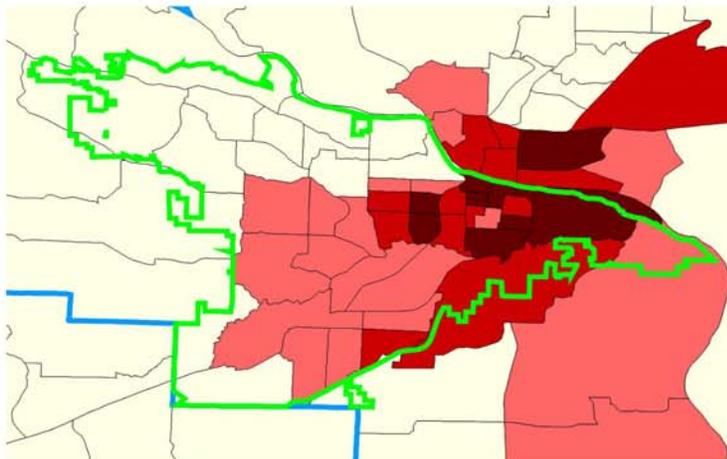


City of Little Rock, Arkansas

Analysis of Impediments to Fair Housing



November 2010



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CITY OF LITTLE ROCK, ARKANSAS ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING CHOICE

Prepared for

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Introduction and Acknowledgements

Introduction

This report provides an Analysis of Impediments to Fair Housing Choice (AI) for the City of Little Rock, Arkansas prepared during program year 2010. This AI was conducted using a methodology consistent with the U.S. Department of Housing and Urban Development (HUD) guidelines. HUD requires that each jurisdiction receiving federal funds certify that it is affirmatively furthering fair housing. The certification specifically requires jurisdictions to do the following:

- Conduct an **analysis of impediments** to fair housing choice within the state or local jurisdiction.
- Take appropriate actions to overcome the effects of any impediments identified through that analysis.
- Maintain records reflecting the analysis and actions in this regard.

Lead and Participating Agencies

The City of Little Rock, Housing and Neighborhood Programs Department was responsible for oversight and coordination of the AI process. The City of Little Rock retained J-Quad Planning Group, a Community Development, Urban Planning and Housing Consulting firm to assist in the preparation of the AI.

Acknowledgements

Data collected in preparing the AI relied in part on input from the public. The process included information gathered from five citizen public forums, two focus group sessions, key persons interviews, and data provided by the HNPD and other City Departments. We also acknowledge the participation of the local chamber of commerce, and representatives from the banking and mortgage institutions, housing development, non-profit, social services, business and real estate industries. Special thanks to the Arkansas Fair Housing Commission and all focus group participants and their contributions toward making the AI process a success.

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Executive Summary

Introduction

In 1995 the U.S. Department of Housing and Urban Development (HUD) announced that entitlement communities - communities receiving direct federal funding from Community Development Block Grant, HOME Investment Partnership and Emergency Shelter Grant programs – must conduct a study of existing barriers to housing choice. This required study is referred to as the "Analysis of Impediments (AI) and is part of entitlement communities' consolidated planning process.

The purpose of the AI is to examine how state and local laws, private, public and non-profit sector regulations, administrative policies, procedures, and practices are impacting the location, availability, and accessibility of housing in a given area. The AI is not a Fair Housing Plan rather it is an analysis of the current state of fair housing choice in Little Rock and identifies specific barriers that need to be addressed if future fair housing initiatives are to be successful.

Each jurisdiction receiving federal funds must certify that it is affirmatively furthering fair housing. The certification specifically requires jurisdictions to do the following:

- Conduct an analysis of impediments to fair housing choice within the state or local jurisdiction.
- Take appropriate actions to overcome the effects of any impediments identified through that analysis.
- Maintain records reflecting the analysis and actions in this regard.

Evaluating fair housing is a complex process involving diverse and wide-ranging considerations. The role of economics, housing markets, and personal choice are important to consider when examining fair housing. The effects on persons of a particular race, ethnicity, or members of the protected classes under fair housing law are comparatively analyzed to determine any disparities. Little Rock has relatively few impediments to fair housing. However, some issues were identified.

The analysis of fair housing choice in the City of Little Rock has resulted in the identification of impediments, identified through a study methodology that included conducting focus group sessions, the construction of a demographic analysis resulting in a community profile and fair housing index, analysis of the Home Mortgage Disclosure Act (HMDA) data for the City of Little Rock and a fair housing law and public policy and program review.

Community Profiles

Little Rock is the historic capital city of Arkansas with a population of 183,558 in 2000. The population of the city grew by 4.23 percent since 1990. In 1990, the Hispanic population of the city was 1,337, 0.75 percent of the total population. The African-American population was 33.73 percent of the total population in 1990. By 2000, African-American population had grown to 73,927, or 40.27 percent of the total population, while the Hispanic population had grown to 4,908, or 2.67 percent of the total population. The White population is 54.02 percent of the total city population and the other racial group accounted for 1.15 percent.

Household compositions consisting of large families, families with children and female headed households with children appear to most likely to encounter issues relative to fair housing choice. From 1990 to 2000, Hispanic families with children, headed by females, increased from 7.34 percent to 8.45 percent of all Hispanic households. Among African-American households, the percentage remained high but decreased from 24.77 percent to 21.02 percent. The percent

of White families with children, headed by females decreased from 4.33 to 3.82 percent of all White households. Over 23 percent of all White households have children under the age of 18 present, compared to 47.65 percent of African-American households and 42.77 percent of Hispanic households. Over 57 percent of all persons in Little Rock reside in non-family households.

According to the US Bureau of Labor Statistics, the industry with the largest contribution to personal income in Little Rock in 2000 was the service industry. The service industry income grew by 2.7 percentage points from 1990. The government industry contributed 17.3 percent. The manufacturing category contributed 8.68 percent. Manufacturing declined by 1.93 percentage points between 1990 and 2000.

The largest employer in Little Rock is the State of Arkansas, with 28,100 employees. Other major employers include the Federal Government, University of Arkansas for Medical Sciences, Pulaski County Public Schools District, Baptist Health, and Little Rock Air Force Base.

Lower Income and unemployment disproportionately impacts minority households compared to White households. Just over 28 percent of African-American households reported 2000 income below \$15,000, compared to 11.23 percent of White households and 21.57 percent of Hispanic households. Over 32 percent of the total African-American population lived in poverty in 2000, compared to only 6.47 percent of the White population and 25.49 percent of the Hispanic population. Over 61 percent of African-American children below the age of 5 and 29.59 percent of Hispanic children below the age of 5 lived in poverty, compared to 5.26 percent of White children. In 2003, the total unemployment rate was 5.1 percent. In 2000, the White unemployment rate was at 3.33 percent, African-American rate at 10.55 percent, and the Hispanic rate at 4.59 percent.

Central Arkansas Transit Authority (CATA) provides and supports a wide variety of public transit options: area wide bus service, the Metropolitan Area Express for commuting services from outlying areas into downtown, and the Links Paratransit program for people with disabilities. Several routes traverse several other routes providing opportunities for transfers whenever possible, eliminating the need to go all the way downtown to make a connection to some major employment centers outside of downtown. None of these routes, however, provide connections west of University. The public schools and the hospitals are some of the major employers in Little Rock. Without convenient routes that service these major employers, located outside of downtown, travel to work without a vehicle is limited in Little Rock which limits housing choice for those dependent on public transportation.

Of the 84,888 housing units located in Little Rock, over 64 percent were classified as single-family. Among the occupied units, 52.43 percent were owner-occupied. Over eight percent of all units were vacant. Almost 28 percent of all housing units were built prior to 1960. The median housing value was reported to be \$87,300 with median contract rent at \$456. Little Rock has about 3,950 assisted housing units in 62 developments serving various non-homeless special needs populations. The total number of units set aside for HUD program recipients was approximately 1,632 units, 529 of which were constructed or adapted for the elderly or disabled persons. Little Rock has over 2,300 assisted units of LIHTC housing in 26 developments. Little Rock Housing Authority also administers Section 8 vouchers.

Fair Housing Law, Municipal Policies and Complaint Analysis

The State of Arkansas has a fair housing ordinance that is comparable to the federal Fair Housing Act. In addition to the Fair Housing Act, the State of Arkansas passed an act in 2003 to prevent predatory lending in the home mortgage market. The Arkansas Fair Housing Commission oversees fair housing in Little Rock, taking and investigating complaints filed by individuals.

The City of Little Rock does not currently have a fair housing law that meets substantial equivalency requirements of the federal government.

The City of Little Rock receives annual entitlement funds from the federal government under the Community Development Block Grant Program, Home Investment Partnership Act, and Housing for Persons with AIDS used to fund and operate housing and supportive services programs. The City anticipates receiving \$4,066,678 dollars from the U.S. Department of HUD under these entitlements for Fiscal Year 2011. These entitlement funds are administered primarily by the City of Little Rock Department of Housing and Neighborhood Programs. Additional supplemental funding under the federal governments' Housing and Economic Recovery Stimulus Act and Neighborhood Stabilization Act were awarded in 2009. A review of city building and zoning codes, and public policies did not reveal any Fair Housing impediments.

The City of Little Rock funds several housing programs through their CDBG and HOME program allocations. These programs work to expand homeownership opportunities for low and moderate-income homebuyers, provide rental assistance to low-income and disabled renters, provide rehabilitation for single-family owner-occupied and rental housing, and purchase distressed housing for rehabilitation.

According to the U.S. Housing and Urban Development Department, a total of 121 Fair Housing Complaints were filed with the Arkansas Fair Housing Commission or HUD between August 1, 2006 and December 31, 2010 according to one or more of seven bases, including; National Origin, Color, Religion, Familial Status, Disability, Sex, and Race. This is a substantial increase in complaint activity compared to the previous five year period of 2000 - 2005. This increase is most likely attributable to the aggressive outreach and enforcement of the Arkansas Fair Housing Commission which was designated a FHAP agency in

August, 2003. It should be noted that in 33% of the complaints filed, the cases were closed with a no cause determination. This means the complaint could not be sufficiently substantiated to justify further action by the enforcement agency and was therefore dismissed. This percentage could improve over time with the outreach and education being undertaken by the Arkansas Fair Housing Commission.

Focus Groups, Fair Housing Index, Home Mortgage Disclosure Act Analysis

Fair housing choice within the city of Little Rock encounters a number of impediments, as identified through focus group sessions, the construction of a fair housing index, and analysis of the Home Mortgage Disclosure Act (HMDA) data for the Little Rock – North Little Rock MSA.

Data collected in preparing the AI relied in part on input from the public. The process included information gathered from five citizen public forums, two focus group sessions, key persons interviews, and data provided by the HNPD and other City Departments. We also acknowledge the participation of the local chamber of commerce, and representatives from the banking and mortgage institutions, housing development, non-profit, social services, business and real estate industries. The focus groups voiced many concerns relating to fair housing choice that they perceive as impediments. Section Three of this report details the input received during the community participation process.

The HMDA data analysis, detailed in Section Four, indicates that there are issues of concern in mortgage lending. Loan denials for minority populations were disproportionately higher than the denial rates for White applicants and there is some evidence to suggest that characteristics of redlining may exist and is found to be adversely impacting fair housing choice in Little Rock and in the MSA.

Section Five of the report, the fair housing index, highlights geographic areas indicating a concentration of attributes prevalent in fair housing issues. These attributes include high minority concentrations, older housing stock, reliance on public transportation, low income, low housing values and contract rents, a high percentage of female headed households with children, a high ratio of loans denied to loans originated, high unemployment rates, and high rates of high school dropouts. The collective concentration of these issues leads to neighborhood deterioration and market conditions that tend to impede fair housing choice. Our analysis and confirmation received in the focus group sessions indicate that portions of central and eastern Little Rock are most likely to have residents experiencing severe problems with housing choice.

Impediments

Impediments to fair housing choice are detailed in Section Six of this report. This section draws on the information collected and analyzed in previous sections to provide a detailed look at fair housing impediments in Little Rock. Five major categories of impediments were analyzed: Real Estate Impediments; Public Policy Impediments; Neighborhood Conditions as Impediments; Banking, Finance, and Insurance Related Impediments; and Socioeconomic Impediments. For each impediment identified, issues and impacts are detailed. Remedial actions are suggested to address each impediment. Some of the remedial actions recommended in this section are conceptual frameworks for addressing the impediments. These actions will require further research, analysis, and final program design by the City of Little Rock for implementation.

Evaluating fair housing is a complex process involving diverse and wide-ranging considerations. The role of economics, housing markets, and personal choice are important to consider when examining fair housing. The effects on persons of a particular race, ethnicity, or members of the protected classes under fair housing law are comparatively analyzed to determine any disparities. Little Rock has relatively few impediments to fair housing. However, some issues were identified.

Remedial Activities To Address Impediments

The major focus of the recommended remedial actions is centered on creating partnerships, identifying new federal resources and leveraging private funding needed to enhance the jurisdiction's ability to increase its supply of affordable housing and better meet the needs of low-income and moderate-income households. Other remedial actions are recommended as a means of reversing the negative impacts of the market conditions and mortgage lending trends that adversely and disproportionately impact the members of the protected classes under the fair housing law. These include sub prime lending, foreclosures, credit and collateral deficiencies that impact loan origination rates, poverty, unemployment and limited income. The details of the identified impediments and remedial actions are presented in Section Six of the report.

Section 1: Community Profile

Introduction

The Community Profile is a review of demographic, income, employment, and housing data of Little Rock, Arkansas, gathered from the 2009 Census Population estimates, 2006-2008 American Community Survey (ACS) 3-Year estimates, 1990 and 2000 U.S. Census, Little Rock Chamber of Commerce, Little Rock Development Alliance, and other sources. The following sections provide a look at the current status of the community in Little Rock:

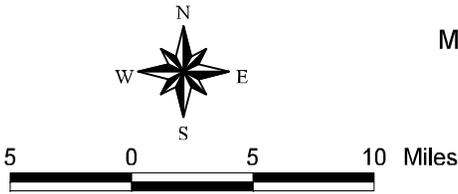
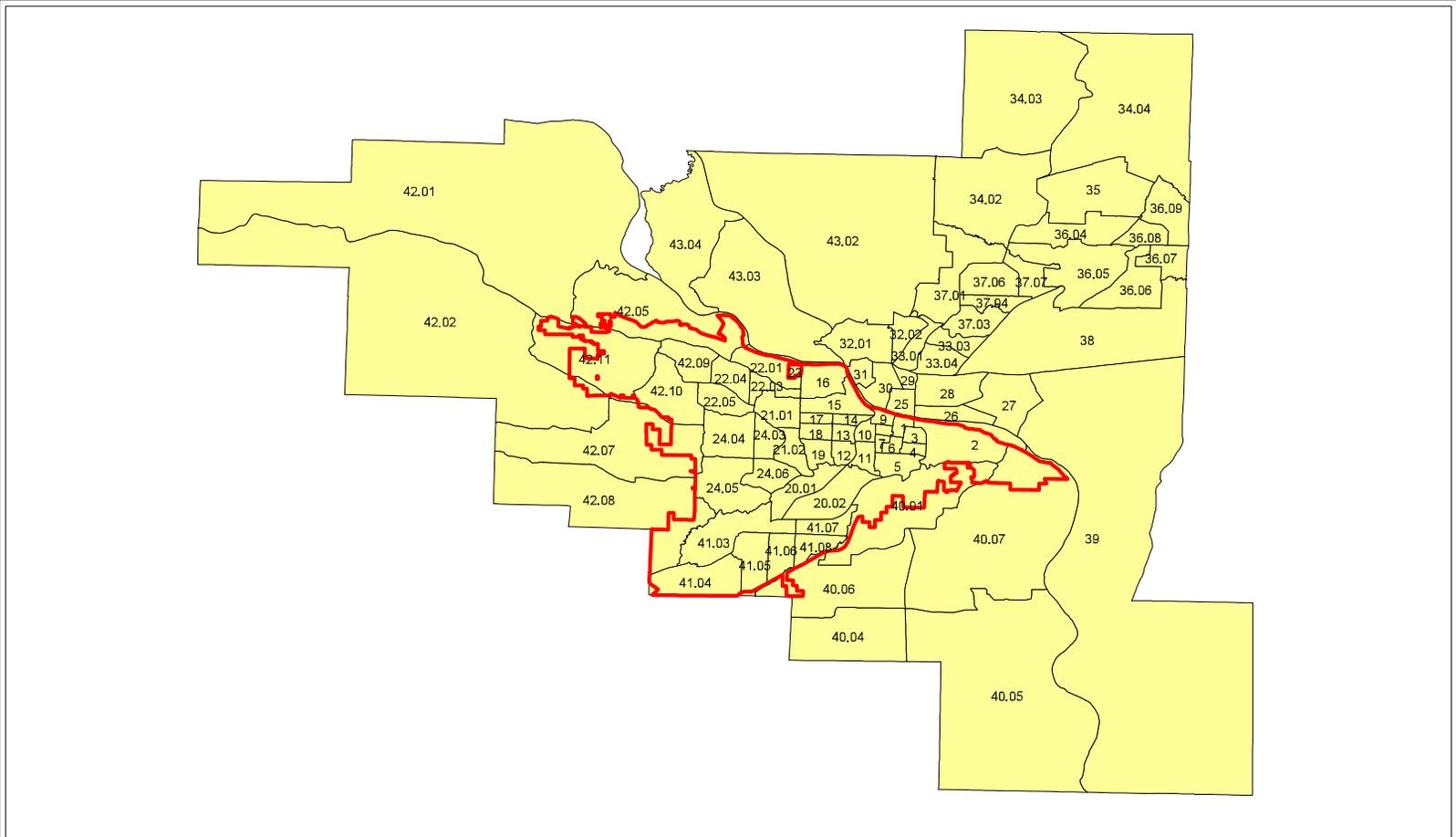
- *Demographics* - looks at the basic structure of the community in terms of racial diversity, population growth, and family structure.
- *Income* - analyzes income sources, the distribution of income across income class, and poverty.
- *Employment* - examines unemployment rates, occupation trends, and major employers.
- *Public Transportation* – looks at the access and availability of public transit system.
- *Housing* - examines data on the housing stock, with particular attention to the age of the housing stock, vacancy rates, tenure, and cost burdens.

Detailed analyses will concentrate on the three major ethnic groups in Little Rock: White, African-American, and Hispanics. All other ethnic groups are smaller in number and percentage and, therefore, will not be examined in detail. The description is supported with tables and maps provided as reference materials. Most of the data presented in the tables and maps are directly referenced in the text. There may be some cases where additional information was included for the reader's benefit, though not specifically noted in the text.

1.1. Demographics

The demographic analysis of Little Rock concentrates on the magnitude and composition of the population and changes that occurred between 1990 and 2000. Please note that the attached maps present data by census tract with an overlay of the city limits. For reference, Map 1.1, on the following page, provides a visual representation of Little Rock.

Map 1.1: Little Rock, Arkansas



Map 1.A: Little Rock, Arkansas
Pulaski County

 Little Rock City Limits
 Census Tracts



According to the population estimates provided by the U.S. Census in Table 1.1 below, the population of Little Rock has enjoyed a steady growth since 1990, increasing by 4.2 percent between 1990 and 2000. This growth has continued based on the 2006 - 08 Census estimates, which reported the population of Little Rock at 188,704 in 2008. By 2009, the population had increased to 191,933 an increase of 4.8 percent over the total population in 2000 of 183,133. Little Rock recorded the most significant increase in its population among Hispanics. The Hispanic population increased by 265.7 percent between 1990 and 2000. The percentage of Hispanic population of the total population increased from 0.8 percent in 1990 to 2.7 percent in 2000. The Census Bureau does not recognize Hispanic as a race, but rather as an ethnicity, and this may account for the tremendous increase of 1,173.4 percent in the “Other” category between 1990 and 2000. It is common for ethnic Hispanics to choose the ‘other’ category on the Census form for race rather than the other two choices, White or African-American, as presented on the form.

The White population decreased by 11.3 percent from 64.7 percent to 55.1 of the total population between 1990 and 2000. African-Americans made up 40.4 percent in 2000. There was a 23.9 percent increase in the African-American population, and 11.4 percent increase in the American Indian and Eskimo population. The Asian and Pacific Islander population also increased significantly, 102.5 percent between 1990 and 2000, accounting for 1.7 percent of the total population of the city in 2000.

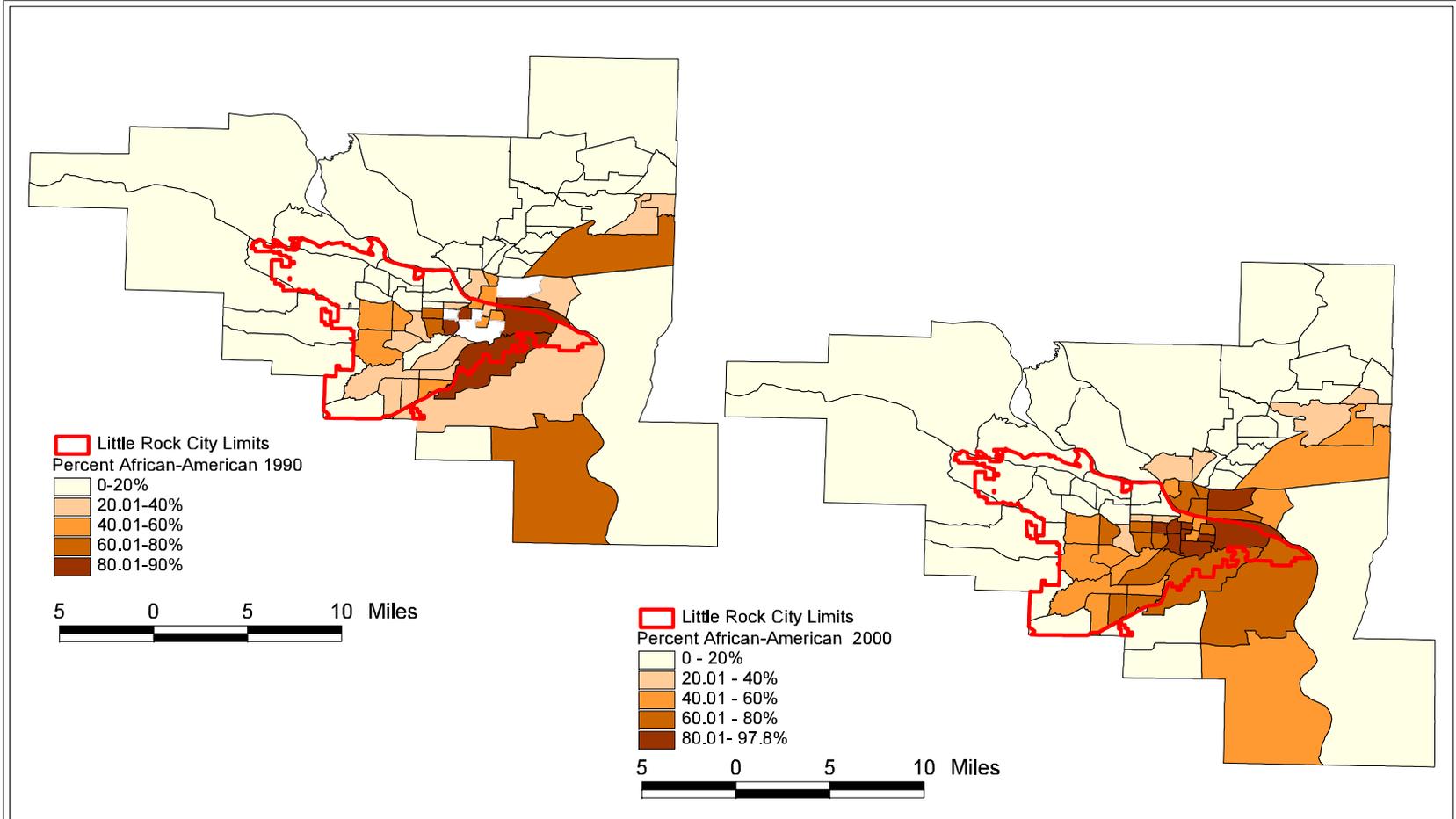
Table 1.1
Total population by race for Little Rock, 1990 and 2000

Race	1990		2000		%Change 1990-2000
	#	%	#	%	
White	113,707	64.7%	100,848	55.1%	-11.3%
African-American	59,742	34.0%	74,003	40.4%	23.9%
American Indian and Eskimo	449	0.3%	500	0.3%	11.4%
Asian or Pacific Islander	1,529	0.9%	3,096	1.7%	102.5%
Other race	368	0.2%	4,686	2.6%	1,173.4%
Total	175,795	100.0%	183,133	100.0%	4.2%
Hispanic	1,337	0.8%	4,889	2.7%	265.7%

Source: US Census 1990 and 2000

On the following pages are a series of Maps 1.2 through 1.5 indicate spatial concentrations of the various racial and ethnic groups within Little Rock.

