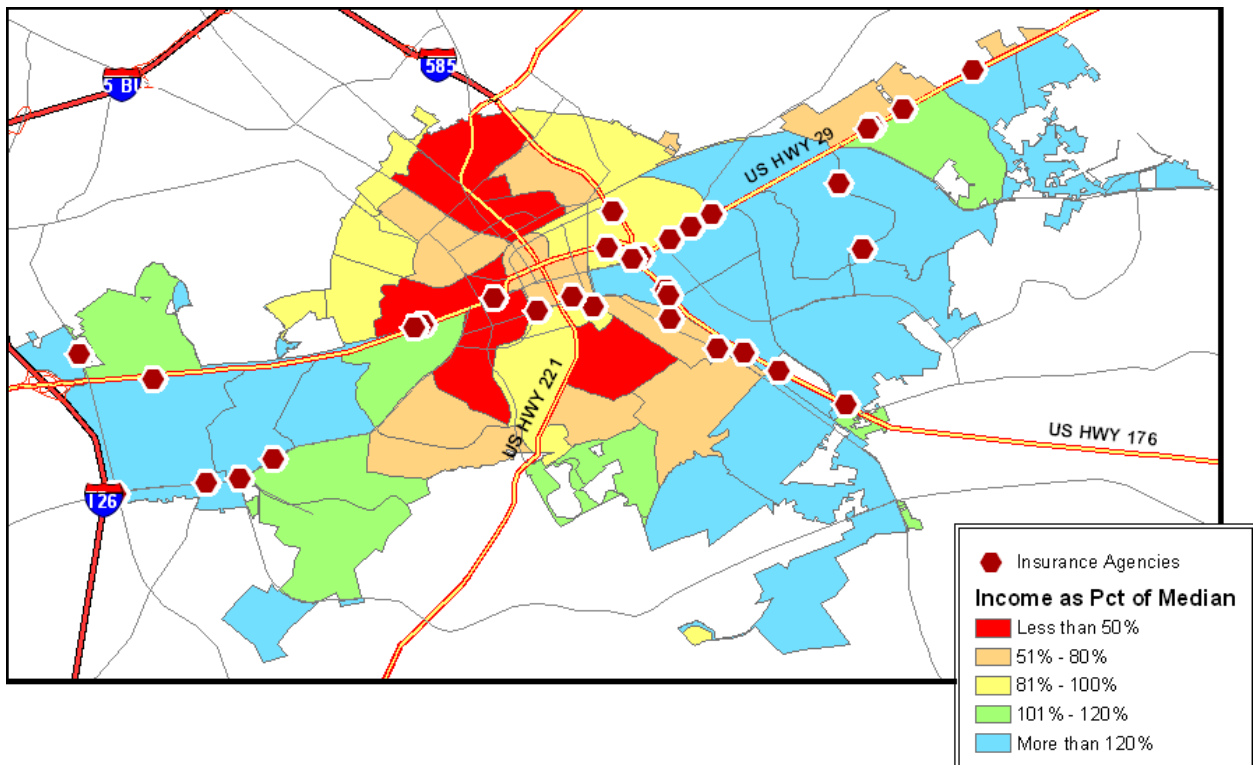
Discrimination in the provision of housing insurance has a lasting effect on the vitality of America’s neighborhoods. Many traditional industry underwriting practices which may have some legitimate business purpose also adversely affect minorities and minority neighborhoods. While more recent studies have found little evidence of differential treatment of mortgage applications, evidence does suggest that lenders may favor applicants from Community Reinvestment Act (CRA)-protected neighborhoods if they obtain private mortgage insurance (PMI). The requirement of obtaining this additional type of insurance may actually mask lender redlining of low-income and minority neighborhoods. For loan applicants who are not covered by PMI, there is strong evidence that applications for units in low-income neighborhoods are less likely to be approved. Furthermore, these potential homeowners are more likely to be subject to policies that provide more limited coverage in case of a loss, and are likely to pay more for comparable policies.

Another critical factor in marketing of insurance is the location of agents. Most of the property insurance policies sold by agents are to insure within neighborhoods in which the agent is located. Studies have shown that the distribution of agent locations was clearly related to the racial composition of neighborhoods. A review of the Spartanburg Yellow Pages listings shows that the insurance companies who provide homeowners insurance have offices distributed primarily along the main roads. While there is some neighborhood penetration within wealthier areas, they are conspicuously absent in lower-income neighborhoods.

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<sup>16</sup> Hutchinson, Peter M., James R. Ostas, and J. David Reed, 1977, A Survey and Comparison of Redlining Influences in Urban Mortgage Lending Markets. AREUEA Journal 5(4):463-72.

<sup>17</sup> National Advisory Panel on Insurance in Riot Affected Areas, 1968.