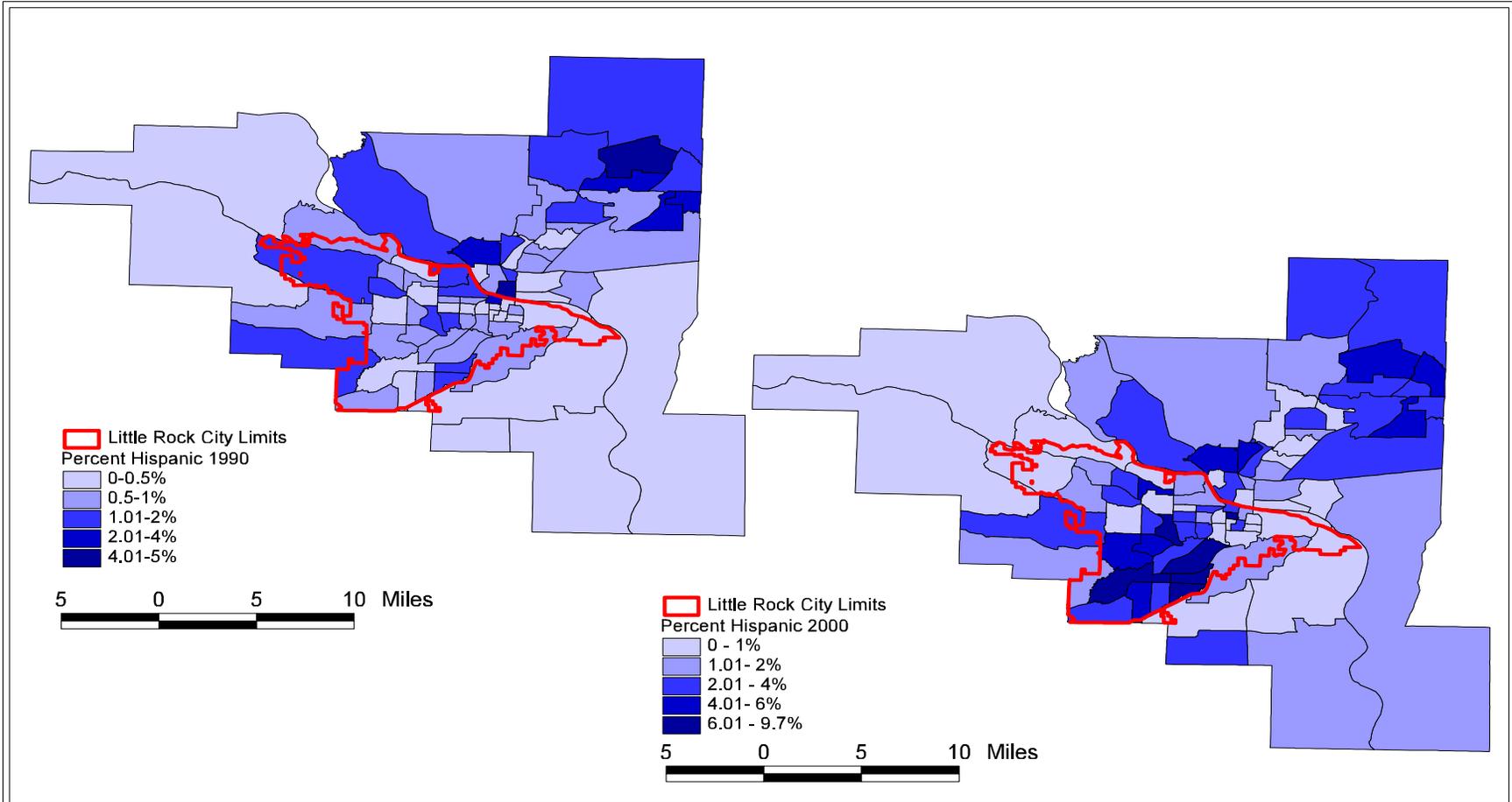
Map 1.2: Percent African-American 1990 and 2000



Map 1.2: Percent African-American,
1990 and 2000 U.S. Census
Pulaski County, Arkansas



Map 1.3: Percent Hispanic 1990 and 2000

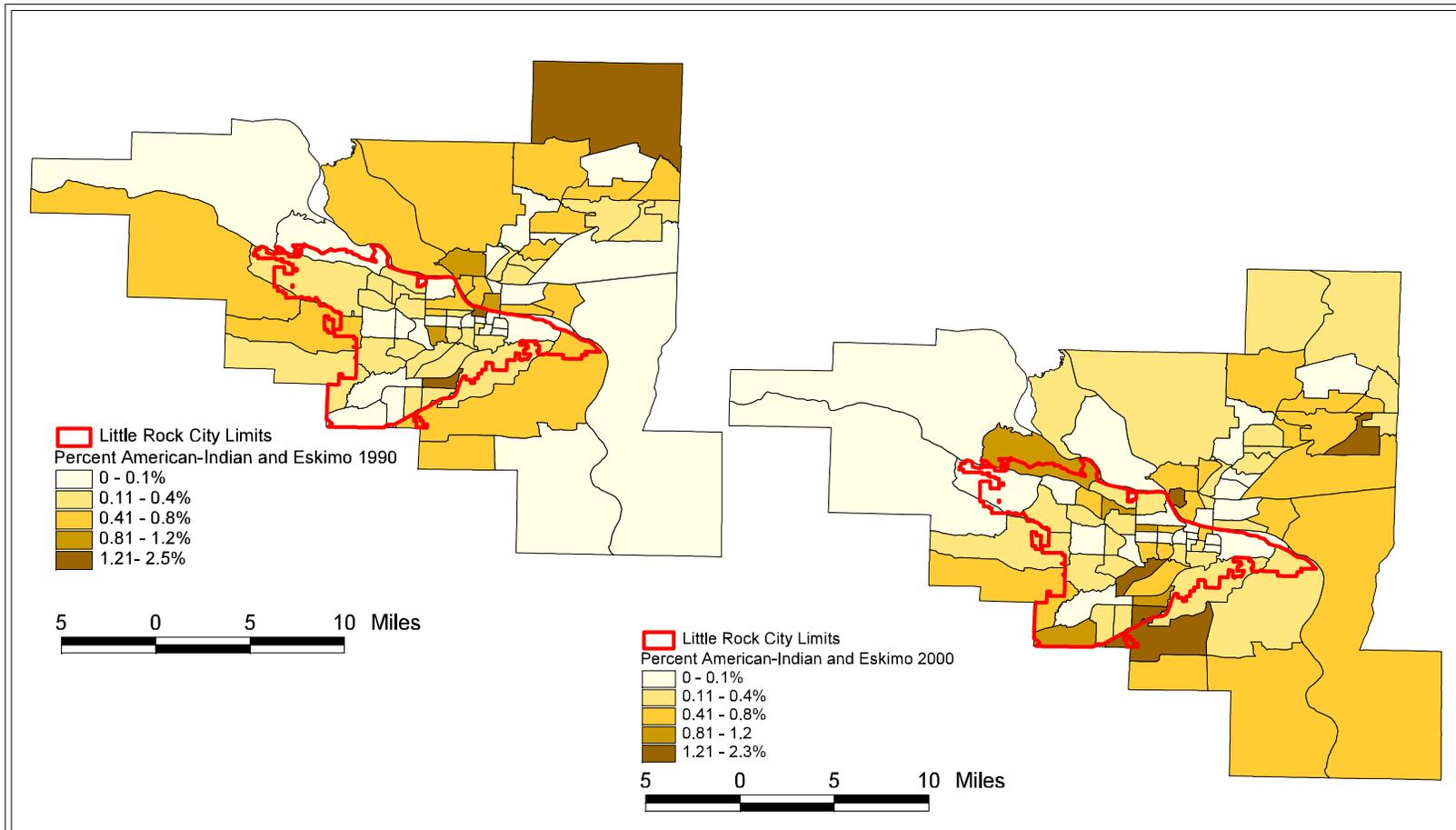


Map 1.3: Percent Hispanic,
1990 and 2000 U.S. Census

Pulaski County, Arkansas



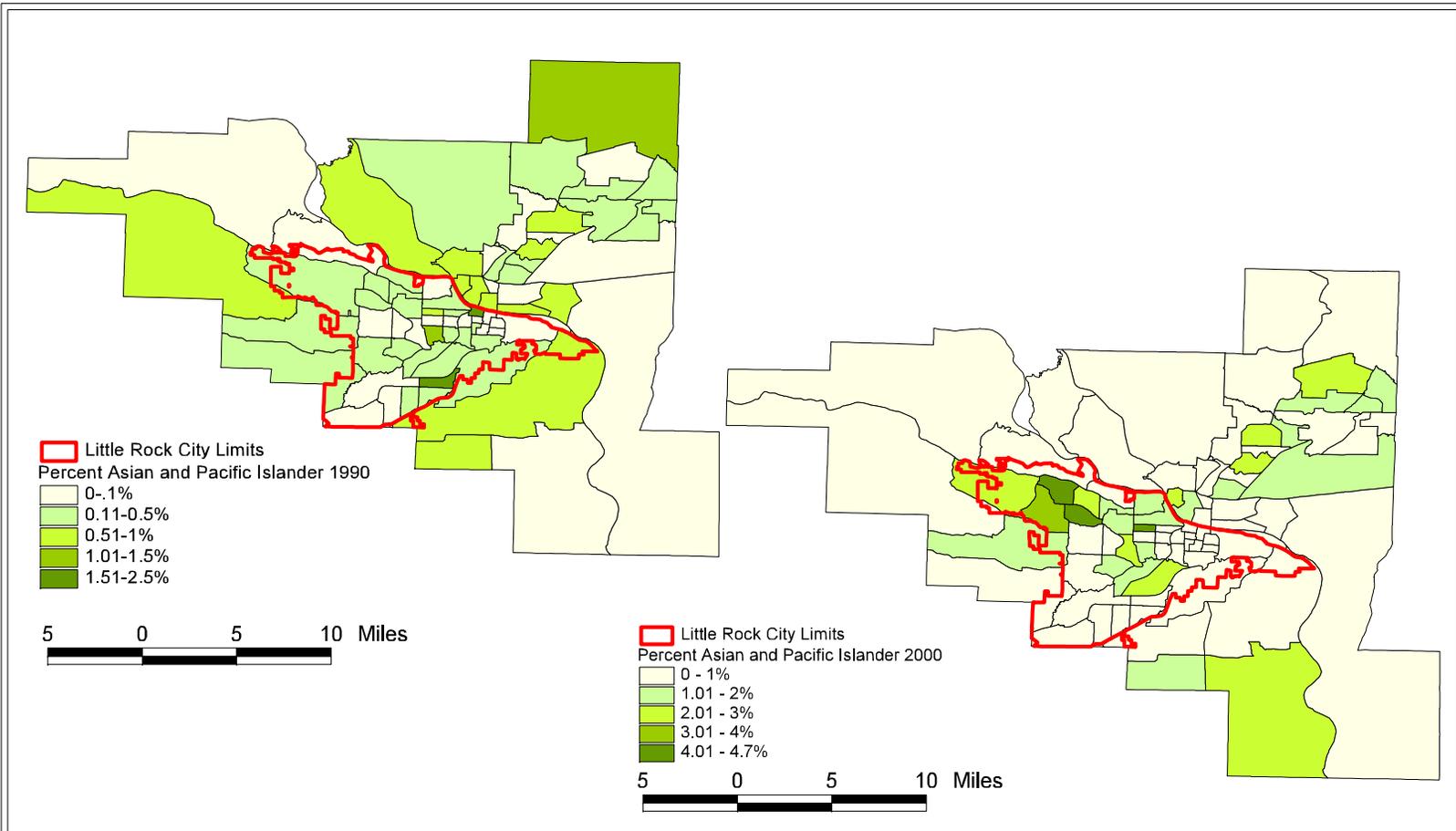
Map 1.4: Percent American Indian and Eskimo 1990 and 2000



Map 1.4: Percent American Indian and Eskimo,
1990 and 2000 U.S. Census
Pulaski County, Arkansas



Map 1.5: Percent Asian and Pacific Islander 1990 and 2000



Map 1.5: Percent Asian and Pacific Islander,
1990 and 2000 U.S. Census
Pulaski County, Arkansas



In many communities, female-headed households and female-headed households with children face a high rate of housing discrimination. A large percentage of female-headed households with children under the age of 18 increase the probability that rental property owners will refuse a tenants' housing request because of children in the household. The percentage of female-headed households with children among White households was 3.8 percent, compared to 21.1 percent in African-American households, and 6.9 percent in Hispanic households in 2000.

When considering all family types with children present, the data show that 21.5 percent of all White households, 40 percent of all African-American households, and 42.2 percent of all Hispanic households were in this category.

Non-family households among Whites made up 44.2 percent of all White households in Little Rock. Non-family households among African-Americans accounted for 32.7 percent of all African-American households. Non-family households among Hispanics accounted for 30.4 percent of all Hispanic households. Table 1.2, below, shows the family structure of White, African-American, and Hispanic households in 2000.

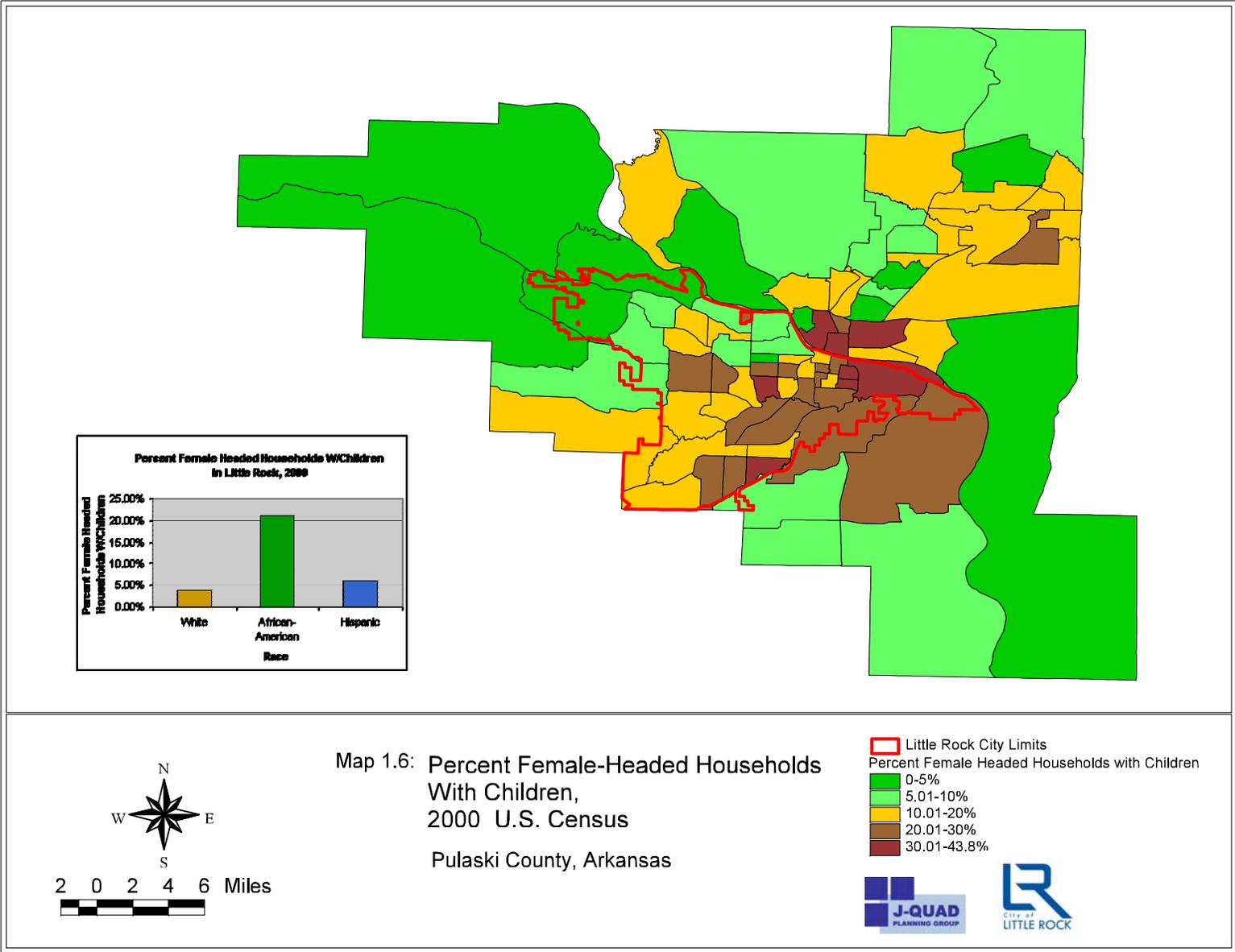
Table 1.2
Household structure by race for Little Rock, 2000

Household Type	White		African-American		Hispanic	
	# of households	% of Households	# of households	% of Households	# of households	% of Households
Family Households	26,278	55.8%	18,117	67.3%	959	69.6%
Married-couple	21,646	45.9%	8,119	30.2%	645	46.8%
Married-couple with children	7,891	16.7%	4,324	16.1%	434	31.5%
Male householder, no wife present	1,061	2.3%	1,456	5.4%	164	11.9%
Male Householder with children	468	1.0%	748	2.8%	53	3.8%
Female householder, no husband present	3,571	7.6%	8,542	31.7%	150	10.9%
Female-Headed with children	1,776	3.8%	5,694	21.1%	95	6.9%
Non-Family Households	20,833	44.2%	8,809	32.7%	419	30.4%
Total Households	47,111	100.0%	26,926	100.0%	1,378	100.0%

Source: US Census 2000

The spatial distribution of female-headed households with children is shown in Map 1.6, on the following page.

Map 1.6: Percent Female-Headed Households with Children 2000



1.2. Income

Low-income households tend to be housed in less desirable housing stock and in less desirable areas of city. Lack of funds often prevents those households from moving to areas where local amenities raise the value of the housing. Therefore, income plays an important part in securing and maintaining housing of one's choice.

The data in Table 1.3 and Chart 1.1, on the following page, show the distribution of income across income classes among Whites, African-American, and Hispanics. Overall, the income distribution data show a higher proportion of low-income households within the African-American and Hispanic communities. In general, limitations on fair housing choice are more commonly found to affect housing decisions among low-income persons.

Chart 1.1 shows that the modal income class, the income classes with the highest number of households, for Whites was the \$50,000 to \$74,999 range with 19.0 percent of Whites in this category. In contrast, the most frequently reported income class for African-American households was \$15,000 to \$ 24,999 with 19 percent of African Americans. The modal income group for Hispanic households was the \$35,000 to \$49,999 range, with 22.2 percent of households earning this range.

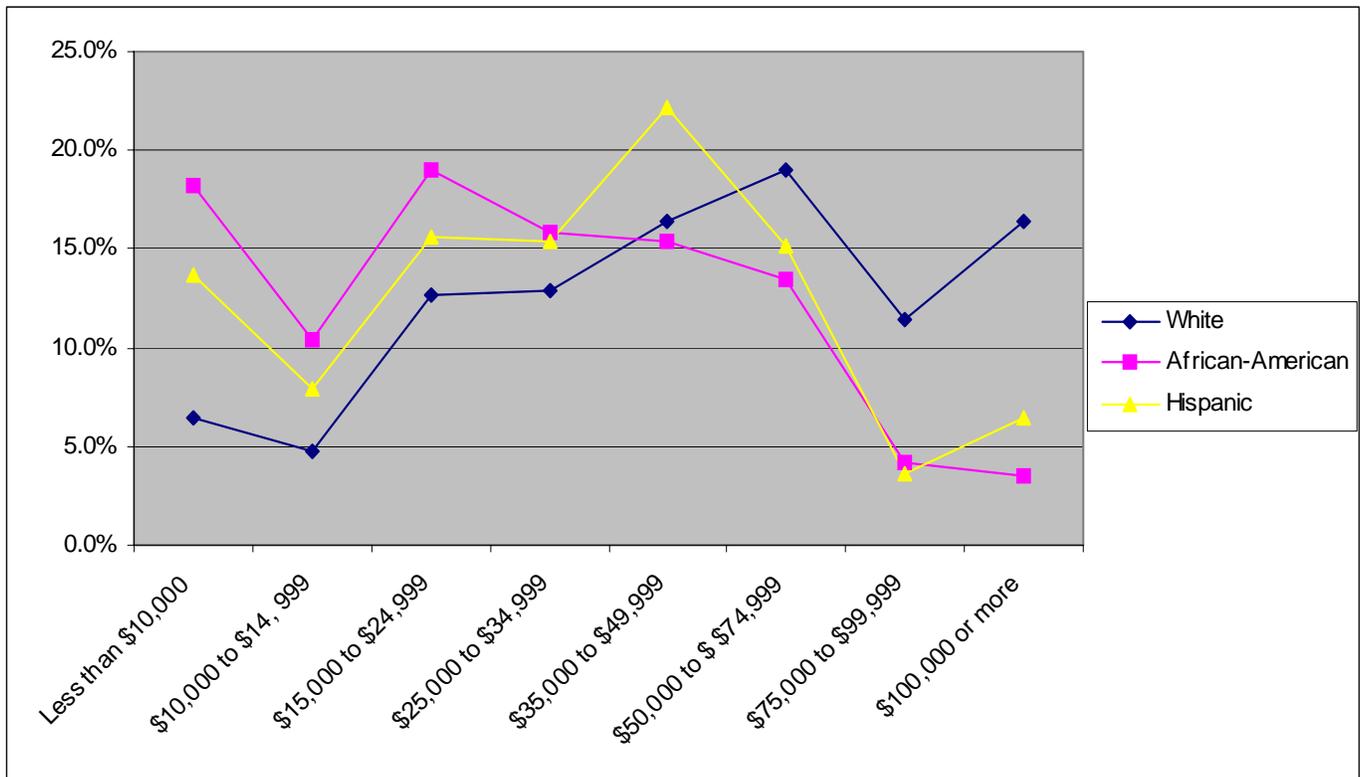
According to the 2006-2008 ACS 3-Year estimates, the median household income was reported to be \$58,175 for White households, \$32,937 for African-American households and \$32,426 for Hispanic households, compared to \$44,480 for the overall city. Map 1.7, on page 12, shows the median household income by census tract in 2000.