**Map 3: Location of Insurance Agencies in Spartanburg, SC**

### Internet Advertising

Local real estate brokers indicated knowledge of the Fair Housing Act and other laws governing fair housing. The real estate industry depends largely on marketing through the Internet, and therefore much of the initial direct contact has been eliminated from the sales process. Of 31 real estate agents listed on the Internet, just five (5) had their own web pages. Of these five, two represented corporate and commercial transactions, one was a portal to other agencies' sponsored sites and one was not yet complete. The remaining site included the HUD fair housing logo.<sup>18</sup>

### Print Media Advertising

In the context of fair housing, discriminatory advertising is any advertising 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. Overt or tacit discriminatory preferences or limitations are often conveyed through the use of particular words, phrases, or symbols.

In a general review of several local Spartanburg publications, several incidents were identified that suggest a need for fair housing training review sessions for real estate agents,

<sup>18</sup> Real estate agents' sites accessed through [www.yellowpages.com](http://www.yellowpages.com), 3/27/09.

mortgage brokers, and significant players in the real estate market, including the local press. A great deal of inconsistency was noted in the display of the equal opportunity logo within the housing advertisements analyzed in local Spartanburg newspapers and inserts from four separate dates. While most advertisements for national companies, such as ReMax, Century 21, Prudential and Weichert Real Estate, included the HUD Fair Housing logo, it was missing in several instances. The same is true of advertisements for local real estate firms.

No newspaper listings for apartments or homes for rent showed any sign of discrimination. While one was specifically advertised as “family friendly”, this would appear to be inclusive rather than exclusive from the standpoint of Fair Housing.

A review of listings of homes for sale in the HU Weekly revealed one for a home that required a buyer to have a specified minimum credit score. This may serve as a deterrent to a potential buyer with a poor credit history, but who may have sufficient cash for a substantial down payment or resources for a cash purchase.

An analysis of the real estate listings in the local Spartanburg newspapers revealed that while most listings had an equal opportunity logo, there were several notable exceptions. Furthermore, many listings and advertisements included pictures of real estate agents, only 5 percent of whom were non-white. This is decidedly out of balance when compared to the racial composition of the community, being nearly equally represented by black and white residents.

A review of the March 20, 2009 issue of the “Journal Homes Report” (a periodic insert in the local newspaper) identified two agencies associated with national real estate firms that did not carry an equal opportunity logo.

A local office of a national real estate firm advertising in the January 28, 2009 Spartanburg Herald-Journal did not carry the Fair Housing logo, and the same was true for a different national real estate firm advertising in the January 6, 2009 issue of the same newspaper. While several lenders used this same venue to advertise first-time homebuyer assistance programs, none made any reference to commitment to equal opportunity or Fair Housing.

### **The General Public**

During the month of April, 2009, Fair Housing advertisements appeared on public buses and local billboards, and Public Service Announcements were broadcast on local television and radio. Despite these efforts, the public is still in need of education and clear understanding of Federal Fair Housing Laws.

## Section VI: Conclusions and Recommendations

This section presents the Fair Housing Analysis Update for the Spartanburg 2009-2014 Consolidated Plan. It includes existing impediments to fair housing choice currently being addressed and suggestions for removing them. This update centers on the subjects based on Public/Private information regarding the real estate, insurance and banking industries, the housing authority, South Carolina Human Rights Commission, and the Atlanta and South Carolina HUD Offices of Fair Housing and Equal Opportunity, Community Planning and Development, and Public Housing. As the plans are undertaken each year and their progress reported in the City's CAPER, they should be tracked by the city's performance measurements system by reflecting resources, goals, output, and outcome for each recommendation/potential impediment.

### IMPEDIMENTS AND OTHER IMPORTANT CONSIDERATIONS

In general, the City of Spartanburg is keenly aware of fair housing regulations and appears to have proper mechanisms in place to deal with issues that arise. The downfall appears to be in public awareness of the rights of home seekers, whether as tenants or owners.

During the review of the Spartanburg community, some situations were discovered that, while not qualifying as impediments, per se, indicate a certain amount of unfairness and have the potential to foster unfair housing practices.

1. The great discrepancy between the racial composition of the city and that of loan applicants indicates that Black applicants are clearly underrepresented in this market.
2. There exists a great disparity in loan approval between white applicants and those of other races.

In response, the development of the city's fair housing plan should consider these suggestions for improvement.

1. Take measures to reduce racial and ethnic concentration by assuring that a variety of housing options are available throughout the city of the greatest extent practicable.
2. Ascertain that low homeownership rates are a reflection of a geographic area's function and not a reflection of the race, ethnicity, or income levels of its residents.
3. Remedy high vacancy rates in areas with high ethnic concentrations by ensuring availability of and access to services and amenities that will attract other residents.

#### Impediment #1: Lack of Public Awareness

Analysis undertaken to complete this 2009 update revealed a decided increase in the public's awareness of fair housing requirements as related to racial discrimination, but it is difficult to ascertain the awareness level of fair housing as applied to persons with disabilities. The two reported complaints of discrimination discovered during this analysis were racially-based,

and there is a significant decline in the number of cases reported overall during the last five years. While this may signal an improvement in landlord awareness and compliance, it is also likely that this is a reflection of low public awareness.

The 2004 analysis made recommendations to expand the availability of information to increase consumers' familiarity with fair housing rights. While the City disseminates information in the form of print and broadcast media advertisements in recognition of Fair Housing Month (April of each year), a more interactive approach would be recommended.