Table 1.3
Households by race by income for Little Rock, 2000

Income class	White		African-American		Hispanic	
	# of households	% of Households	# of households	% of Households	# of households	% of Households
Less than \$10,000	3,038	6.5%	4,934	18.2%	214	13.7%
\$10,000 to \$14,999	2,224	4.7%	2,835	10.4%	123	7.9%
\$15,000 to \$24,999	5,922	12.6%	5,169	19.0%	244	15.6%
\$25,000 to \$34,999	6,055	12.9%	4,306	15.9%	241	15.4%
\$35,000 to \$49,999	7,711	16.5%	4,173	15.4%	347	22.2%
\$50,000 to \$74,999	8,898	19.0%	3,650	13.4%	236	15.1%
\$75,000 to \$99,999	5,346	11.4%	1,126	4.1%	57	3.6%
\$100,000 or more	7,672	16.4%	949	3.5%	100	6.4%
Total:	46,866	100.0%	27,142	100.0%	1,562	100.0%

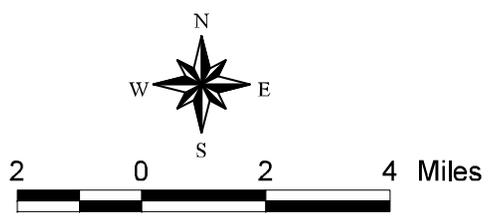
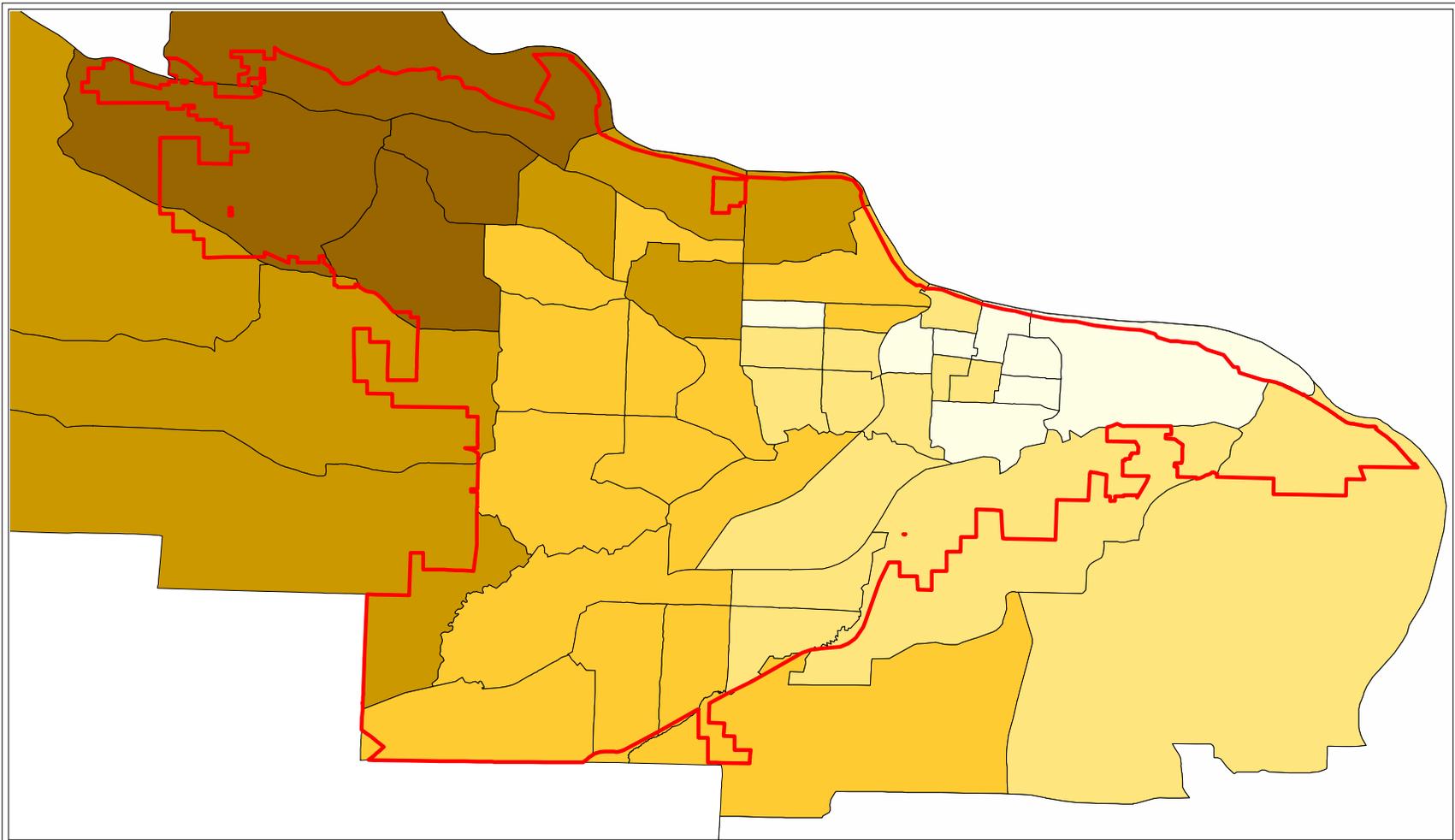
Source: US Census 2000

Chart 1.1: Percent of Households by income class by race for Little Rock, 2000



Source: US Census 2000

Map 1.7: Median Household Income 2000



Map 1.7: Median Household Income, 2000 U.S. Census
Little Rock, Arkansas

Legend for Median Household Income:

- Little Rock City Limits (Red outline)
- \$10,000 - \$20,000 (Lightest yellow)
- \$20,001 - \$30,000 (Light yellow)
- \$30,001 - \$40,000 (Yellow)
- \$40,001 - \$60,000 (Dark yellow)
- \$60,001 - \$96,830 (Brown)



The poverty data in Table 1.4, below, shows major effects on the African-American and Hispanic communities. The incidence of poverty among African-Americans was 32.8 percent of the total population in 2000 and Hispanics was reported to be 25.5 percent. Among White persons, the data reported 6.4 percent lived in poverty. In comparison, the poverty rate for the city was 14.3 percent in 2000.

Table 1.4
Poverty Status by race Little Rock, 2000

Age Group	White		African-American		Hispanic	
	Number in Poverty	% in Poverty	Number in Poverty	% in Poverty	Number in Poverty	% in Poverty
Under 5 years	253	5.3%	2,476	61.0%	145	29.5%
5 years	50	4.8%	401	50.0%	17	14.9%
6 to 11 years	270	4.9%	2,862	53.2%	58	17.4%
12 to 17 years	275	5.0%	2,313	42.2%	32	10.2%
18 to 64 years	4,233	7.1%	8,779	24.9%	711	27.8%
65 to 74 years	269	3.5%	388	19.5%	25	71.4%
75 years and over	569	7.5%	597	42.0%	0	0.0%
Total	5,919	6.4%	17,816	32.8%	988	25.5%

Source: US Census 2000

1.3. Employment

Employment opportunities in the area and educational levels of the employees make a significant impact on housing affordability and the location choice of residents. Table 1.5, below, provides a look at occupation data, which indicate that there has been some shift in the distribution of occupations between 1990 and 2000. Professional, Business, repair, and personal services had the largest increase, up 6.7 percentage points to 14.8 percent. Educational, health, and social services recorded the second highest increase, up 5.9 percentage points to 7.0 percent. Arts, entertainment, recreation, accommodation, and food services had an increase of 2.9 percentage points to 25.8 percent. Public Administration and Finance showed a slight increase, up 0.6 percentage points to 7 percent. Wholesale trade realized the largest reduction of 5.0 percentage points, decreasing to 11.3 percent of the workforce. There was also a reduction of 2.9 percentage points in Retail trade, falling to 4.7 percent of the total workforce. Manufacturing, and Other professional and related services, had a decrease of 2.8 percentage points each, falling to 7.6 percent and 5.7 percent of the total workforce respectively.

Table 1.5
Occupation of employed persons for Little Rock, 1990 & 2000

Occupation of employed	1990	2000	Percent Point Change
Agriculture, forestry, mining, and fisheries	1.1%	0.4%	-0.8%
Construction	4.0%	4.0%	-0.1%
Manufacturing	10.4%	7.6%	-2.8%
Transportation, Communications, and other public utilities	4.8%	3.5%	-1.4%
Wholesale trade	16.3%	11.3%	-5.0%
Retail trade	7.6%	4.7%	-2.9%
Finance, insurance, and real estate	8.6%	8.2%	-0.5%
Professional, Business, repair, and personal services	8.2%	14.8%	6.7%
Arts, Entertainment and recreation services	22.9%	25.8%	2.9%
Educational and Health services	1.0%	7.0%	5.9%
Other professional and related services	8.5%	5.7%	-2.8%
Public administration	6.5%	7.0%	0.6%

Source: US Census 1990 & 2000

The data presented in Table 1.6, provide a portrait of the distribution of the unemployed. A closer look at the make-up of this total, however, indicates that much of the unemployment is disproportionately centered in the African-American community. In the 2000 Census, 3.3 percent of White persons age 16 and over reported being unemployed. African-Americans persons in the same age group reported a 10.5 percent unemployment rate and Hispanic reported a 4.6 percent rate. As a comparison, the citywide unemployment rate was 6.0 percent in 2000.

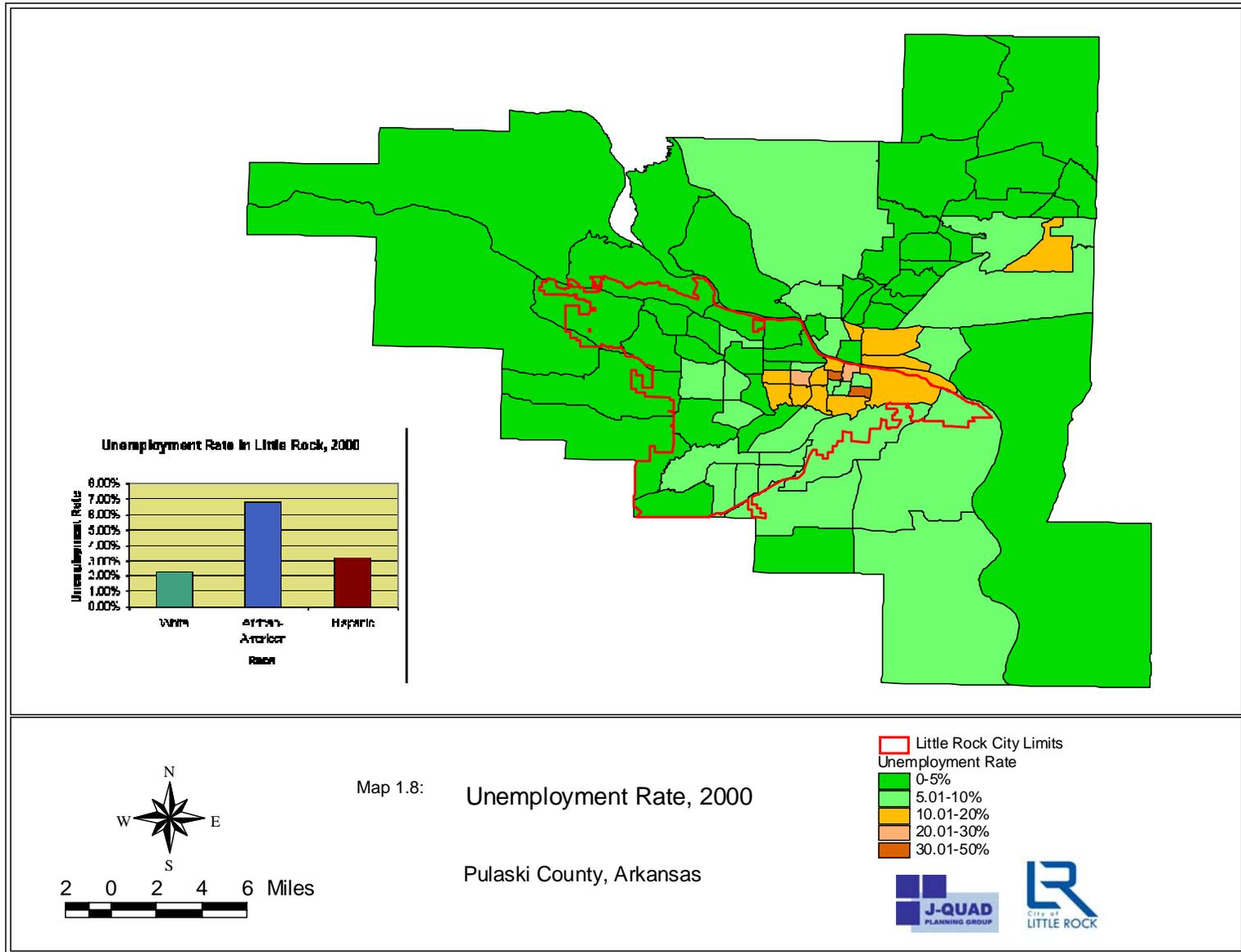
Table 1.6
Employment Status by race for Little Rock, 2000

Employment Status	White		African-American		Hispanic		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
In Labor Force:	55,286		34,122		1,729		94,605	
In Armed Forces	100	0.2%	128	0.4%	13	0.5%	261	0.3%
Civilian:	55,186		33,994		1,716		94,344	
Employed	53,344	96.5%	30,395	89.1%	1,685	94.9%	88,680	93.7%
Unemployed	1,842	3.3%	3,599	10.5%	31	4.6%	5,664	6.0%
Not in labor force	27,864		18,638		463		48,799	
Total	83,150		52,760		3,539		143,404	

Source: US Census 2000

According to the Bureau of Labor Statistics, the unemployment rate for Little Rock was 7.1 percent in September 2010 and 6.4 percent for the year 2009. Map 1.8, on the following page, shows the distribution of unemployed in Little Rock based on the 2000 Census.

Map 1.8: Unemployment Rate 2000



According to the major employer data provided by Little Rock Chamber of Commerce updated in 2007, the largest employers in the city include State of Arkansas with 23,377 employees, Federal Government with 12,000 employees, University of Arkansas for Medical Sciences with 8,500 employees, Pulaski County Public School Districts with 8,434 employees, and Baptist Health with 7,000 employees. Little Rock Air Force Base employs 4,500 employees, Acxiom has 4,388 workers, St. Vincent Health System has 3,500 workers, Entergy Arkansas has 2,862 employees, Central Arkansas Veterans HealthCare System has 2,785 employees, Alltel Corporation has 2,734 employees, and Arkansas Children's Hospital has 2,503 workers. Dillard's Inc. employs 2,400 workers, Arkansas Blue Cross Blue Shield has 2,163 employees, University of Arkansas at Little Rock has 2,150 employees, AT & T has 1,600 employees, Fidelity Information Services has 1,300 employees, and Union Pacific Railroad has 1,227 employees.

In Little Rock, the difference in the unemployment rate between the three groups can, to some extent, be attributed to limitations due to educational attainment. According to the 2000 Census, 23.1 percent of African-Americans age 25 and over, and 43.6 percent of Hispanics in the same age group above reported less than high school education compared to 8.3 percent of Whites. As a comparison, the percentage of population with less than a high school education in the city was 14.1 percent in 2000.

The availability of jobs to low-income persons is largely dependent on the geographic location of the jobs. If jobs are concentrated in largely upper income areas, far removed from lower income persons, their ability to get to and from work may be difficult, sometimes causing hardships on employees or potential employees. To further examine the impact of employment proximity relative to housing choice for low- and moderate-income persons, we analyzed the use and availability of public transportation.

1.4. Public Transportation

Central Arkansas Transit Authority (CATA) provides and supports a wide variety of public transit options in Little Rock. CATA provides area-wide bus service, the Metropolitan Area Express (MAX), which provides commuter service from outlying areas to downtown Little Rock and the Links Paratransit program for people with disabilities.

CATA also provides free shuttle service to and from large events held at the Alltel Arena and they are currently involved in the revitalization of streetcars in Little Rock. The River Rail Streetcar Project includes replica or vintage trolleys operating on 2.1 miles of new track running in downtown Little Rock.

CATA is also a participant in the development of a Livable Community Policy project. The project involves the cooperation and joining of the Federal Transit Authority, the City of Little Rock, the City of North Little Rock, and the Central Arkansas Transit Authority. The project will utilize streetscape and lighting to create pedestrian friendly areas that will enhance transit use.

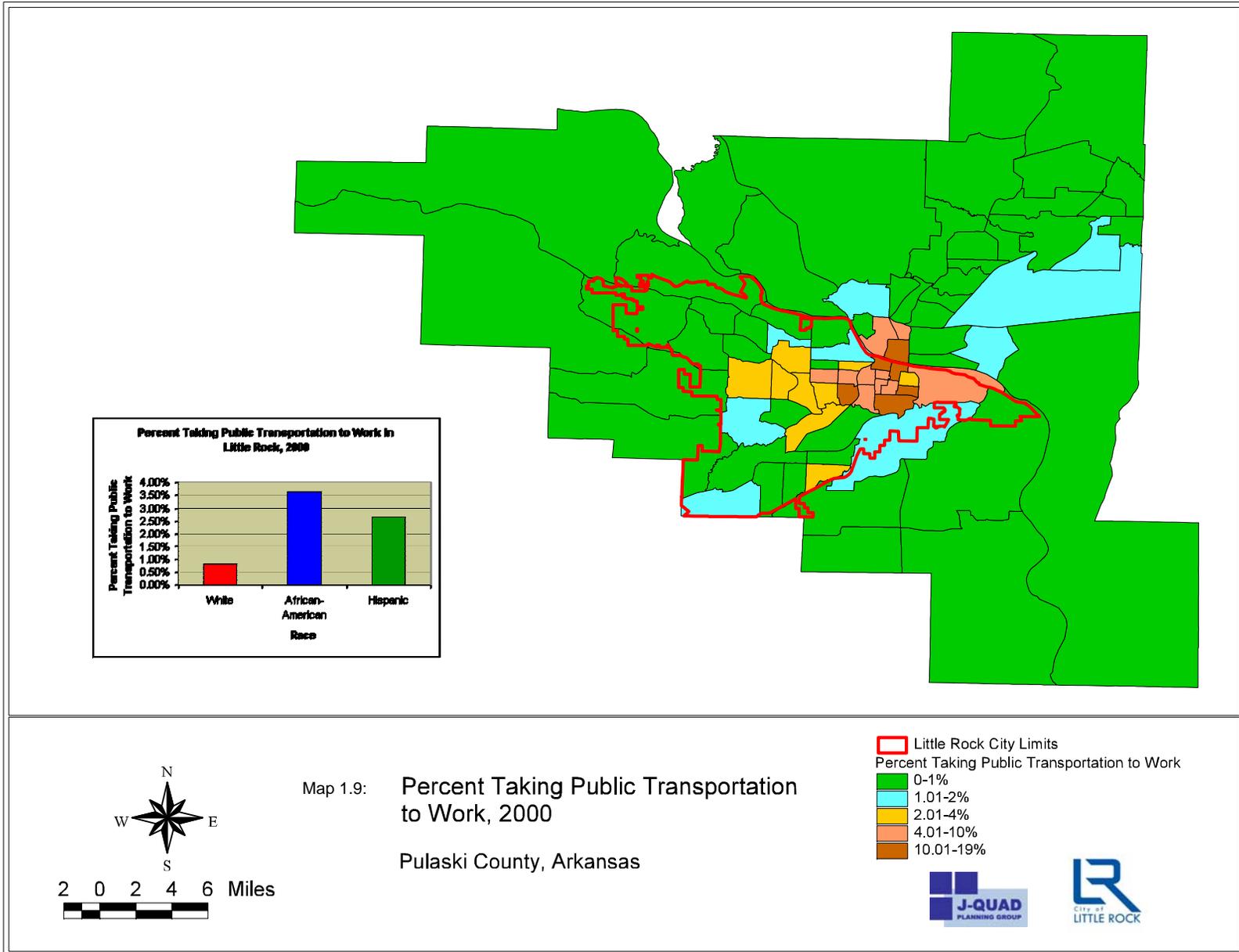
The Central Arkansas Transit Authority (CATA) operates 28 bus routes in the Little Rock/North Little Rock Area. Of these 28 routes, 7 are express routes bringing rural residents to the downtown transfer stations.

The CATA system is a radial design where all routes, with the exception of 17A, serve the downtown transfer station. Each route works out from the transfer station to its designated terminal loop in the community. A single route, 17A, which essentially echoes route 17 in the Southwest part of the city, ends at the University of Arkansas at Little Rock, while route 17 continues its run to the downtown transfer station. This design impedes fair housing choice by making travel to and from work more difficult. As a case in point, there are no routes that specifically connect outlying areas of the city.

Several routes traverse several other routes providing opportunities for transfers whenever possible, eliminating the need to go all the way downtown to make a connection to some major employment centers outside of downtown. None of these routes, however, provide connections west of University. The public schools and the hospitals are some of the major employers in Little Rock. Without convenient routes that service these major employers, located outside of downtown, travel to work without a vehicle is limited in Little Rock which limits housing choice for those dependent on public transportation.

Map 1.9, on the following page, provides a geographic representation of the 2000 Census data for persons using public transportation.

Map 1.9: Percent Taking Public Transportation, 2000



1.5. Housing

According to the American Community Survey estimates, the total number of housing units in the city was 90,886 in 2008 (with a margin of error of +/-742). As presented in Table 1.7, to the right, there were

80,995 housing units in Little Rock in 1990 and 84,888 units in 2000. The total number of housing units in the city increased by 4.8 percent during this ten year period. Of the total number of housing units in 2000, 52.4 percent were owner-occupied, 38.8 percent were renter-occupied, and the remaining 8.8 percent were vacant. The vacancy rate in the city decreased by 1.6 percentage points between 1990 and 2000. The percentage of owner-occupied units increased from 50.4 percent in 1990 to 52.4 percent in 2000, a 2.0 percentage point increase. The median housing value in the city was \$87,300 and the median contract rent was \$456 in 2000.

Table 1.8, to the right, shows that of all housing units, 62.6 percent were categorized as single-family detached, 2.1 percent as single-family attached, 8.5 percent contained two to four units, 23.8 percent as multifamily, and 3 percent as mobile home or other.

About 15.6 percent of all housing units were built prior to 1950, 11.9 percent were built between 1950 and 1959, 18.2 percent were built between 1960 and 1969, 124.8 percent were built between 1970 and 1979, and 54.3 percent were built after 1970. This means that about 46 percent of the housing stock is more than 30 years

Table 1.7
Tenure for housing in Little Rock, 1990 and 2000

Tenure	1990		2000	
	Number	Percent	Number	Percent
Owner-occupied	40,790	50.4%	44,511	52.4%
Renter-occupied	31,783	39.2%	32,916	38.8%
Vacant	8,422	10.4%	7,461	8.8%
Total:	80,995	100.0%	84,888	100%

Source: US Census 1990 and 2000

Table 1.8
Housing type for Little Rock, 2000

Units in Structure	Number*	Percent
Single-Family detached	53,123	62.6%
Single-Family attached	1,754	2.1%
2-4 units	7,234	8.5%
Multifamily	20,194	23.8%
Mobile home or Other	2,583	3.0%
Total	84,888	100.00%

Source: US Census 2000 (*Sample Data)

old, built prior to 1970. These units may contain lead-based paint or likely be in need of repairs and maintenance.

Table 1.9
Age of Housing Stock in Little Rock, 2000

Year Built	Number	Percent
Pre 1939	7,136	8.4%
1940 to 1949	6,128	7.2%
1950 to 1959	10,065	11.9%
1960 to 1969	15,430	18.2%
1970 to 1979	21,041	24.8%
1980 to 1989	13,948	16.4%
1990 to 1994	4,717	5.6%
1995 to 1998	4,755	5.6%
1999 to March 2000	1668	2.0%
Total:	84,888	100.0%

Source: US Census 2000 (*Sample Data)

As shown in Table 1.10, homeownership rate among Whites was 65.8 percent, compared to 45.3 percent among African-Americans, and 33.6 percent among Hispanics.