*Suggested Steps to Remove this Impediment:*

Increase public awareness of fair housing requirements, goals, and objectives

1. Increase awareness of fair housing rights by partnering with civic and educational organizations to disseminate information and offer consumer education.
2. Emphasize the City's commitment to fair housing by offering fair housing workshops targeted at lenders, realtors, landlords, and City staff.
3. Include the Fair Housing Logo and descriptive text on all applications and brochures emanating from the City that pertain to housing.

**Impediment #2: Lack of Public Outreach**

An important activity is the annual print and broadcast media Fair Housing campaign during April, the designated Fair Housing Month. However, fair housing issues are timeless and the public must be made to feel empowered to resolve issues that arise at the time they arise, and that they know how to respond. Outreach efforts should include dispute resolution mechanisms, including contacts for information as well as complaints.

*Suggested Steps to Remove this Impediment:*

Increase Public Outreach

1. Fair housing brochures should be available at all City departments, the Planning Commission, and all other public facilities in the community, including schools, community centers, and libraries, and through a link to the City's web site.
2. The two reported fair housing complaints related to rental housing. As such, the City can take steps to ensure that landlords are aware of fair housing regulations by targeting mailings in the form of inserts, particularly during fair housing month each year.
3. An annual public survey in conjunction with Community Forums or Town Hall Meetings can help the City gauge awareness and potential problem areas in fair housing on an ongoing basis, as well as the need for further consumer education.

4. Holding poster and essay contests in public schools and giving public recognition to lenders, landlords and realtors who promote fair housing are viable strategies that will emphasize the City's ongoing commitment to fair housing.
5. The City should maintain active relationships with area disability advocacy groups, Legal Aid, the NAACP, and others interested in fair housing in the community. A fair housing committee, group, or other informal entity should meet regularly to examine trends, discuss current efforts, and plan fair housing activities. As part of a fair housing consortium, the costs can be spread among the various participating groups.

### **Impediment #3: Long Waiting List for Subsidized Rental Units**

The Spartanburg Housing Authority is doing much in an attempt to increase the number of available subsidized rental units. Alternatively, reducing the number of families seeking subsidized units will also serve to mediate this issue. Spartanburg's median home prices are affordable to those who earn below 80 percent of the area's median income, meaning that homeownership is an attainable goal for many households. Along with affordable housing initiatives undertaken by various organizations in conjunction with the city, lenders are increasingly offering incentives to first-time homebuyers. Finally, increasing the availability of higher-priced housing will ultimately increase the availability of lower-priced housing, once households begin to move into new housing, leaving their former homes.

#### *Suggested Steps to Remove this Impediment:*

Enhance awareness of alternate housing opportunities

1. Together with agencies that provide sweat-equity opportunities (such as Habitat for Humanity) or those that promote affordable housing, hold regular (i.e., quarterly) informational workshops for prospective homebuyers.
2. Continue development efforts to revitalize blighted neighborhoods to increase the available housing stock for households at all levels.
3. Advertising city and housing authority support of down-payment assistance programs offered or administered by local lenders will serve to increase their credibility over advertisement solely by lenders, which may appear as incentives offered by seemingly beneficent lenders.

### **Impediment #4: Poor Credit Histories Restrict Access to Homeownership**

The ongoing high unemployment rate in Spartanburg notwithstanding, poor credit histories are the most frequent reason for denial of mortgage loan applications among all applicants, regardless of race or income.

#### *Suggested Steps to Remove this Impediment:*

Provide educational opportunities to build credit management skills

1. Continue to support the credit management and education courses provided by the Spartanburg Housing Authority, Spartanburg Residential Development Corporation, and local financial institutions, including enhancing promotion of these courses.
2. Collaborate with local high schools to include credit management education for high school students, to include a working understanding of the implications of making purchases on credit.

**Impediment #5: Racial Disparity in Mortgage Lending**

While the racial composition of the City of Spartanburg is 47.3 percent White and 49.4 percent Black, the racial distribution of mortgage applications is over 50 percent from White applicants and less than 25 percent from Black. While we cannot know the race of those who identified themselves as “Other”, even if these were to be added to Black applicants, the ratio would still not approach the racial composition of the City. Furthermore, loan applications for black borrowers at all income levels are approved significantly less frequently than are those for white borrowers.

**Suggested Steps to Remove this Impediment:**

Increase and strengthen loan applications submitted by black borrowers

1. Public awareness of fair housing (as described in Impediments #1 and 2) and the home-mortgage application process will increase the pool of consumers applying for mortgage loans.
2. Increasing the housing stock throughout the city (as described in Impediment # 3) will allow those who can afford higher-priced homes to purchase them, leaving more affordable stock available to those with incomes below the median.
3. Support of down-payment assistance programs will make more consumers aware of the possibility of homeownership and will subsequently increase the number of applications from consumers who have been historically underrepresented.
4. Educational opportunities to build credit management skills (as described in Impediment # 4) will help build creditworthiness among all applicants, reducing the risk of denial of a loan application or facing subsequent foreclosure.

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