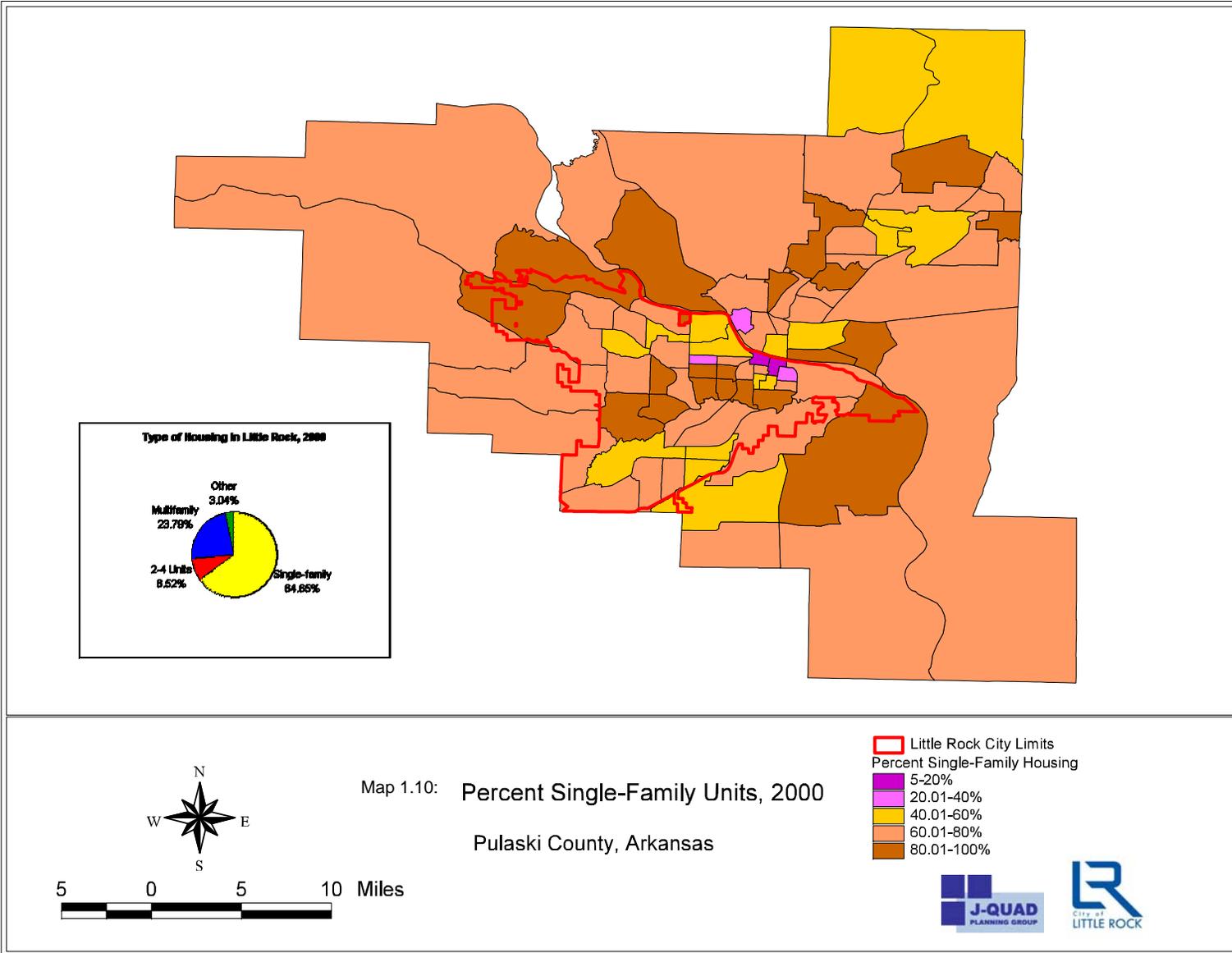
Table 1.10
Tenure by Race in Little Rock, 2000

Tenure by Race	Owner-occupied		Renter-occupied	
	#	%	#	%
White	31,049	65.8%	16,106	34.2%
African-American	12229	45.3%	14778	54.7%
Hispanic	459	33.6%	909	66.4%

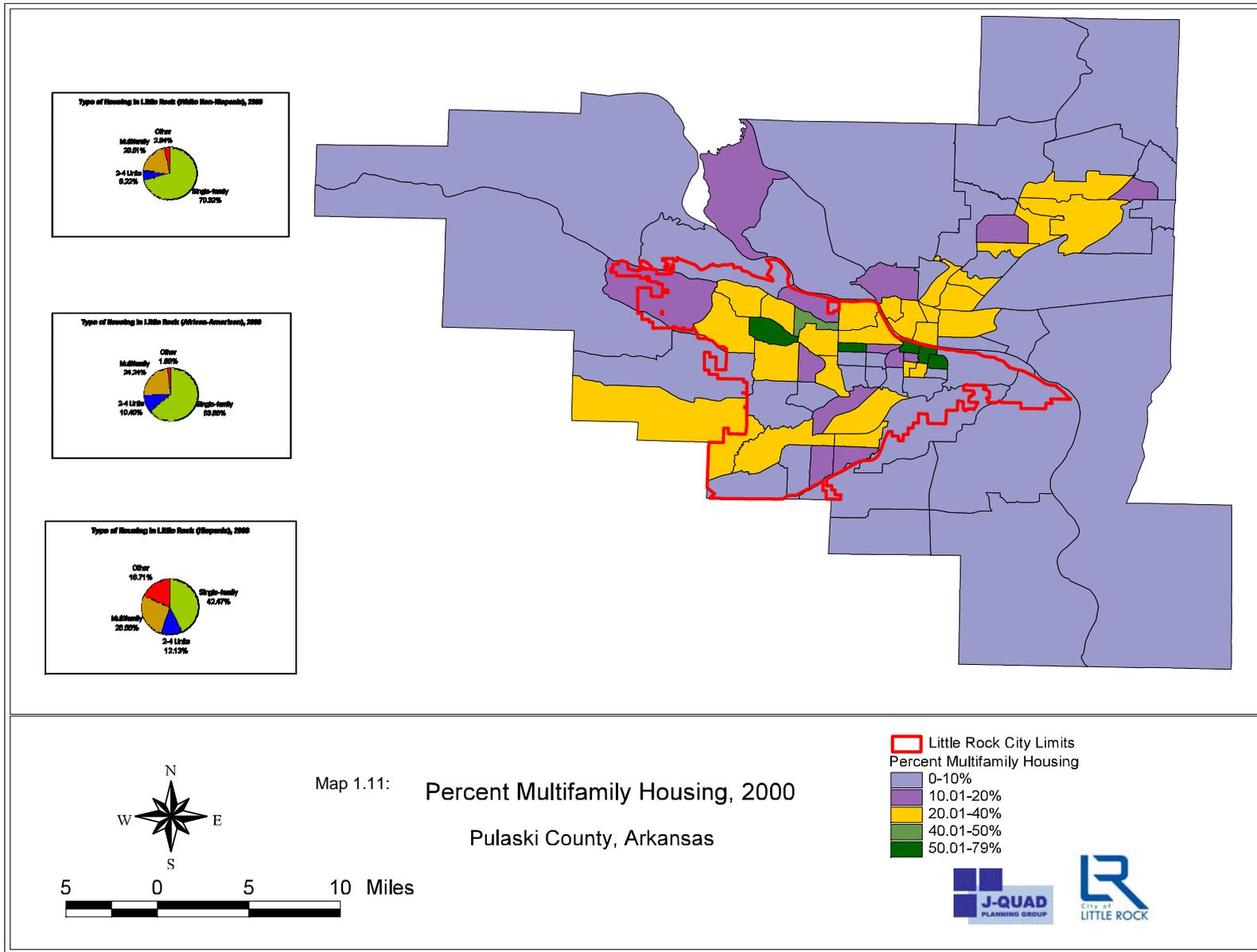
Source: US Census 2000 (*Sample Data)

Maps 1.10, on following page, and Map 1.11, on page 24, indicate the distribution of single-family and multifamily housing across the city. Map 1.12, on page 25, provides a geographic representation of the distribution of the oldest housing stock in the city. Maps 1.13 and 1.14, on pages 26 and 27, provide a geographic depiction of the distribution of housing values and rents across the city.

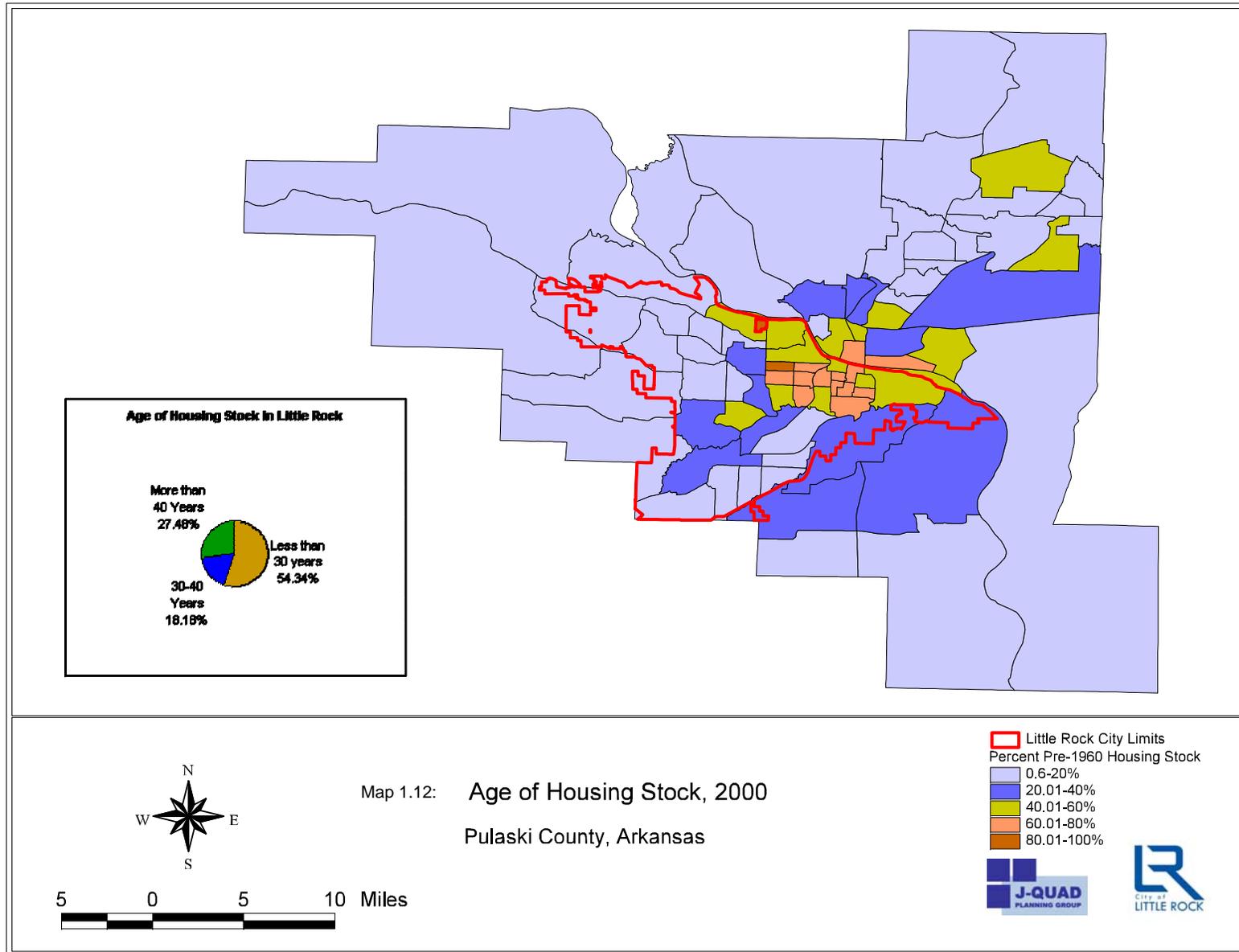
Map 1.10: Percent Single-Family Housing Units 2000



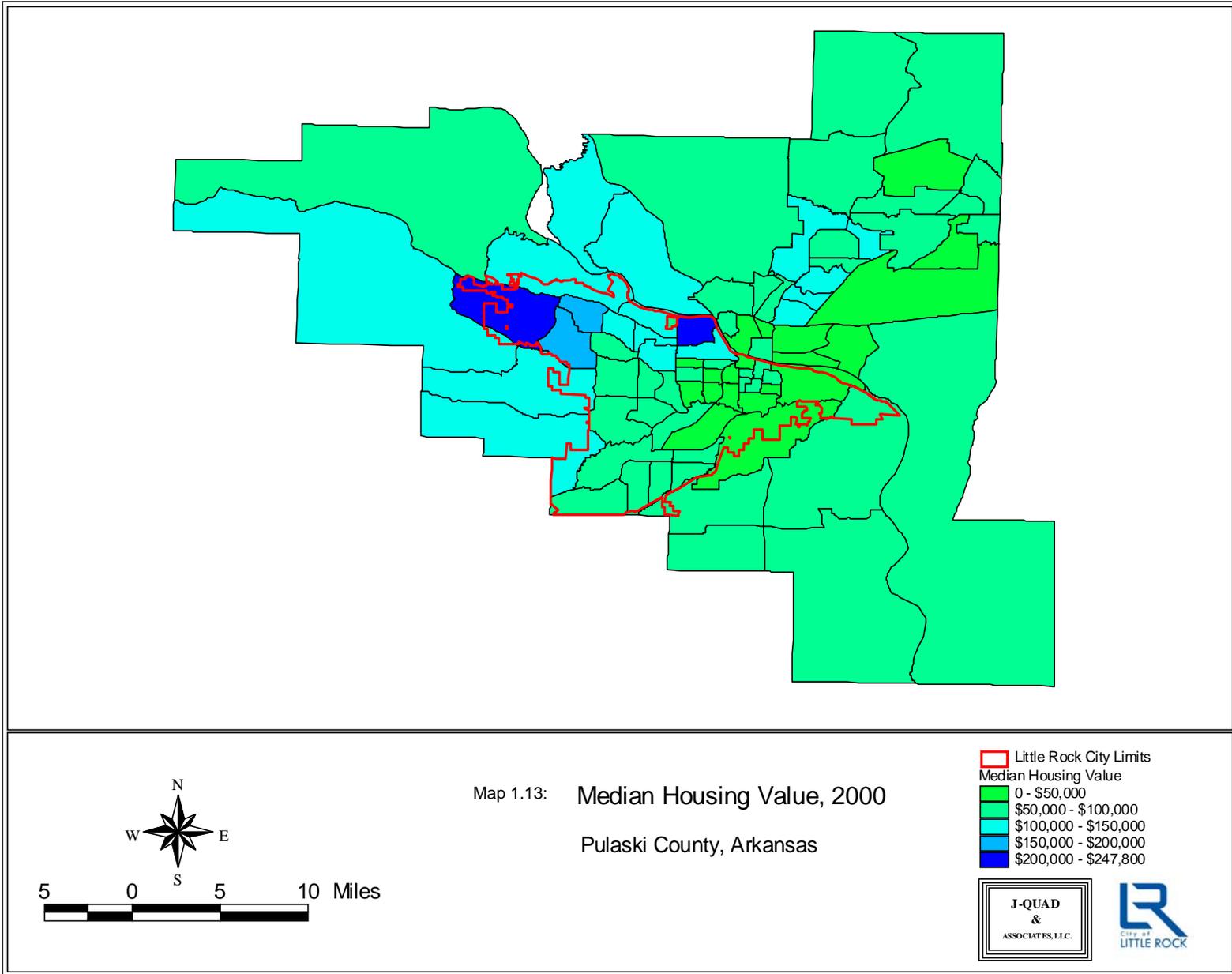
Map 1.11: Percent Multifamily Housing Units 2000



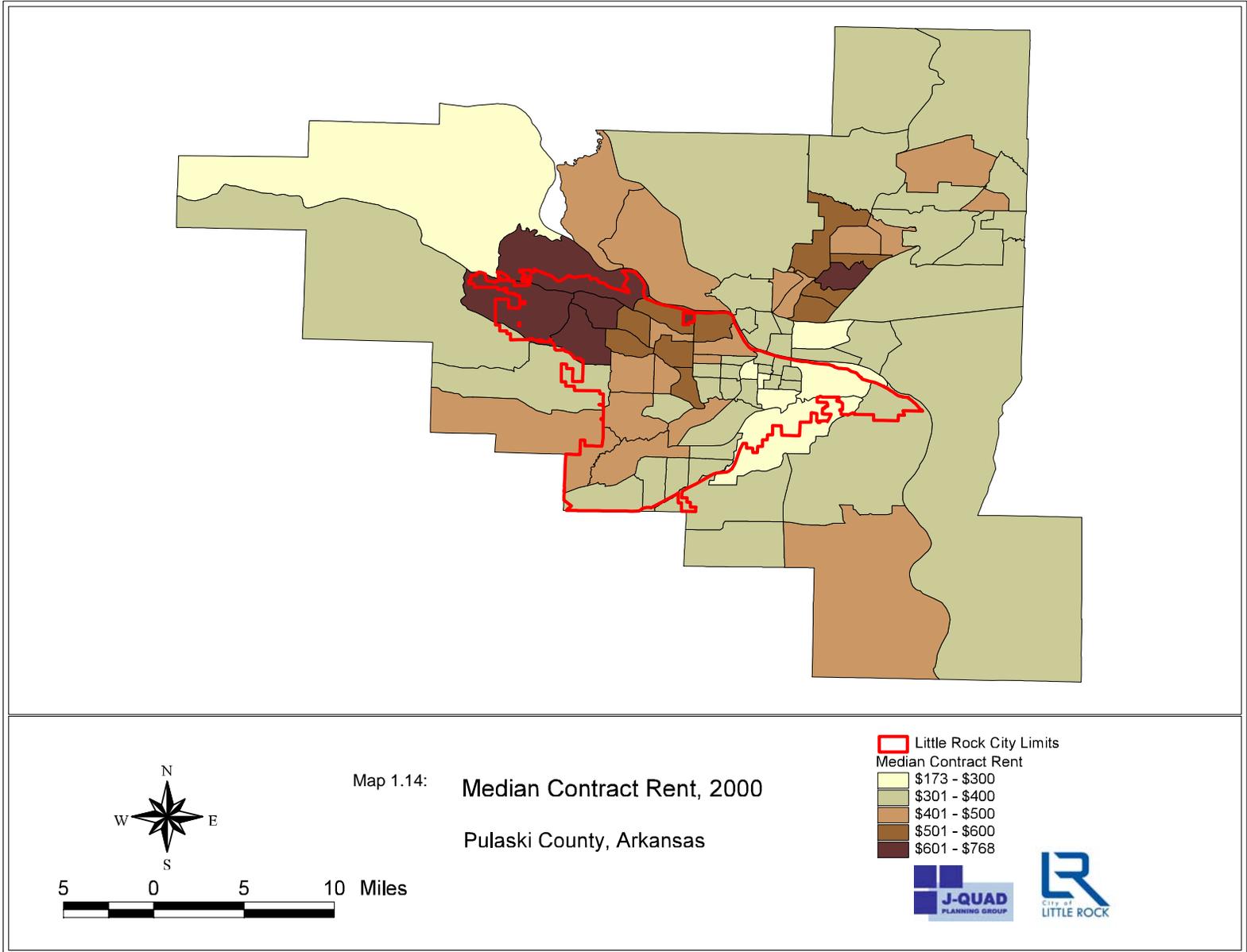
Map 1.12: Percent Pre-1960 Housing Stock



Map 1.13: Median Housing Value 2000



Map 1.14: Median Contract Rent 2000



Data contained in the Comprehensive Housing Affordability Strategy (CHAS) Table for the year 2000, duplicated in Table 1.11, on the following page, indicates that the impact of housing costs on household incomes is very severe on low- and very low-income households. The table shows that 67.4 percent of all very low-income renters (those earning between 0 percent and 30 percent of the median family income) and 71.6 percent of very low-income homeowner households paid more than 30 percent of their income on housing expenses. Furthermore, 57.5 percent of very low-income renters and 53.1 percent of very low-income homeowners paid more than 50 percent of their incomes on housing expenses in 2000.

Looking at the “Other Low-Income” households (those earning between 31 percent and 50 percent of the median family income), 75 percent of low-income renters and 55.7 percent of low-income homeowners paid more than 30 percent on housing expenses in 2000. Also, 24.7 percent of renters and 28.5 percent of homeowners paid more than 50 percent on housing expenses.

In 2000, the moderate-income category (those earning between 51 percent and 80 percent of the median family income), shows 33.7 percent of renters and 34.3 percent of homeowners had rent burdens in excess of 30 percent, and 3.9 percent renters and 8.5 percent of homeowners paid more than 50 percent on housing expenses. These cost burdens impact fair housing choices and represent significant impediments in that they impact persons at every income category.

Overall, African Americans and Hispanics in particular, face a number of demographic concerns that typically impact housing choice and affordability negatively. One of the most revealing indicators that minorities lag far behind Whites in obtaining housing of their choice is in the category of homeownership. The homeownership rate among Whites was 65.8 percent, 20.5 percentage points higher than African-Americans at 45.3 percent and 32.1 percentage points higher than that of Hispanics, reporting a homeownership rate at 33.6 percent in 2000.

Table 1.11
Cost Burden by income and tenure, 2000

Very Low-Income (Household income <=30% MFI)		
Renters	% Cost Burden > 30%	% Cost Burden > 50%
Elderly	54.2	36.8
Small Related	71	62.4
Large Related	75.7	65.2
Other	67.7	60
Total Renters	67.4	57.5
Owners		
Elderly	66.9	41.8
Small Related	82.8	68.5
Large Related	72.8	46.3
Other	67.7	56.1
Total Owners	71.6	53.1
Total Households	68.6	56.2

Other Low-Income (Household income >30 to <=50% MFI)		
Renters	% Cost Burden > 30%	% Cost Burden > 50%
Elderly	52	31.6
Small Related	75.7	19.2
Large Related	67.5	6
Other	83.7	30.9
Total Renters	75	24.7
Owners		
Elderly	40.7	17.8
Small Related	68.7	36.8
Large Related	54.3	13.7
Other	64.7	41.7
Total Owners	55.7	28.5
Total Households	67.7	26.2

Moderate Income (Household income >50% to <=80% MFI)		
Renters	% Cost Burden > 30%	% Cost Burden > 50%
Elderly	47.2	15.9
Small Related	30.8	1.8
Large Related	4.2	0
Other	36.7	3
Total Renters	33.7	3.9
Owners		
Elderly	18.6	4.6
Small Related	41.6	11.2
Large Related	30.2	9.3
Other	49.4	9.6
Total Owners	34.3	8.5
Total Households	34	5.9

Source: HUD Comprehensive Housing Affordability Strategy (CHAS) Tables, 2000

Section 2: Fair Housing Law, Municipal Policies and Complaint Analysis

Overview

This section conceptualizes fair housing in five components. Together, these components provide an analysis of the current policies and laws that affect fair housing and fair housing choice. The Fair Housing Law section entails a review of local and state laws, regulations, administrative policies, procedures, and practices and assesses whether any of these impede the location, availability, affordability, and accessibility of housing.

Introduction

Impediments to fair housing choice may be acts that violate a law or acts or conditions that do not violate a law, but preclude people with varying incomes from having equal access to decent, safe, and affordable housing. Fair housing choice is defined generally as the ability of people with similar incomes to have similar access to housing.

Section 2.1, Fair Housing Law and Public Policy, will first address the existing statutory and case law that work to remove impediments and promote fair housing choice. The federal fair housing law can be effective in mitigating barriers to fair housing choice, depending upon enforcement efforts. Related laws and judicial decisions that provide further interpretation, understanding, and support to the Fair Housing Act and pertaining to fair housing issues were analyzed and applicable data are incorporated in the discussion in this Section as well.

The State of Arkansas Fair Housing Act was reviewed and compared to the Federal Fair Housing Act as part of the analysis. The State Fair Housing Ordinance is deemed substantially equivalent to the federal act, offering similar rights, remedies, and enforcement to the protected classes afforded protections under the federal law. The

City of Little Rock has not enacted local fair housing legislation and does not provide for local enforcement. The City is part of the enforcement geography afforded enforcement coverage by the State of Arkansas Fair Housing Commission. As part of the Fair Housing Law and Public Policy Analysis, we also examined other state and local jurisdiction regulations and policies. Pertinent and related laws, such as the Community Reinvestment Act and Home Mortgage Disclosure Act, and the impacts of housing foreclosure and predatory lending, were reviewed to determine to what extent these regulations and the activities of the lenders regulated are supporting fair lending.

Section 2.2 presents the key components of the State of Arkansas's enforcement program and the results of our determination of substantial equivalence of state enforcement to that of the federal act. Section 2.5 summarizes fair housing enforcement activity, complaints filed by persons in the City of Little Rock and the disposition of those complaints over a five year period. Investigations of fair housing complaints for the City of Little Rock are conducted through the State of Arkansas Fair Housing Commission or the U.S. Department of HUD.

The more difficult, but intertwined, aspect of fair housing choice is the availability of affordable housing. Adequate, decent, safe, and affordable housing for people of all incomes should be available within a community. Minimizing housing costs for very low- and low-income households usually requires some form of financial subsidy. In most instances funding for programs providing such subsidy is provided with public funds; specifically, federal, state, and/or local government dollars. The City of Little Rock receives annual entitlement funds from the federal government under the Community Development Block Grant Program (CDBG), Home Investment Partnership Act (HOME), Housing For Persons With Aids (HOPWA), and other supplemental allocations. The City work with sub-grantee, private sector and non-profit organizations that operate housing and supportive services programs designed to rehabilitate and produce affordable housing, and support qualified persons with housing services, rental assistance and special needs. These efforts are detailed in Section 2.3. Numerous documents were collected and analyzed to complete this section. The key documents

were the City of Little Rock 2009 and 2010 Consolidated Plan Annual Action Plan and 2008 and 2009 Consolidated Annual Performance Evaluation Report (CAPER), both prepared by the City of Little Rock Department of Housing and Neighborhood Programs (DHNP). DHNP provided documentation on various funding, programs and projects operated by city departments and other agencies and non profit organizations. DHNP staff also provided information on its anticipated supplemental funding under the federal governments' Housing and Economic Recovery Stimulus Act, and Neighborhood Stabilization Act funding.

Regulatory and public policies were analyzed and the results are presented in Section 2.4. This included an analysis of local zoning, development and building codes, and other public policies and regulations for possible impediments to fair housing. Each of the aforementioned components of this section and our conclusions about fair housing barriers based on existing laws, enforcement efforts, complaint analysis, and availability of affordable housing are summarized in the following narrative.

2.1. Fair Housing Law and Public Policy

The Federal Fair Housing Act (the Act) was enacted in 1968, and amended in 1974 and 1988 to add protected classes, provide additional remedies, and strengthen enforcement. The Act, as amended, makes it unlawful for a person to discriminate on the basis of race, color, sex, religion, national origin, handicap, or familial status. Generally, the Act prohibits discrimination based on one of the previously mentioned protected classes in all residential housing, residential sales, advertising, and residential lending and insurance. Prohibited activities under the Act, as well as examples, are listed below.

It is illegal to do the following based on a person's membership in a protected class:

- Misrepresent that a house or apartment is unavailable by:
 - ✓ Providing false or misleading information about a housing opportunity,
 - ✓ Discouraging a protected class member from applying for a rental unit or making an offer of sale, or

- ✓ Discouraging or refusing to allow a protected class member to inspect available units;
- Refuse to rent or sell or to negotiate for the rental or sale of a house or apartment or otherwise make unavailable by:
 - ✓ Failing to effectively communicate or process an offer for the sale or rental of a home,
 - ✓ Utilizing all non-minority persons to represent a tenant association in reviewing applications from protected class members, or
 - ✓ Advising prospective renters or buyers that they would not mix well with the existing residents;
- Discriminate in the terms, conditions, or facilities for the rental or sale of housing by:
 - ✓ Using different provisions in leases or contracts for sale,
 - ✓ Imposing slower or inferior quality maintenance and repair services,
 - ✓ Requiring a security deposit (or higher security deposit) of protected class members, but not for non-class members,
 - ✓ Assigning persons to a specific floor or section of a building, development, or neighborhood, or
 - ✓ Evicting minorities, but not whites, for late payments or poor credit;
- Make, print, publish, or post (direct or implied) statements or advertisements that housing is not available to members of a protected class;
- Persuade or attempt to persuade people, for profit, to rent or sell their housing due to minority groups moving into the neighborhood by:
 - ✓ Real estate agents mailing notices to homeowners in changing area with a listing of the homes recently sold along with a picture of a Black real estate agent as the successful seller, or
 - ✓ Mailed or telephonic notices that the "neighborhood is changing" and now is a good time to sell, or noting the effect of the changing demographics on property values;
- Deny or make different loan terms for residential loans due to membership in a protected class by:
 - ✓ Using different procedures or criteria to evaluate credit worthiness,

- ✓ Purchasing or pooling loans so that loans in minority areas are excluded,
- ✓ Implementing a policy that has the effect of excluding a minority area, or
- ✓ Applying different procedures (negative impact) for foreclosures on protected class members;
- Deny persons the use of real estate services;
- Intimidate, coerce or interfere; or
- Retaliate against a person for filing a fair housing complaint.

The Fair Housing Act requires housing providers to make reasonable accommodations in rules, policies, practices, and paperwork for persons with disabilities. They must allow reasonable modifications in the property so people with disabilities can live successfully.

In addition to prohibiting certain discriminatory acts, the Act places no limit on the amount of recovery and imposes substantial fines. The fine for the first offense can be up to \$10,000; the second offense, up to \$25,000; and the third offense, up to \$50,000.

Fair Housing Act and Advertising

It is unlawful to make, print, publish, or post (direct or implied) statements or advertisements that housing is not available to members of a protected class. According to the Federal Act, advertisement under this section refers not only to published ads in newspapers, but also to any other statements that are written, verbal, or non-verbal. Discriminatory advertisements include, but are not limited to, applications, brochures, signs, banners, photographs, symbols, human models, and spoken words and phrases which convey the message that dwellings are available or are not available to a particular protected class. Generally, ads should not contain words that express a preference based on a protected class. There are a few exemptions, such as housing for older persons, private clubs, shared-living housing, and religious organizations. A general rule of thumb on terms to use when advertising the sale or rental of a dwelling is to describe the property, not the person. Catchwords, such as “exclusive”, “private” or “integrated” may convey a preference for one group over another and send signals about a community’s makeup.

The Fair Housing Act does not require the use of the Equal Opportunity logo or slogan in any ad. However, using the logo is good solid evidence of the company's commitment to fair housing compliance. Regulations do require the display of the HUD fair housing poster at any brokerage office and at dwellings under construction. A review of real estate publications circulated in the city was conducted during July and August of 2010, including local and regional Apartment Finders, Crye-Leike Realtors Home Buyer Guide of Arkansas and Arkansas Homes. It should be noted that these publications cover a larger area of both urban and rural Arkansas. There were no major concerns revealed. Most of the advertisers advertise with the equal housing opportunity logo or slogan. Including the logo helps educate the home seeking public that the property is available to all persons. A failure to display the symbol or slogan may become evidence of discrimination if a complaint is filed.

The 1972 amendment to the federal Fair Housing Act of 1968 instituted the use of an equal housing opportunity poster. This poster, which can be obtained from HUD, features the equal housing opportunity slogan, an equal housing statement, and the equal housing opportunity logo. When HUD investigates a broker for discriminatory practices, it considers failure to display the poster as evidence of discrimination.

In a landmark ruling in *United States v. Hunter*, 459 F.2d 205 (4th Cir.), the Court of Appeals ruled that the Fair Housing Act applies to newspapers and other media that publish discriminatory advertisements even though another person placed the advertisement. That case, decided in 1972, involved a classified advertisement seeking a tenant for an apartment in a "white home". The United States Government brought the case against the newspaper seeking injunctive relief to prohibit the newspaper from publishing discriminatory real estate advertisements. The Court also ruled that section 3604(c) of the Fair Housing Act, the provision stating that discriminatory real estate advertising is prohibited, is not a violation of the First Amendment and it further ruled that the basis for determining whether an ad violates section 3604(c) is determined by how an "ordinary" reader would interpret the ad.

Fair Housing Assistance Program (FHAP) Agencies

The U. S. Department of Housing and Urban Development (HUD) provides funding to state and local governmental agencies to enforce local fair housing laws that are substantially equivalent to the Fair Housing Act. Once a state or city have a substantially equivalent fair housing law, they can attempt to become certified as a Fair Housing Assistance Program (FHAP) Agency, to receive funds for investigating and conciliating fair housing complaints, or as a Fair Housing Initiatives Program (FHIP) Agency, to receive funds for education, promoting fair housing, and investigating allegations. It should be noted that a city must also be located in a state with a fair housing law that has been determined by HUD to be substantially equivalent. The city must also adopt a law that HUD concludes is substantially equivalent in order to participate in the FHAP Program. The local law must contain the seven protected classes - race, color, national origin, sex, religion, handicap, and familial status - and must have substantially equivalent violations, remedies, investigative processes, and enforcement powers.

In addition, the process for investigating and conciliating complaints must mirror HUD's. HUD's process begins when an aggrieved person files a complaint within one year of the date of the alleged discriminatory housing or lending practice. The complaint must be submitted to HUD in writing, but the process can be initiated by a phone call. HUD will complete a complaint form, also known as a 903, and mail it to the complainant to sign. The complaint must contain the name and address of the complainant and respondent, address and description of the housing involved, and a concise statement of the facts, including the date of the occurrence, and the complainant's affirmed signature. Upon filing, HUD is obligated to investigate, attempt conciliation, and resolve the case within 100 days. Resolution can be a dismissal, withdrawal, settlement or conciliation, or a determination as to cause.

The FHAP certification process includes a two-year interim period when HUD closely monitors the intake and investigative processes of the governmental entity applying for

substantial equivalency certification. Also, the local law must provide enforcement for aggrieved citizens where cause is found. It can be through an administrative hearing process or filing suit on behalf of the aggrieved complainant in court. The FHIP certification process is contingent on the type of funding for which the agency is applying. There are four programs to which an agency can apply; Fair Housing Organizations Initiative (FHOI), Private Enforcement Initiative (PEI), Education Outreach Initiative (EOI), and Administrative Enforcement Initiative (AEI). Currently, there is no funding under the AEI status.

The Arkansas Fair Housing Act – The Arkansas Home Loan Protection Act

The State of Arkansas enacted the Arkansas Fair Housing Act in 1995. It contains all of the requisite provisions to pass HUD's scrutiny as a substantially equivalent law. In addition to the Arkansas Fair Housing Act, the State of Arkansas passed an act in 2003 to prevent predatory lending in the home mortgage market. The Arkansas Home Loan Protection Act was created after the General Assembly found abusive mortgage lending practices on the increase within the State. Abusive lending practices leads to a loss of equity in homes and an increase in the number of foreclosed homes. One of the most common forms of predatory lending in Arkansas included the use of equity-based formulas over income-based formulas in the decision of loan acceptance. The Home Loan Protection Act seeks to protect the homes and equity of individual borrowers from predatory lending practices. Prohibitions against "flipping", the practice of refinancing an existing home loan with a high-cost home loan that does not have any tangible, reasonable benefits to the consumer, is an example of some of the protections provided under the Home Loan Protection Act. The Act also prohibits a creditor from making a high-cost home loan without the borrower receiving homeownership counseling or counseling on the advisability of the loan transaction from a third party. The Act bans creditors from making high-cost home loans without consideration and regard to the borrowers' repayment ability.

There are other laws that augment or promote fair housing choice. Recent developments discussed in the following pages pertain to court cases and decisions that have developed relative to fair housing, as well as other laws that have been utilized to enhance fair housing efforts.

Fair Housing Court Decisions

Judicial rulings and other legal actions serve to augment, define and sometimes replace legislative actions that define and promote an individual rights and protections relative to fair housing choice. Recent court decisions pertaining to fair housing are discussed in this section.

At the inception of the Fair Housing Act, insurance companies maintained that they were not covered by the Act. However, in 1992 a Wisconsin Appeals Court determined that the Act “applies to discriminatory denials of insurance and discriminatory pricing that effectively preclude ownership of housing because of the race of an applicant.” The case was a class action lawsuit brought by eight African-American property owners, the NAACP, and the American Civil Liberties Union against the American Family Insurance Company. The plaintiffs claimed they were either denied insurance, underinsured, or their claims were more closely scrutinized than Whites. American Family’s contention was that the Act was never intended to prohibit insurance redlining. The appeals Court stated, “Lenders require their borrowers to secure property insurance. No insurance, no loan; no loan, no house; lack of insurance thus makes housing unavailable.” A 1998 court verdict against Nationwide Insurance further reinforced previous court action with a \$100 million judgment due to illegally discriminating against black homeowners and predominantly black neighborhoods.

Another case was settled for \$250,000 in Maryland when Baltimore Neighbors, Inc., a non-profit organization, alleged that real estate agents were steering. Fine Homes’ real estate agents were accused of steering prospective African-American buyers away from

predominantly White neighborhoods, and Whites were almost never shown homes in predominantly African-American zip codes.

A 1999 joint statement from the Department of Justice and HUD details changing attitudes concerning group homes for disabled and mentally ill persons situated in residential neighborhoods. The statement indicates that group homes should be treated no different than non-related individuals sharing a home. If a jurisdiction has zoning rules limiting the number of non-related individuals living in a home in a residential area, similar limits may be imposed on group homes for the disabled or mentally ill. If no such zoning rules exist limiting non-related individuals, none may be set for group homes. This statement does not include half-way homes for ex-convicts, drug users, or persons who have been convicted of the manufacture or sale of illegal drugs.

In *City of Edmonds v. Oxford House*, the United States Supreme Court ruled that the Fair Housing Amendments Act of 1988 prevents communities from excluding group homes for the handicapped from single-family residential zones. Oxford House is a nonprofit umbrella organization with hundreds of privately operated group homes throughout the country that house recovering alcoholics and drug addicts. Recovering alcoholics and drug addicts, in the absence of current drug use or alcohol consumption, are included under the protected class of handicapped in the Fair Housing Act as amended in 1988. In *Oxford House v. Township of Cherry Hill*, 799 F. Supp. 450 (D. N.J. 1991), the federal court rejected a state court ruling that said recovering alcoholic and drug addicted residents in a group home do not constitute a single-family under the Township's zoning ordinance. In *Oxford House-Evergreen v. City of Plainfield*, 769 F. Supp. 1329 (D. N.J. 1991) the court ruled that the City's conduct, first announcing that the Oxford House was a permitted use only to deny it as a permitted use after neighborhood opposition, was intentionally discriminatory.

"Unjustified institutionalization of persons with mental disabilities...qualifies as discrimination." was stated as the majority opinion of the U.S. Supreme Court. In a landmark decision by a 6-3 vote, the U.S. Supreme Court ruled in June 1999, that a

state may not discriminate against psychiatric patients by keeping them in hospitals instead of community homes. The court said that the Americans with Disabilities Act (ADA) may require that states provide treatment in community-based programs rather than in a segregated setting. This case, known as the Olmstead case, ruled that community placement is a must when deemed appropriate by state professionals, agreed to by the individual with the disability, and resources available are sufficient. The courts agreed with “the most integrated setting” provision of the ADA.

In 2003, a settlement was ordered by the District Court in New Jersey for the owner of the internet website www.sublet.com, who was found guilty of publishing discriminatory rental advertisements which is prohibited by the Fair Housing Act. It was the first of its kind to be brought by the Justice Department. It was thought to be imperative that the federal laws that prohibit discriminatory advertising should be enforced with the same vigor with regard to internet advertising as it would for print and broadcast media. The court ordered the site to establish a \$10,000 victim fund to compensate individuals injured by the discrimination. They were also ordered to pay a civil penalty of \$5,000, adopt a non-discrimination policy to be published on the website, and require all employees to undergo training on the new practices.

In February 2005, a federal court jury in Detroit sided with a 55-year-old disabled registered nurse in a decision that could solidify the right of mentally ill people to obtain exceptions to no-pet policies in apartment, condominium, and cooperative housing complexes. The verdict, which awarded \$14,209 in actual damages and \$300,000 in punitive damages to the nurse, is believed to be the first federal jury verdict to recognize mental illness as a disability under the federal Fair Housing Act.

Under the Fair Housing Act, apartment complexes and condominiums with four or more units and no elevator, built for first occupancy after March 13, 1991, must include accessible common and public use areas in all ground-floor units. An apartment

complex near Rochester, New York was ordered to pay \$300,000 to persons with disabilities for not making its housing facility fully accessible, with \$75,000 set aside for the plaintiffs. They were required to publish a public notice of the settlement fund for possible victims and pay a \$3,000 civil penalty.

In 2005, the Connecticut Commission on Human Rights and Opportunities (CHRO) issued a charge of discrimination on the basis of disability when an apartment manager refused to rent a person with disability in the first floor due to the absence of access ramp or make a modification to add a ramp. The court recognized that the renter has a disability and the defendant knew the fact and refused to make accommodations. The court concluded that the renter was entitled to compensatory and emotional distress damages of \$10,000 and imposed a civil penalty of \$1,000.

In 2007, the 9th Circuit Court of Appeals gave a decision in support of Fair Housing Council of San Fernando Valley that Roommates.com has violated the fair housing laws by matching roommates by gender, sexual orientation, and parenthood. By asking prospective roommates to put in their status on these criteria and allowing prospective roommates to judge them on that basis is a violation of Fair Housing Act.

In 2005, the National Association for the Advancement of Colored People (NAACP), The National Association of Home Builders (NAHB), and the Home Builders Association (HBA) of Greater Austin, filed a federal lawsuit against the City of Kyle, TX. The plaintiffs contended that ordinances passed by the Kyle City Council, imposing requirements such as all-masonry construction, expanded home size, and expanded garage size, drive up the cost of starter homes by over \$38,000 per new unit. The allegation is that this increase has a disproportionate impact on minorities and this effect violates the Fair Housing Act. The City of Kyle filed a motion to dismiss, asserting that both NAACP and NAHB lack standing. The federal district court recognized the plaintiff's standing in 2006. Thereafter, the cities of Manor, Round Rock, Pflugerville, and Jonestown, all moved to join the litigation on the grounds that they each have ordinances similar to the one being challenged in Kyle and that any positive decision in

this case would allow NAHB and NAACP to sue them at some later date. In May the court decided that the cities could participate as friends of the court but may not join in the litigation otherwise. This case is in progress and a judgment is expected in 2009.

Homelessness and the Fair Housing Act

Homelessness is defined as lacking a fixed, regular, and adequate night-time residence; or the primary night-time residence is:

- A supervised publicly or privately operated shelter designed to provide temporary living accommodations;
- An institution that provides temporary residence for individuals intended to be institutionalized; or,
- A public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

The Fair Housing Act's definition of "dwelling" does not include overnight or temporary residence. Mistreatment of the homeless is not generally covered by Fair Housing Law.

Fair Lending Laws and Practices

Unfair lending practices are difficult to detect and to prove. However, there are laws, other than the fair housing law, to assist communities in aggressively scrutinizing fair lending activity. One such law is the Home Mortgage Disclosure Act (HMDA), which requires banks to publish a record of their lending activities annually. Frequently, fair housing enforcement agencies and nonprofits use these data to help substantiate a discrimination claim or to determine a bank's racial diversification in lending. Another law frequently utilized by community organizations is the Community Reinvestment Act (CRA). When a bank wants to merge with or buy another bank or establish a new branch, the community has an opportunity to comment. Usually, the CRA commitments made by the bank are analyzed, utilizing other data such as HMDA, to determine

adherence. The community can challenge the action if the bank has a poor record. Sometimes agreements can be reached with the bank promising a certain level of commitment to the community. Additionally, the Equal Credit Opportunity Act (ECOA) prohibits discrimination in lending generally and can be quite significant when it comes to securing information about unfair lending practices and imposing remedies, which may include up to one percent of the gross assets of the lending institution.

It has long been settled that fair housing testing is legal and that non-profits have standing to sue so long as certain criteria are met. These decisions make it feasible for non-profits to engage in fair housing enforcement activities.

Testing Rights

It has long been settled that fair housing testing is legal and that non-profit organizations have standing to sue when certain criteria are met. These decisions make it feasible for non-profits to engage in fair housing enforcement activities.

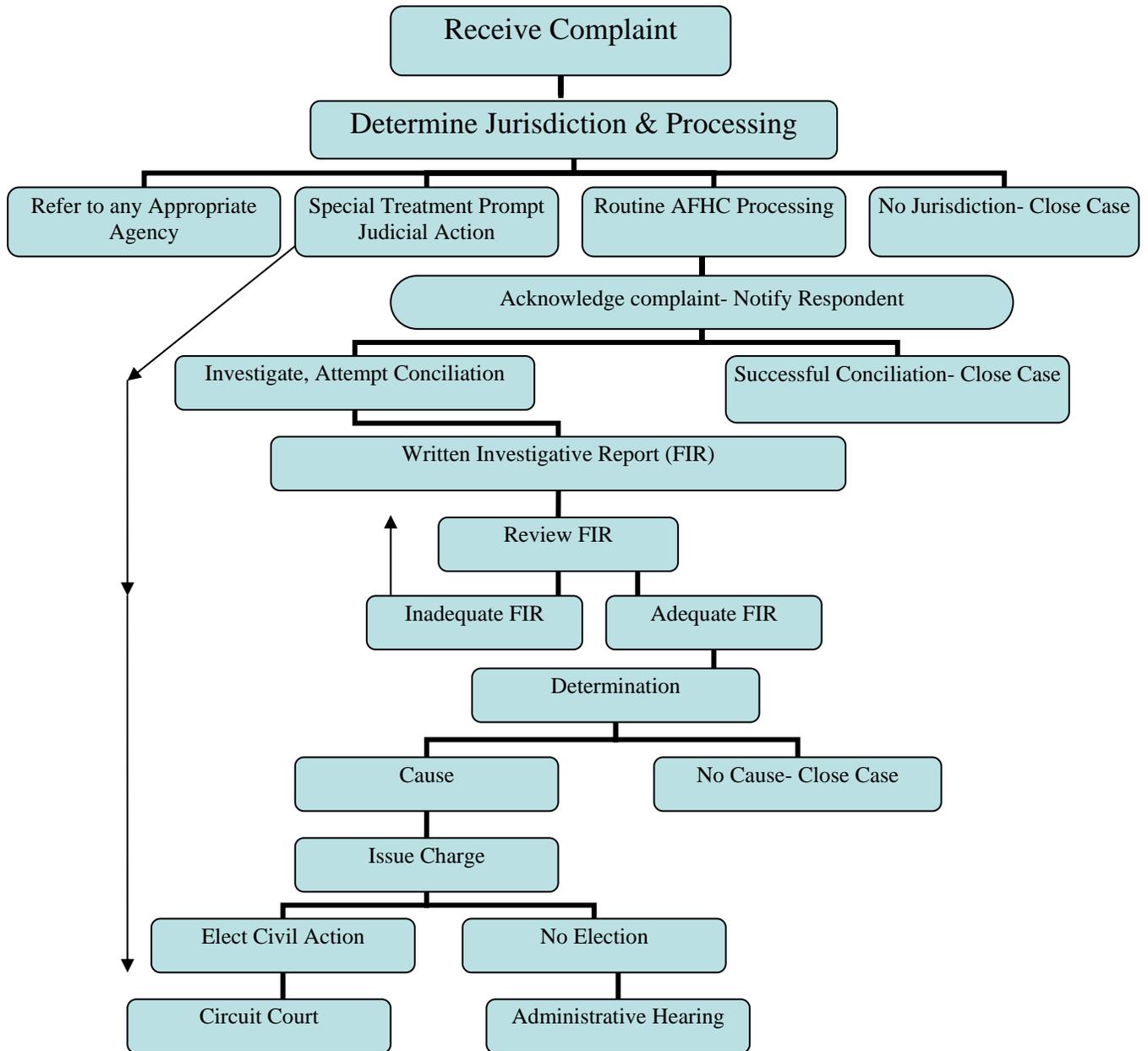
2.2. Enforcement

The Arkansas Fair Housing Commission has been designated as an enforcement program substantially equivalent to that provided by federal legislation. The Commission consists of thirteen members, seven industry-related and six consumer-related, with each Congressional district represented by at least one member. The Director of the Arkansas Fair Housing Commission receives a complaint, investigates the complaint, and attempts to conciliate the dispute. The process the Commission follows was patterned after the process HUD established for fair housing complaints prior to transferring enforcement activities to substantially equivalent entitlement communities that have completed the training requirements to become a Fair Housing Assistance

Program (FHAP) agency. The Arkansas Fair Housing Commission was added to the list of FHAP agencies in August, 2003. The process for handling fair housing complaints in Arkansas is displayed in the chart on the following page.

An essential ingredient of fair housing opportunity and enforcement is the education of the public regarding the rights and responsibilities afforded by fair housing law. This includes the education of housing and mortgage providers, as well as citizens, the potential victims of discrimination. It is important for potential victims of housing and/or lending discrimination to be aware of fair housing issues generally, know what may constitute a violation, and what they can do in the event they believe they may have been discriminated against. Likewise, it is important for lenders, housing providers, and their agents to know their responsibilities and when they might be violating fair housing law. The following illustration provides a detail summary of the State Agency's process.

Fair Housing Complaint Process



Source: Arkansas Fair Housing Commission

2.3. Housing Programs Production and Availability of Affordable Units

An overview and analysis of the key public resources available to affect the housing environment in the City of Little Rock was completed to assist in assessing the adequacy and effectiveness of housing programs designed and implemented by the City. The various city department administrators work to insure that funds are made available to the target market and to identify and serve those who have the greatest need. Much of the information for this analysis was taken from the Annual Action Plan, the Consolidate Annual Performance and Evaluation Report (CAPER); and other documentation provided by the city.

The City of Little Rock anticipates a budget of \$4,066,678 dollars from the U.S. Department of HUD for housing, community development and economic development programs for Fiscal Year 2011. This includes:

Administrating Agency	Budget	Funding Source
DHNP	\$1,802,526	CDBG
DHNP	\$ 477,582	CDBG Reallocation
DHNP	\$ 100,000	CDBG Program Income
DHNP	\$1,069,133	HOME
DHNP	\$ 300,000	HOME Program Income
DHNP	\$ 317,437	HOPWA
Total	\$4,066,678	

2.4. Regulatory and Public Policy Review

A review of the local jurisdiction zoning regulations, development and building codes, and pertinent and related public policies did not reveal any impediments to fair housing choice.

2.5. Analysis of Fair Housing Complaints

Fair housing complaint data was received from the U.S. Department of Housing and Urban Development Regional Office in Fort Worth, Texas. HUD provided a breakdown of complaints filed in the City of Little Rock Arkansas from August 1, 2006 through July 31, 2010. The complaints for that period are filed with and compliant data received from the FHEO Office of HUD. As shown in Table 2.1 below, and 2.2 on the following page, 121 complaints were filed, according to one or more of seven bases, including; National Origin, Color, Religion, Familial Status, Disability, Sex, and Race.

Table 2.1:

Fair Housing Complaints by Protected Class, August 1, 2006 through July 31, 2010

Year Filed	Number of Cases Filed
2006	15
2007	23
2008	35
2009	44
2010	4
Total	121

Source: U.S. Housing and Urban Development Department FHEO Office

Disposition of the cases was fairly balanced in terms of those closed with a satisfactory resolution/successful conciliation and cases resulting in a no cause determination. Of the 121 complaints filed, 33% or 40 cases were closed with a no cause determination and 33% or 40 cases were closed with a satisfactory resolution/successful conciliation. In 27 of the cases, the complaints were withdrawn by the complainant after resolution of the case and in contrast only 3 cases resulted in the complaints being withdrawn by the complainant without resolution. In 6 cases, the complainant failed to cooperate. In 2 cases the complaints were dismissed due to a lack of jurisdiction. In 1 case enforcement agencies were unable to locate the complainant and could not proceed with the case and 2 cases were settled by administrative judges or court action with no discrimination found. Table 2.2, below, shows the tally of the case closure types by year the case was opened.

Table 2.2:

Fair Housing Complaints by Type of Closure, August 1, 2006 through July 31, 2010

Type of Closure	2006	2007	2008	2009	2010			Totals
Case Conciliated Successfully	1	5	14	14	6			40
No Cause determination	2	7	14	15	2			40
Withdrawn by complainant after resolution		1	4	20	2			27
Withdrawn by complainant without resolution					3			3
Complainant failed to cooperate	2	1	1	1	1			6
Unable to locate complainant	1							1
Dismissed - lack of jurisdiction	2							2
Case not yet settled/transferred to court or administrative judge								
Case Settled / Administrative Judge		1		1				2
Total Cases	8	15	33	51	14			121

Source: U.S. Housing and Urban Development Department FHEO Office

2.6. Conclusions and Implications for Fair Housing Barriers

The City of Little Rock has not enacted local fair housing legislation. The State of Arkansas enacted fair housing legislation in 1995 that is deemed substantially equivalent to the Federal Fair Housing Act and provides for substantially equivalent enforcement through the Arkansas Fair Housing Commission. The Arkansas Fair Housing Commission also provides education and outreach and investigates complaints received directly from complainants and others filed with the U.S. Department of HUD.

A total of 121 Fair Housing Complaints were filed with the Arkansas Fair Housing Commission or HUD between August 1, 2006 and December 31, 2010 according to one or more of seven bases, including; National Origin, Color, Religion, Familial Status, Disability, Sex, and Race. This is a substantial increase in complaint activity compared to the previous five year period of 2000 - 2005. This increase is most likely attributable

to the aggressive outreach and enforcement of the Arkansas Fair Housing Commission which was designated a FHAP agency in August, 2003. It should be noted that in 33% of the complaints filed, the cases were closed with a no cause determination. This means the complaint could not be sufficiently substantiated to justify further action by the enforcement agency and was therefore dismissed. This percentage could improve over time with the outreach and education being undertaken by the Arkansas Fair Housing Commission.

The analysis of real estate advertisements from various news papers and free home advertising magazines in the state did not reveal any activities that might be violations of Fair Housing Law. Most advertisements featured the EHO logo or statement.

The City of Little Rock receives annual entitlement funds from the federal government under the Community Development Block Grant Program, Home Investment Partnership Act, and Housing for Persons with AIDS used to fund and operate housing and supportive services programs. The City anticipates receiving \$4,066,678 dollars from the U.S. Department of HUD under these entitlements for Fiscal Year 2011. These entitlement funds are administered primarily by the City of Little Rock Department of Housing and Neighborhood Programs. Additional supplemental funding under the federal governments' Housing and Economic Recovery Stimulus Act and Neighborhood Stabilization Act were awarded in 2009. A review of city building and zoning codes, and public policies did not reveal any Fair Housing impediments.

Section 3: Focus Group Sessions and Community Engagement

Introduction

This section will report on the results from focus group sessions held in August and September, 2010. The City of Little Rock conducted AI focus group sessions and community forums to receive public input on priority needs for the Consolidated Plan at the Dunbar Community Center, 1001 West 16th Street, August 2, 2010; Hinton Neighborhood Resource Center, 3805 West 12th Street, August 3, 2010; West Central Alert Center, 4200 John Barrow Road, August 4, 2010; Southwest Community Center, 6401 Baseline Road, August 5, 2010; Nathaniel Hill Complex, 2500 East 6th Street, August 9, 2010; and Hinton neighborhood Resource Center, 3805 W. 12th Street, September 9, 2010. Participants in the focus groups included City Staff from various departments, Public Housing Authorities personnel, Arkansas Fair Housing Commission staff; representatives from local colleges, universities, and school districts; non-profit organizations, home builders, housing and social service agencies representatives; real estate and financial industry representatives; and the general public. City Board Members and representatives of state and federal legislators also attended the sessions and provided input through interviews.

Attendees were gathered by invitations sent to select resident and community leaders, organizations, industry professionals and public officials. At each focus group session, general issues related to the housing market and specific concerns pertaining to fair housing choice in Little Rock were discussed. Supplemental interviews were conducted with various community and industry representatives to obtain information from those unable to attend the sessions. The sessions were hosted by the City of Little Rock Housing and Neighborhood Programs Department.

It should be noted that the comments summarized in this section represent the comments and views of the focus group participants. J-Quad has made every effort to document all comments as a matter of record, and to ensure that the comments, as presented on the following pages, have not been altered to reflect our analysis, investigation or substantiation of information obtained during these sessions. Focus Group comments and information obtained during interviews were later analyzed and to the extent substantiated or corroborated by the data and analysis, included in Section Six, Impediments and Remedial Actions. Comments from participants included the following.

3.1. Focus Group Concerns and Comments

Social-Economic Conditions

Among the social-economic issues frequently mentioned in the focus group sessions was the perception that the supply of affordable housing is inadequate and the cost to purchase homes or to rent housing continues to soar beyond the range affordable to many local area residents. Others believed that poverty was on the rise, severely impacting housing choice for the lowest income households. Participants indicated that poverty is not only a concern with regard to social equity and the plight of renters, but poverty and limited incomes are also having an adverse impact on the condition and quality of single family owner occupied housing in some areas. Public safety is perceived to be a major issue in some neighborhoods.

In areas where a majority of homeowners cannot afford routine maintenance and rising utility costs, poor housing conditions may quickly become the prevalent state of affairs. The impact of a lack of job opportunities and insufficient incomes to afford decent housing were cited as contributing factors to housing and neighborhood decline. All of these issues were perceived to be adversely impacting fair housing choice.

Housing Supply, Neighborhood Conditions, and Infrastructure

Focus group participants wanted to have a greater emphasis placed on financial assistance to acquire housing suitable to meet the needs of the changing demographics in the city and specific problems faced by residents and the working poor relative to foreclosure. Participants also felt that increased housing counseling-both pre-purchase and post purchase support was needed to help applicants qualify for financing and to remain current with mortgage payments and home maintenance needs. Funding sources should be identified to provide additional rental assistance to those needing assistance with rent and utilities and security deposits necessary to initiate a lease. Participants emphasized the need for increased funding for project based rental assistance due to limitations in the Section 8 Vouchers program and increased demand for rental assistance.

Other participants desired greater emphasis be placed on incorporating energy efficiency and green building standards in construction of affordable housing; the need for weatherization and emergency repair funding; and increased funding for housing repair and construction as a means of increasing work among the various building trade groups. Acquisition of deteriorated housing units, infill housing on vacant lots, homebuyer subsidies for repairs, drainage, sidewalks, and increased emphasis on code enforcement were also cited as needs.

Some participants cited a growing concern with prejudices toward low income housing developments and low income housing buyers or program participants. Prejudices are resulting in lengthy approval processes, and less mixed income and affordable housing production.

Public Policy and Public Awareness of Fair Housing

Participants cited public awareness of fair housing rights as a concern. They felt that despite increased outreach by the City through the Arkansas Fair Housing Commission, some residents appear to be unaware of their rights and that the number of violations reported and cases substantiated may be much lower than

the number of violations actually occurring. Others felt that residents often fear retaliation by those who violated the laws. For example, attendees and persons interviewed felt that in some instances, people do not register complaints for fear of retaliation by their landlords, or if they report code enforcement violations, enforcement will result in higher rents or evictions actions by their landlords.

Participants also felt that residents needed increased access to homebuyer education and counseling when considering purchase of a home and acquiring rental housing and tenant's rights counseling and advocacy for renters. Homebuyer education should include a fair housing component to insure that consumer rights are understood prior to their entering the home purchase or rental housing application process. They were concerned that first-time home buyers often do not know where to go for help or how to start the process of purchasing a home. Anecdotal accounts by attendees and those interviewed included obstacles faced by renters such as denial of rental applications based on having no prior address, and frequent gaps in their rental histories.

Access to Banking and Financial Institutions

Predatory lending practices were identified as a major issue. Perception were that predatory lenders are absorbing much of the market formerly controlled by FDIC insured banks and other reputable financial institutions and fast becoming lenders of choice in some low income and minority concentrated areas. In other instances, persons facing economic hardships are being preyed upon due to their inability to qualify for traditional lending and banking services. For example, predatory businesses provide individuals with loans backed by the title to their car or house at relatively high interest rates. Lenders are quick to foreclose in the event the borrower misses a payment. Attendees were concerned that a growing number of people have fallen prey to sub prime loans because they have a poor credit rating or limited to no credit history.

Other cited concerns that the consumer protection laws on predatory lending and the Arkansas Home Loan Protection Act legislation passed in 2003 are not yet affording the protections intended.

Overall, participants felt that financing for home purchases, multifamily housing development, and affordable housing was shrinking and financial institutions are not readily making loans available in our current economy slowdown.

Lending, Foreclosures and the Mortgage Industry

The inability to obtain home mortgages was seen as a major barrier that limits housing choice. Criminal background histories and immigration status are relatively new factors contributing to the inability to qualify for home purchases and rental housing leases. Financial literacy and credit issues appeared to be the major barrier, based on focus group participants' comments. Participants voiced concerns that the qualifying ratios used by banks to determine an applicants' ability to afford a mortgage are not compatible with the way applicants determine affordability. Applicants should be advised that the qualifying ratios are based on gross income, instead of net income after taxes, insurance, pension contributions and other deductions are accommodated. The net income they have at their disposal to pay housing expenses can create hardships in their ability to make their post purchase mortgage payments.

Others were concerned with the complexity of the credit scoring determination process and the lack of education afforded buyer by financial institutions and credit agencies as to the calculation of scores. Both a lack of qualified applicants and an adequate pool of applicants for mortgages, coupled with the inability of some housing units to qualify based on lending program guidelines were also cited as barriers. Participants felt that greater emphasis should be placed on credit counseling and financial literacy being accessible to a broader population including youth and young adults age eighteen to thirty. Greater emphasis should be given to preventing damage to one's credit history and providing a solid

foundation that could prevent future financial problems. Persons with a criminal felony record and those convicted of sex crimes are having particular problems finding housing to rent as well as qualifying for mortgages.

Other participants cited instances in which elderly and other owners of affordable housing are no longer able to afford routine maintenance on their home. Any major systems failure such as roof replacement, foundation problems or even heating and air conditioning replacement can render their home a health and safety risk or place the homeowner in violation of local property standards codes. Focus Group participants and those interviewed were particularly concerned with the deteriorated condition of multifamily housing developments and the reported incidents and perception of criminal activity occurring within those developments.

Special Needs Housing

Participants were concerned that greater funding be provided for the elderly to age in place, and to provide housing for others in need of special needs housing. Participants cited statistics relative to the growth expected in the elderly population over the next decade which will elevate this problem. Without such funding elderly and disabled persons are sometimes placed in nursing homes prematurely, even though they could otherwise continue to live on their own with some limited assistance or ADA accessibility modifications where they currently reside. Participants were also concerned that limited options exist for persons in need of transitional housing whether they be recently paroled, mentally ill or physically handicapped, or homeless or at risk of being homeless. Others cited a need for more permanent supportive housing. Participants felt that more public resources should also be identified and dedicated to homeless programs, shelters and supportive services to the homeless and elderly.

Participants were also concerned with limitations in available rental housing for the disabled and a lack of emphasis on building code standards that require new

home construction to meet “visitable housing” standards. Some were concerned that information as to availability of ADA compliant housing is not readily available to those in need. As for visitable housing, participants indicated that web sites such as concrete concepts.com and data from cities with building codes that include visitable housing standards, indicates that meeting such standards will add as little as \$300 dollars in additional cost if implemented during initial construction. These standards include insuring that at least one main entry into the dwelling and at least one bathroom, downstairs bedroom and hallway are handicapped accessible.

Others were concerned that design standards and program guidelines for affordable housing programs and federal requirements imposed by the federal and state government were increasing the cost of housing and making it unaffordable for the intended low and moderate income household. Some non profit agencies were particularly concerned that the subsidy limits imposed on their projects or units being developed were inadequate for them to produce a product that was affordable and allowed them to make minimal profit. Non profit agencies were also concerned with the lack of operating subsidy available for support of their initiatives.

Public Transportation and Mobility

Participants generally felt that mobility and public transportation were a concern and a continuing impediment to fair housing choice. While the public transportation routes and transfers to major employment centers from downtown have improved, connections and transfers to areas west of University remain limited. The public schools and the hospitals are some of the major employers in Little Rock. Without convenient routes that service these major employers located outside of downtown, travel to work without a vehicle is limited in some areas of Little Rock, which limits housing choice for those dependent on public transportation.

There were some concerns relative to limitations for elderly and disabled persons in need of public transportation to access supportive services.

3.2. Solutions

Overall, participants wanted the city to aggressively identify and pursue increased funding for affordable housing.

Attendees indicated a need to continue the City's emphasis on mitigating the impacts of discrimination or impediments to housing choice for protected class members, including ethnic and racial minorities, persons with disabilities, renters with past criminal records or prior convictions for sexual abuse related crimes, and those in need of special needs housing or facing evictions, foreclosures and homelessness.

Participants voiced support for continued emphasis on credit education and housing consumer counseling. Increased financial literacy courses taught in high schools was seen as solutions as well.

Participants cited the need for additional funding for fair housing outreach, education and enforcement to landlords, homeowner associations and other likely violators of fair housing law.

Participants emphasized the need for increased project based rental assistance and the overall allocation of Section 8 Vouchers due to increased demand for rental assistance.

Participants wanted greater coordination between the City, financial institutions and credit rating agencies in providing education and outreach on the calculation and interpretation of credit scores for consumers.

Section 4: Home Mortgage Disclosure Act (HMDA) Data Analysis

Introduction

The Federal Financial Institutions Examination Council (FFIEC) gathers data on home mortgage activity from the federal agencies that regulate the home mortgage industry. The data contain variables that facilitate analysis of mortgage lending activity, such as race, income, census tract, loan type, and loan purpose. The FFIEC provides the Home Mortgage Disclosure Act (HMDA) databases and retrieval software on compact disc. Data can be summarized within the software package or downloaded in its raw form for analysis. For this analysis, the FFIEC databases were utilized for 1997 through 2006.

The data reported for the aforementioned years have been summarized using tables, charts, and maps provided at the end of the section. Table 4.1 and 4.2, on pages 9 and 10 compare the loan activity in the City of Little Rock with Little Rock-North Little Rock MSA as a whole. Tables 4.3 and 4.4, on pages 11 and 12, and Charts 4.1 through 4.4, on pages 13 and 14, provide information for the MSA. The maps, provided at the end of this section, present data by census tract for the MSA and the city. The analysis will focus on the tracts within Little Rock and provides a description of the mortgage industry specific to the city.

4.1. Analysis

Table 4.1 compares home loan activities for the City of Little Rock with the Little Rock-North Little Rock MSA. The data are presented by loan type, ethnicity, income, and loan purpose. In the MSA, White applicants represented the largest number of loan applicants at 272,457. Origination rates, the percentage of applications that result in loans being made, for Whites were about 60 percent. African-Americans were the next largest applicant group with 44,194 applications

submitted and an origination rate of about 43 percent. Hispanics had 3,318 applications and an origination rate of about 53 percent. Asian origination rates were over 59 percent, with 2,170 applications reported. High-income applicants showed both the highest number of applications, at 241,689, and the highest origination rate, at over 55 percent. Both the number of applications and the origination rates drop significantly for all other income groups, with 45,408 applications from middle-income applicants and an origination rate of about 47 percent. Conventional loans account for the largest number of applications for loan type, at 388,302, with an origination rate of over 44 percent. Home purchase loans show the highest number of applications for loan purpose, at 215,118, and an origination rate of just over 47 percent. Home Improvement loans had the highest origination rate at 55 percent with 46,214 loan applications. Refinance loans show 208,579 applications and an origination rate of over 41 percent.

Isolating the tracts within Little Rock for Loan Type, “Conventional” shows the highest number of loan applications at 128,534 and the percentage of loan originations at over 48 percent of all applications. FHA loans show an origination rate of about 52 percent and VA and other loans origination rates of about 50 percent. For loan purpose, over 51 percent of home purchase loans were originated out of 70,711 applications. The origination rate for home improvement was about 60 percent and that of refinance loans was about 45 percent. In Little Rock, White applicants had the highest origination rate of 67 percent and the highest number of loan applications at 70,819. The origination rate for African-Americans was over 45 percent with 34,731 applications. The origination rate for Hispanics was about 57 percent with 1,106 applications. The origination rate for the very low-income group was 29 percent, compared to 61 percent in high-income group.

Table 4.2 displays the HMDA data for the same data categories (Loan Type, Ethnicity, Income, and Loan Purpose). On this table, however, percentages are

taken within category, rather than demonstrating the percentage of applications that result in loan originations. For example, the first percentage in the “% of Originations” column indicates that 80.9 percent of originations in the MSA were for conventional loans compared to a 44.4 percent origination rate in Table 4.1. For comparison, ethnic percentages were included under the “%Pop.” column to compare the percentage of originations by ethnic group to their percentage in the population. Within the “Loan Type” category, “Conventional” shows the highest percentage at about 81 percent of all originations in Little Rock-North Little Rock MSA. FHA loans, which are government insured, were over 13 percent of all originations. For Ethnicity, “White” shows the highest percentage of originations at over 76 percent of the total originations in the MSA. The percentage of Whites in the population was over 73 percent. African-American applicants accounted for about nine percent of all originations, and 21.9 percent of the total population in the MSA. Hispanic applicants accounted for 0.8 percent of originations, while their presence in the population was 2.1 percent of all residents. Asian applicants represent 0.6 percent of originations with 1.0 percent of the total population in the MSA. The highest income group (>120% median) displays the highest percentage of originations, at about 63 percent of all originations. In contrast, the very low-income group accounts for just over two percent of all originations. The loan purpose data for the MSA show that home purchase loans were the most frequent purpose, at about 48 percent. Refinance loans accounted for over 40 percent of the originations. Home improvement loans accounted for about 12 percent of all originations.

In Little Rock, over 81 percent of all originations were from conventional loans. FHA loans were over 13 percent of the originations. In the city, Whites had the highest percentage of origination, over 62 percent of the total. The percentage of Whites in the population was about 54 percent. African-American applicants accounted for about 21 percent of all originations and over 40 percent of the total population. Hispanic applicants accounted for less than one percent (0.8%) of originations, while their presence in the population was about three percent

(2.7%) of all residents. Asian applicants represented 0.5 percent of originations with 1.7 percent of the total population. Native American applicants represented 0.4 percent of originations with 0.3 percent of the total population. The highest income group (>120% median) displays the highest percentage of originations at about 63 percent of all originations in the city. In contrast, the very low-income group accounts for just over two percent of all originations. The loan purpose data show that home purchase loans were the most frequent purpose at over 46 percent of all originations in the city. Refinance purchase loans accounted for about 40 percent of the originations. Home improvement loans accounted for over 13 percent of all originations in the city.

Table 4.3, examines the HMDA data more closely with respect to the possibility of redlining within Little Rock-North Little Rock MSA census tracts. Redlining relates to the avoidance of certain locations by mortgage lenders in response to undesirable characteristics of the area. The origination rates in very low-income tracts are compared to high-income tracts to find the evidence to support the possibility of redlining.

Origination rates for Little Rock indicate that Very Low-Income applicants (<51% median income) were successful in obtaining mortgage loans 29.1 times per 100 loan application submissions, Low-Income applicants (51-80% median income) were successful 34.4 times per 100 submissions, Moderate-Income (81-95% median income) had an origination success ratio of 44.6 percent, Middle-Income applicants (96-120% median income) had an origination success ratio of 49.7 percent, and High-Income applicants (>120% median income) had a 61.0 percent success ratio. When isolating the Very Low-Income census tracts, the origination rates are lower than the overall city origination rates. In Very Low-Income tracts, Very Low-Income applicants generated originations 19.7 percent of the time, a 9.4 percentage point decrease from their overall success in the city. Similar differences in origination rates are noted in the other income groups. Moderate-Income applicants in very low-income tracts had a 24.8 percent

origination rate, 19.8 percentage points lower than in the city overall. High-Income applicants in very low-income tracts had a 33.2 percent origination rate, 27.8 percentage points lower than in the city overall.

In comparing Very Low-Income tracts to High-Income tracts, significant differences are noted between origination rates. Within High-Income tracts, Very Low-Income applicants generated a 34.3 percent origination rate, 14.6 percentage points higher than Very Low-Income applicants in the Very Low-Income tracts. High-Income applicants generated a 64.1 percent origination rate within High-Income tracts, 30.9 percentage points higher than in Very Low-Income tracts. Origination rates for Middle-Income applicants in High-Income tracts were 28.2 percentage points higher than in the Very Low-Income tracts. While this analysis does not provide conclusive proof that redlining exists, it is reasonable to expect that higher-income applicants would have relatively equal origination rates across all census tracts. The relatively smaller number of applications in the lower income tracts, however, makes any conclusions about redlining impossible.

Table 4.4 compares origination rates between minorities and White applicants for the various loan purposes and income groups in Little Rock-North Little Rock MSA. For all loan purposes shown, White origination rates are higher than minorities. For home purchase loans, origination rates were 57 percent for Whites and over 49 percent for minorities, a difference of about eight percentage points. White applicants for home improvement loans were successful about 30 percentage points more often than minorities. The rates for refinance loans show over 20 percentage points difference.

Looking at the income group comparison in the MSA, minorities have origination rates 14.6 percentage points lower than Whites in the High-Income group (>120% MFI) and 10.9 percentage points lower in the Middle-Income group (96-120% MFI). In the Very Low-Income group (<51% MFI), Minority origination rates

were 0.4 percentage points lower. In the Low-Income group (51-80% MFI), Minority origination rates were 3.3 percentage points lower.

Chart 4.1 provides a look at origination rates by census tract income for the loan types: conventional, FHA, and VA. Performing as would be expected, government insured loans have higher origination rates in all income groups except High-Income groups. Conventional origination rates closed the gap as incomes rise.

Chart 4.2 shows origination rates by ethnicity and income of the census tract. In Very Low- and Middle- income tracts, White rates are exceeded only by Asians. While Asian rates are sometimes higher than White rates, these numbers are based on relatively low numbers of applications. African-American origination rates exceed Hispanic rates only in Very Low-Income tracts.

Chart 4.3 looks at origination rates by the income of the applicant and the income of census tracts. As would be expected, higher income applicants have higher origination rates. As suggested earlier, the characteristics of redlining can be seen in the much lower origination rates of similar income individuals in lower income tracts, where high-income applicants do not have as high an approval rate as lower income applicants in higher income tracts.

Chart 4.4 looks at origination rates by loan purpose and income of the census tract. Applications for all loan types have a higher success rate as the tract income increases, as do home improvement loans, peaking at almost 65 percent for the High Income tracts. Refinance loans generally have the lowest origination rates, overall, and were just over 20 percent in Very Low-Income tracts. In all income categories, home improvement loans show the highest origination rates.

Maps 4.1 and 4.3 through 4.6 provide an analysis of loan activity by census tract. The ratio of denials to originations was calculated for each loan purpose and loan

type. Tracts shown in the darkest red color on the map indicate those areas where at least 100 applications are denied for every 100 applications that are originated. The medium red areas indicate those areas where between 75 and 100 applications are denied for every 100 applications originated. The mauve areas show 50 to 75 applications denied for every 100 applications originated. The pink areas show 0 to 50 applications denied for every 100 applications originated.

Map 4.2 shows the total number of loan originations by census tract. Less active areas are shown in the lighter colors, with the most active areas shown in dark red. Unlike the other maps, the light areas are meant to indicate areas of concern, either for a lack of loan activity or for their low rate of application originations in relation to denials.

A look at reasons for denial showed that the majority related to the applicants' credit history or their debt-to-income ratio. Nearly 29,800 (43.6%) denials were related to the applicants' credit history in the ten years of the study. Over 10,400 (11.0%) denials were due to collateral and over 8,500 (9.4%) denials were related to the applicants' debt-to-income ratio in those same years. Other possible reasons for not originating a loan included incomplete applications, employment history, mortgage insurance denied, unverifiable information or income, and insufficient cash for downpayment and/or closing costs.

Conclusions

In Little Rock, the least success in lending was found in the refinancing loan sector. Very low origination rates were found in most areas and through most income groups. The highest success rate in loan origination was found in the home improvement loan sector and the highest number of originations was in the home purchase loan sector. These results are similar to the results in Little Rock-North Little Rock MSA overall. During the period between 1997 and 2006, the majority of loan denials were related to the applicants' credit history.

While the analysis offered in this report does not provide conclusive evidence of fair housing impediments, the data tend to suggest that characteristics of redlining may be having a negative effect in some of the very low-income census tracts in the MSA. While based on the data, it is expected that very low-income applicants would tend not have a very high success rate in their loan applications, regardless of whether the property is located in high, medium and or very low-income census tracts, even high-income applicants showed a poor success rate in lower income census tracts compared to their rate of success in higher income tracts. Therefore, it would appear that neighborhood conditions and the collateral value of the property might be adversely affecting lending decisions in low income communities more than the credit worthiness of the borrower.

Overall, the origination rates among Whites were higher than that of minorities in all loan types; home purchase, home improvement and home refinance loans. Although African-Americans accounted for the second highest number of applications after Whites, the percentage of loan applications and originations were lower compared to their percentage in population in the city than that of Whites. Similarly, lower numbers of applications in comparison to percent of population and lower origination rates were noted among Hispanics. One possible reason for the lower number of applications from Hispanics could be due to language and cultural barriers that sometimes impede their understanding of the loan applications and mortgage process. African-Americans appear to be less likely to apply due to concerns that their applications are not likely to be approved, and therefore the reality and perception of poor or inadequate credit and income account for both a lack of applications and lower origination rates.

Overall, the mortgage markets seem to have peaked in 2000 and 2001. Opportunities still exist for borrowers to buy housing or refinance existing higher interest loans. Rising interest rates appear to be having an impact on lending activity in the city, with the number of applications slowing in recent years.

Table 4.1

**Home Mortgage Disclosure Act (HMDA) Analysis
Comparison of Number of Loan Applications and Origination Rates
City of Little Rock and Little Rock-North Little Rock MSA
1997 - 2006**

	Little Rock		Little Rock-North Little Rock MSA	
	Number of App.s	Origin. Rate	Number of App.s	Origin. Rate
Loan Type:				
Conventional	128,534	48.1%	388,302	44.4%
FHA	19,619	52.1%	55,858	49.8%
VA & Other	8,484	49.8%	25,751	49.7%
Ethnicity:				
Native	570	49.4%	1,409	48.3%
Asian	623	63.2%	2,170	59.5%
Black	34,731	45.5%	44,194	42.8%
Hispanic	1,106	56.8%	3,318	52.9%
White	70,819	67.0%	272,457	59.7%
Other	1,898	50.9%	2,694	50.9%
Not Provided	29,752	32.7%	92,256	26.7%
Unknown	17,138	6.0%	51,413	3.1%
Income:				
<51% median (very low)	6,530	29.1%	16,591	26.9%
51-80% median (low)	17,830	34.4%	56,491	31.4%
81-95% median (moderate)	12,217	44.6%	33,637	40.8%
96-120% median (middle)	14,131	49.7%	45,408	46.7%
>120% median (high)	78,563	61.0%	241,689	55.5%
Unknown	27,365	28.8%	76,095	28.5%
Loan Purpose:				
Home Purchase	70,711	51.2%	215,118	47.1%
Home Improvement	17,406	59.7%	46,214	55.0%
Refinance	68,520	44.8%	208,579	41.3%
Totals	156,637	48.7%	469,911	45.3%

Table 4.2

**Home Mortgage Disclosure Act (HMDA) Analysis
Comparison of Originations Within Categories
City of Little Rock and Little Rock-North Little Rock MSA
1997- 2006**

	Little Rock			Little Rock-North Little Rock MSA		
	# of Originations	% of Originations	%Pop.	# of Originations	% of Originations	%Pop.
Loan Type:						
Conventional	61,844	81.1%		172,251	80.9%	
FHA	10,212	13.4%		27,817	13.1%	
VA & Other	4,226	5.5%		12,798	6.0%	
Ethnicity:						
Native	281	0.4%	0.3%	680	0.3%	0.4%
Asian	394	0.5%	1.7%	1,291	0.6%	1.0%
Black	15,803	20.7%	40.4%	18,915	8.9%	21.9%
Hispanic	628	0.8%	2.7%	1,755	0.8%	2.1%
White Non-Hispanic	47,469	62.2%	54.0%	162,673	76.4%	73.5%
Other	966	1.3%	2.6%	1,371	0.6%	2.0%
Not Provided	9,714	12.7%		24,586	11.6%	
Unknown	1,028	1.3%		1,594	0.7%	
Income:						
<51% median	1,900	2.5%		4,463	2.1%	
51-80% median	6,134	8.0%		17,738	8.3%	
81-95% median	5,445	7.1%		13,724	6.4%	
96-120% median	7,016	9.2%		21,205	10.0%	
>120% median	47,916	62.8%		134,017	63.0%	
Unknown	7,870	10.3%		21,718	10.2%	
Loan Purpose:						
Home Purchase	35,483	46.5%		101,321	47.6%	
Home Improvement	10,217	13.4%		25,418	11.9%	
Refinance	30,581	40.1%		86,126	40.5%	
Totals	76,282			212,866		

Table 4.3

**Analysis of Home Mortgage Disclosure Act Data, 1997-2006
 Analysis of Redlining in Low-Income Census Tracts
 Little Rock-North Little Rock MSA**

	Number of Applications	Origination Rate
Very Low-Income Tracts		
<51% median	532	19.7%
51-80% median	883	20.7%
81-95% median	475	24.8%
96-120% median	532	28.1%
>120% median	1,043	33.2%
High-Income Tracts		
<51% median	1,253	34.3%
51-80% median	4,756	42.8%
81-95% median	4,143	54.3%
96-120% median	8,674	56.3%
>120% median	70,576	64.1%
Difference Between High and Very Low-Income Tracts (percentage point difference)		
<51% median		14.6%
51-80% median		22.1%
81-95% median		29.5%
96-120% median		28.2%
>120% median		30.9%
Origination Rates for Little Rock		
<51% median		29.1%
51-80% median		34.4%
81-95% median		44.6%
96-120% median		49.7%
>120% median		61.0%

**Table 4.4
Analysis of Home Mortgage Disclosure Act Data**

**HMDA Activity for Little Rock-North Little Rock
MSA, 1997 - 2006**

	# Apps.	% of Apps.	% Denied	% Orig.
Home Purchase Loans				
Minorities	27,564	12.8%	27.4%	49.2%
White	138,475	64.4%	20.2%	57.0%
Not Provided	49,079	22.8%	14.8%	16.0%
Home Improvement Loans				
Minorities	7,907	17.1%	49.9%	38.9%
White	26,807	58.0%	19.6%	69.9%
Not Provided	11,500	24.9%	42.9%	30.1%
Refinance Loans				
Minorities	18,938	9.1%	24.8%	45.9%
White	102,906	49.3%	8.2%	66.4%
Not Provided	86,735	41.6%	31.6%	10.7%
Income Groups				
<51% MFI				
Minorities	3,465	20.9%	46.8%	36.0%
White	8,231	49.6%	46.7%	36.4%
Not Provided	4,895	29.5%	59.2%	8.8%
51 to 80% MFI				
Minorities	12,751	22.6%	38.6%	42.0%
White	30,362	53.7%	36.5%	45.3%
Not Provided	13,378	23.7%	52.6%	13.7%
81 to 95% MFI				
Minorities	6,237	18.5%	35.7%	42.9%
White	19,876	59.1%	28.7%	48.7%
Not Provided	7,524	22.4%	40.7%	23.1%
96 to 120% MFI				
Minorities	6,416	14.1%	31.3%	46.7%
White	29,176	64.3%	20.2%	57.6%
Not Provided	9,816	21.6%	42.7%	19.9%
>120% MFI				
Minorities	28,473	11.8%	22.5%	53.4%
White	172,834	71.5%	10.0%	68.0%
Not Provided	40,382	16.7%	33.2%	28.5%

Chart 4.1
Origination Rates by Loan Type by Income of Tracts

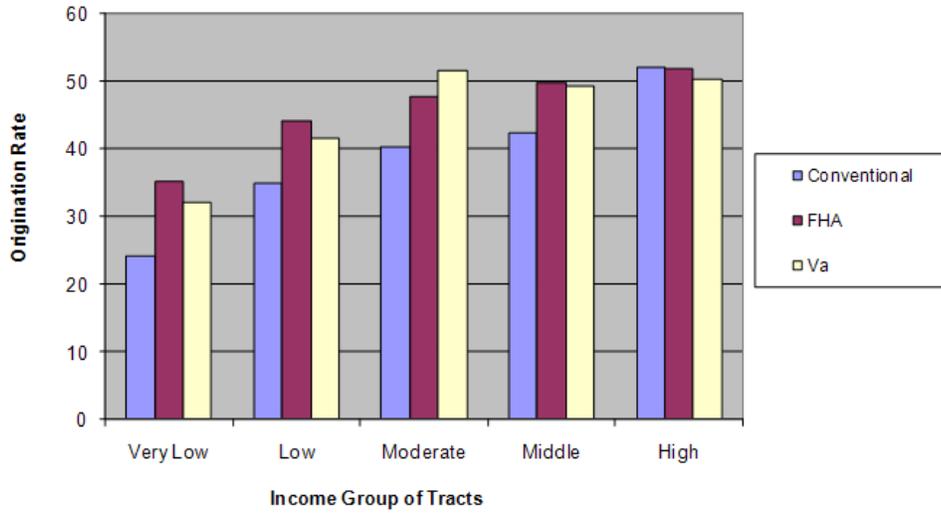
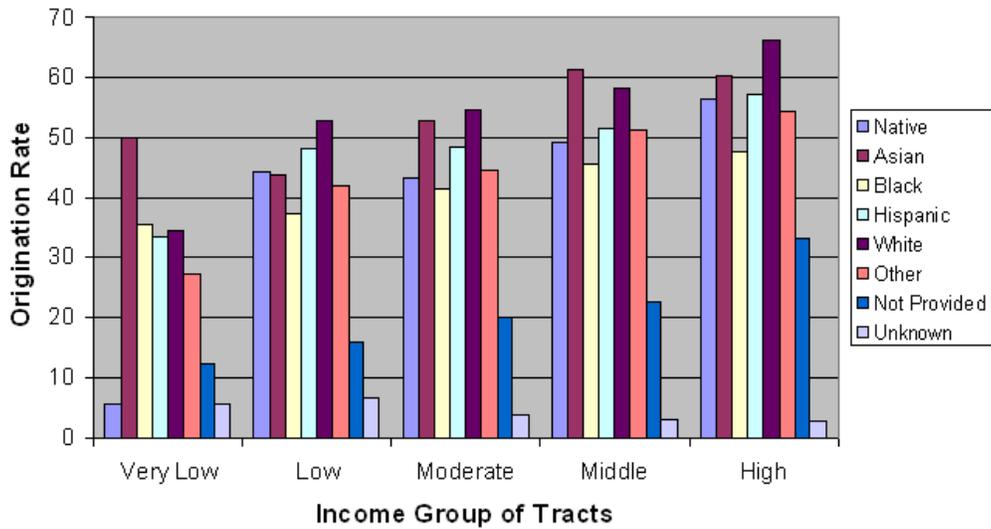
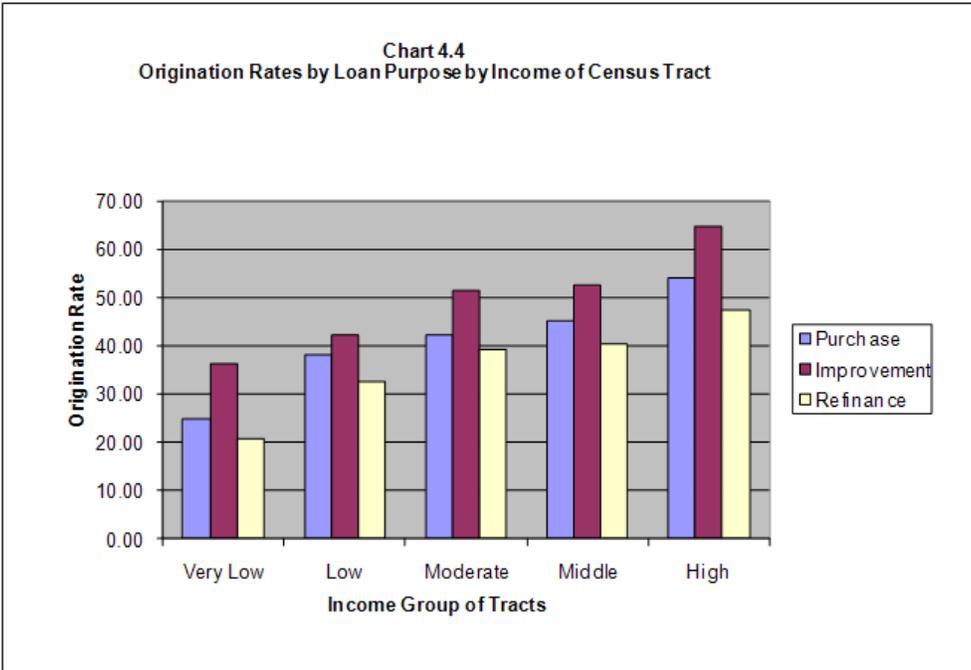
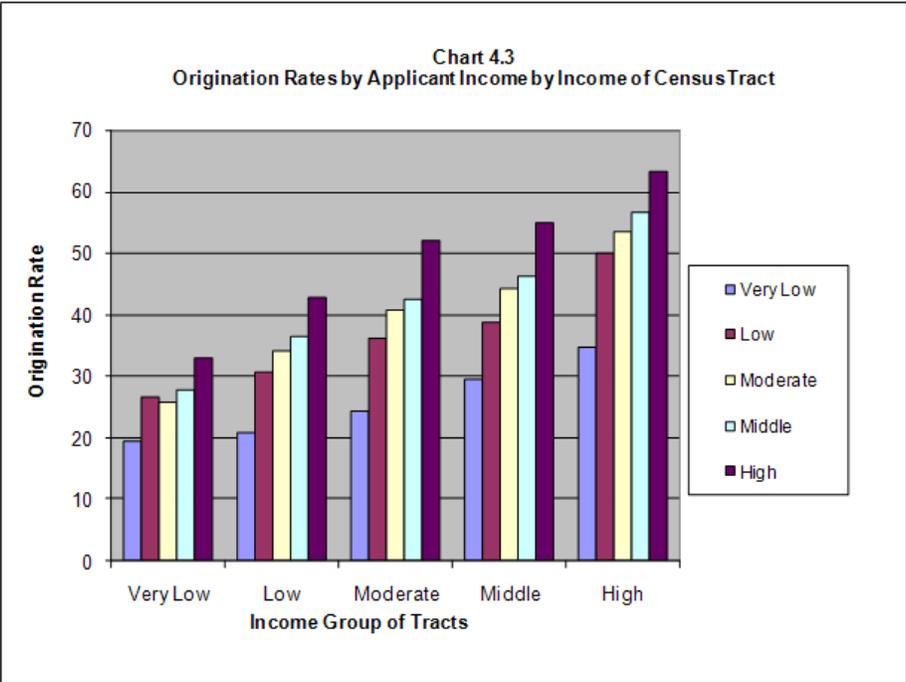
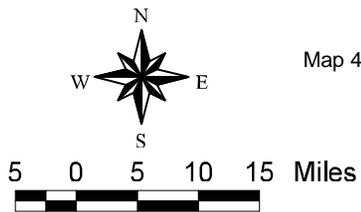
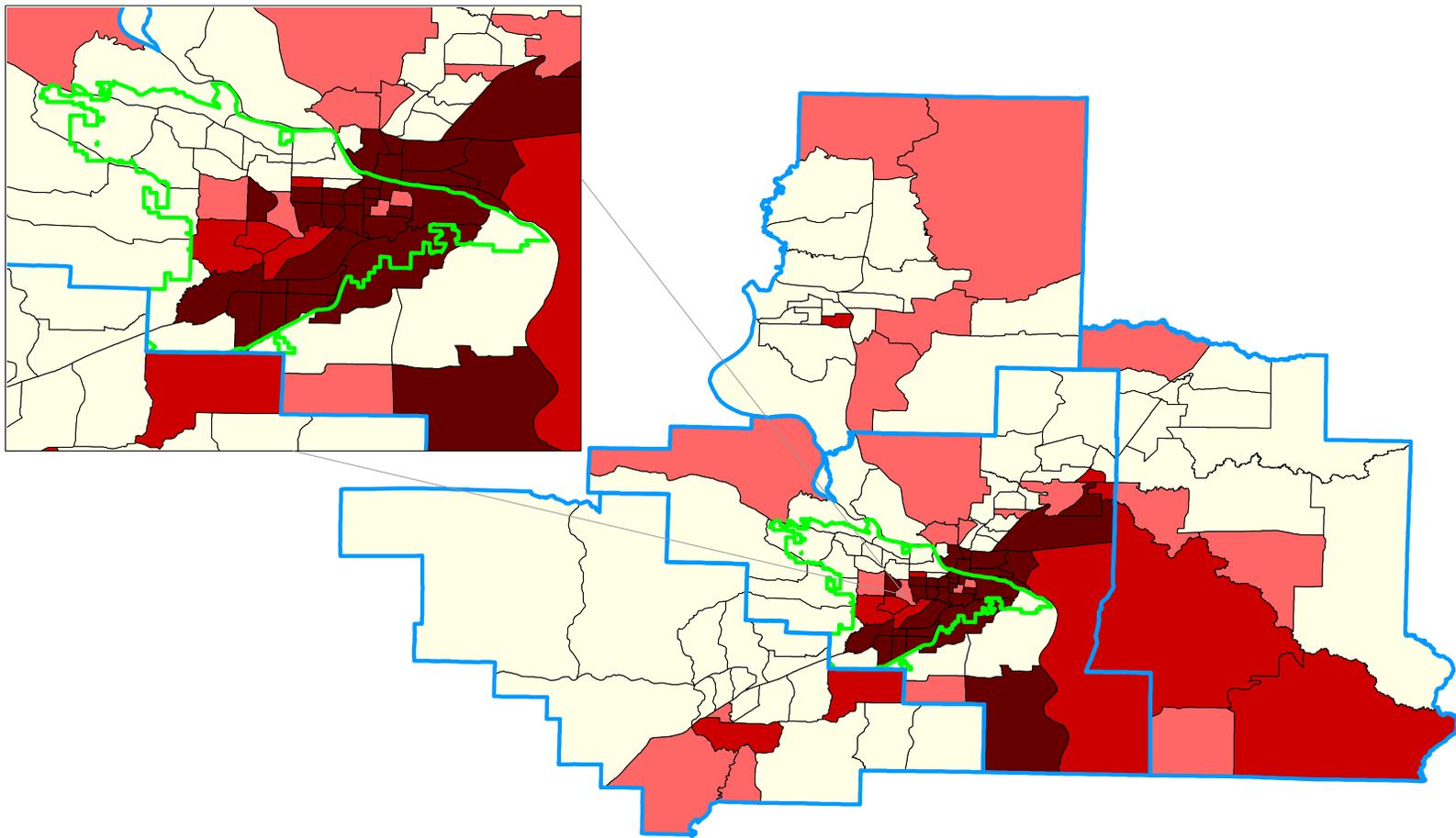


Chart 4.2
Origination Rates by Ethnicity by Income of Census Tract





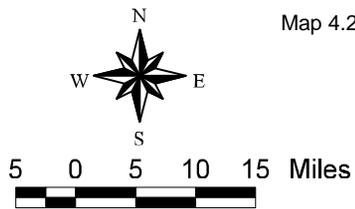
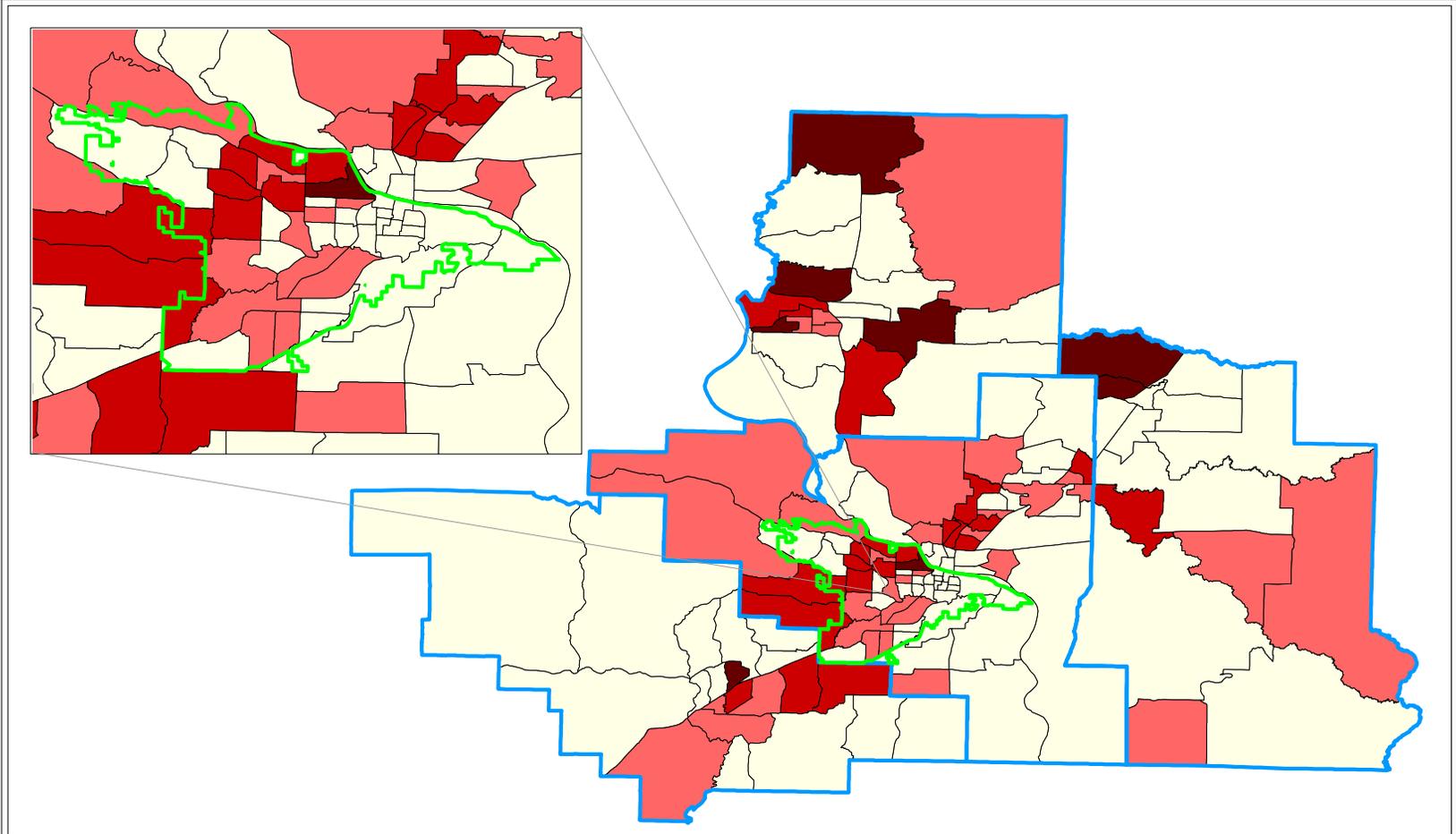


Map 4.1: **Ratio of All Loan Types Denials to Originations, 1997-2006**

Little Rock-North Little Rock MSA, Arkansas

-  County Boundaries
-  Little Rock City Limits
- Census Tracts
-  0 - 0.5
-  0.501 - 0.75
-  0.751 - 1
-  1.001 - 2.805



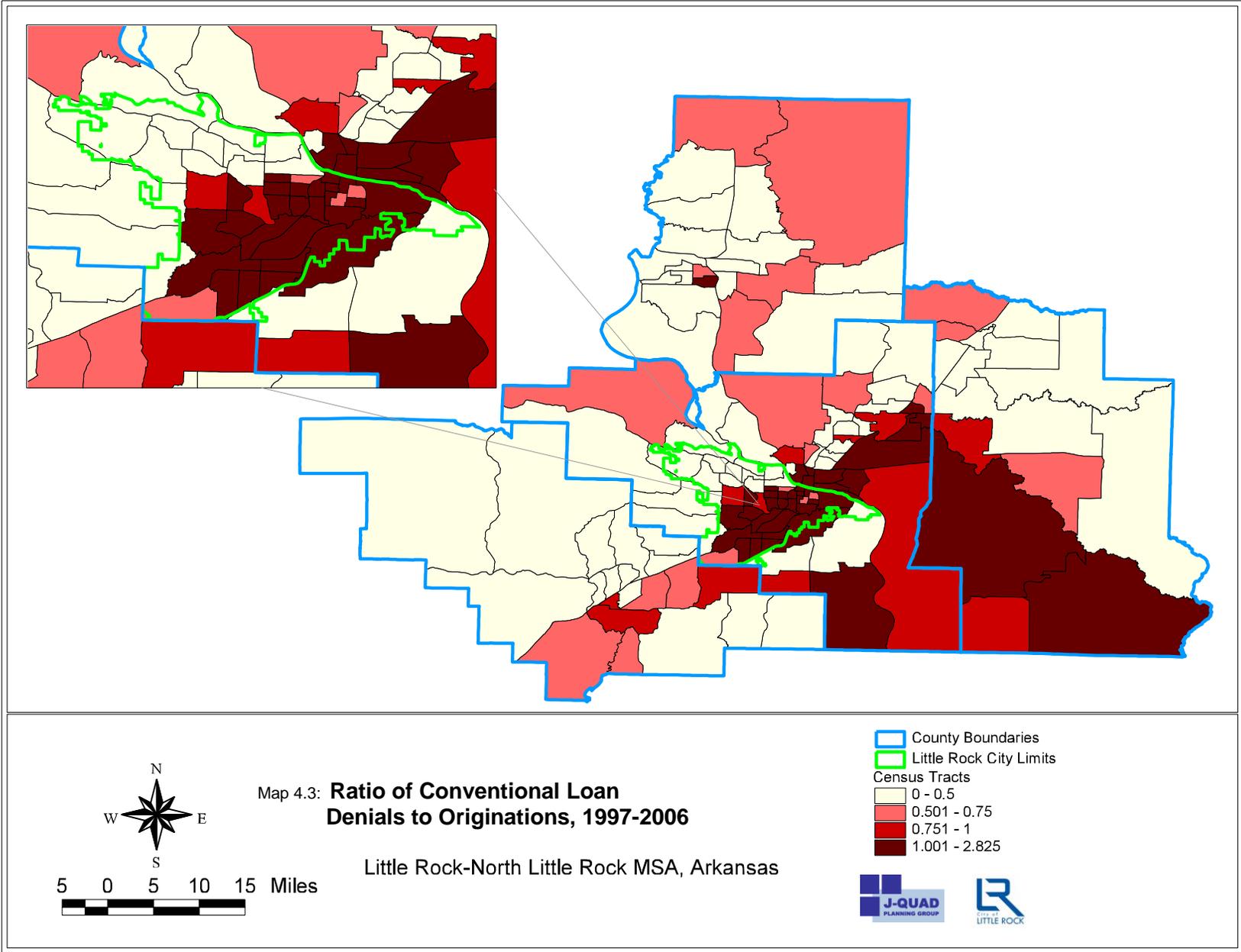


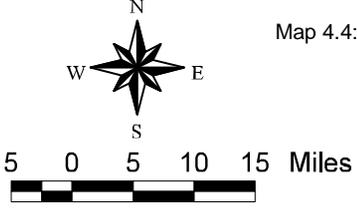
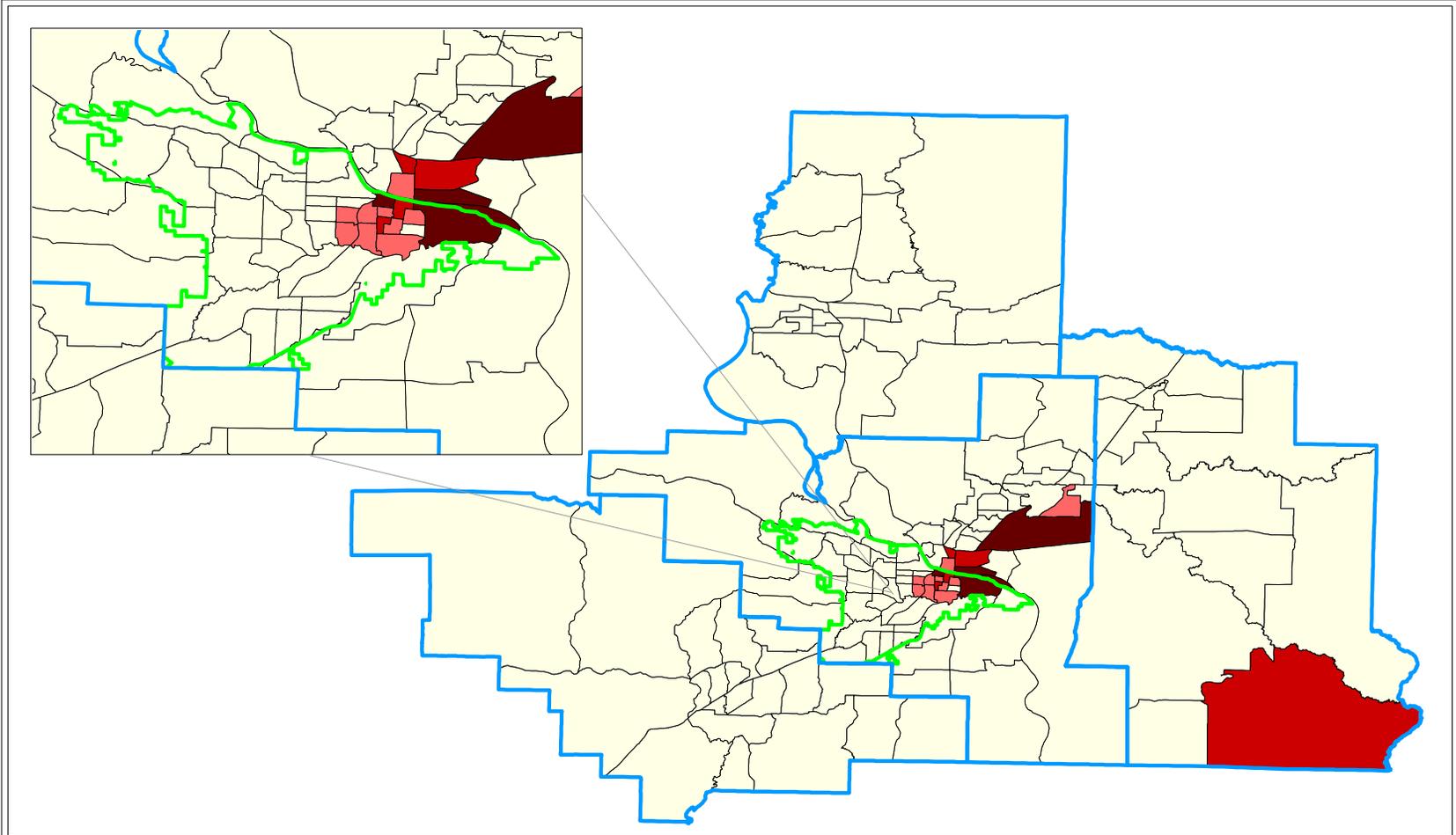
Map 4.2: **Total Number of Loan Applications, 1997-2006**

Little Rock-North Little Rock MSA, Arkansas

-  Little Rock City Limits
-  County Boundaries
- Total Number of Loans**
-  0 - 600
-  601 - 1,200
-  1,201 - 2,400
-  2,401 - 5,414





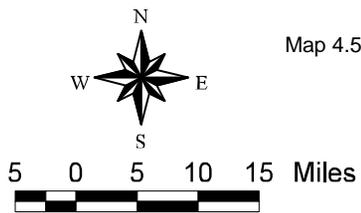
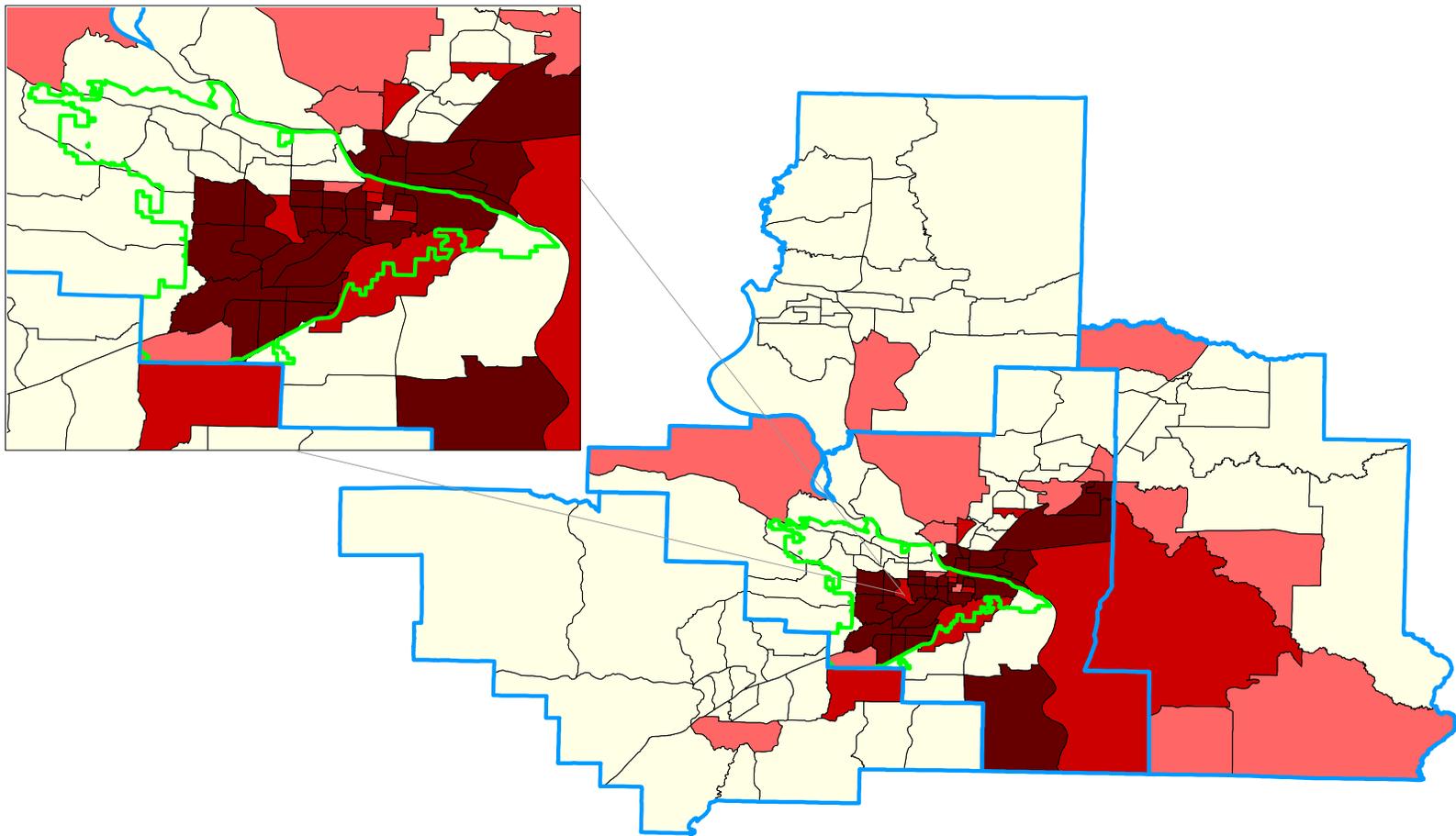


Map 4.4: **Ratio of Government Backed Loan Denials to Originations, 1997-2006**

Little Rock-North Little Rock MSA, Arkansas

- County Boundaries
- Little Rock City Limits
- Census Tracts
- 0 - 0.5
- 0.501 - 0.75
- 0.751 - 1
- 1.001 - 3



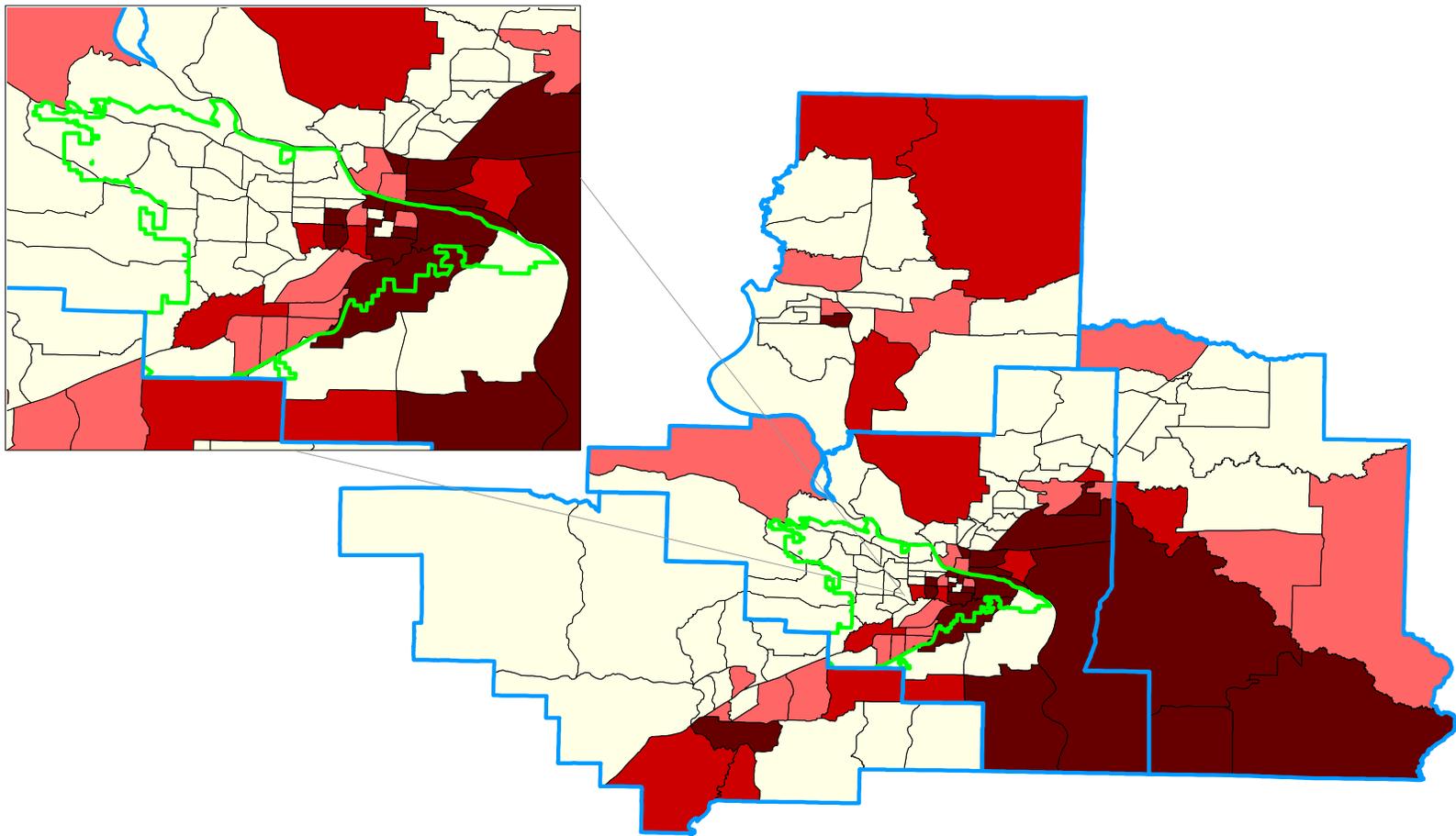


Map 4.5: **Ratio of All Home Improvement Loan Denials to Originations, 1997-2006**

Little Rock-North Little Rock MSA, Arkansas

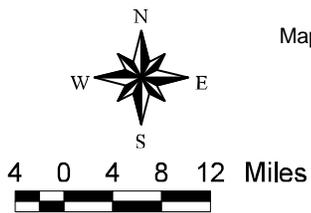
- County Boundaries
- Little Rock City Limits
- Census Tracts
- 0 - 0.5
- 0.501 - 0.75
- 0.751 - 1
- 1.001 - 2.583





Map 4.6: **Ratio of Home Purchase Loan Denials to Originations, 1997-2006**

Little Rock-North Little Rock MSA, Arkansas



-  County Boundaries
-  Little Rock City Limits
- Census Tracts
-  0 - 0.5
-  0.501 - 0.75
-  0.751 - 1
-  1.001 - 3.638



Section 5: Fair Housing Index

Introduction

The Fair Housing Index is a measure developed specifically for Analyses of Impediments to Fair Housing. The index combines the effects of several demographic variables from the U.S. Census and Home Mortgage Disclosure Act (HMDA) data, and maps the results for all census tracts in the Little Rock-North Little Rock Metropolitan Statistical Area (MSA). Data for ten variables, shown in the Fair Housing Index table are standardized and added to classify the conditions in various census tracts into degree of problems that may cause impediments to fair housing choice. The map provides a general indication of geographic regions within Little Rock where residents may experience some level of housing discrimination or have problems finding affordable, appropriate housing. The methodology discussion is highly technical and contains statistical techniques that may be beyond the statistical experience of some readers.

5.1. Methodology

Data for ten variables were gathered, by census tract, for analysis. These ten variables were: percent minority, percent female-headed households with children, median housing value, median contract rent, percent of the housing stock constructed prior to 1960, median household income, percent of the population with less than a high school degree, percent of the workforce unemployed, percent using public transportation to go to and from work, and the ratio of loan denials to loan originations for 1997 through 2006 from the Home Mortgage Disclosure Act (HMDA) report published by the Federal Financial Institutions Examination Council. With the exception of the HMDA data, all data were found in the 2000 U.S. Census of Population and Housing. Each variable contained data for every census tract in the city as defined by the 2000 U.S. Census.

When the database was complete, Pearson correlation coefficients (a statistical measure that indicates the degree to which one variable changes in relation to changes in another variable and range in value from -1 to 1) were calculated to assure that all variables displayed a high relationship to each other. It is important, in this type of analysis, that the variables selected are measuring similar aspects of the population. The results of the calculations showed that all variables displayed moderate to high degrees of correlation with other variables in the model, ranging up to 0.8225.

Once the relationship of the variables was established, each variable was standardized. This involves calculating a Z-score for each record by variable. For instance, for the variable percent minority, a mean and standard deviation were calculated. The mean for the variable was subtracted from data for each census tract and divided by the standard deviation. The result was a value representing the distance that the data point lay from the mean of the variable, reported in number of standard deviations. This process allows all variables to be reported in the same units (standard deviations from the mean) and, thus, allows for mathematical manipulations using the variables.

When all variables were standardized, the data for each census tract were summed with negative or positive values given to each variable to assure that effects were being combined. For instance, in a fair housing environment, high minority concentrations raise suspicions that there may be problems relative to housing conditions and housing choices in the area based on correlations between these variables found in the census data. Therefore, the percent minority variable would be given a negative value. Conversely, in areas of high housing values, the current residents are likely not having problems with fair housing choice. High housing value, therefore, would be assigned a positive value. Each variable was considered in this light and assigned an appropriate sign, thus combining effects. This new variable, the total for each census tract, was then standardized as described for the original ten variables above.

The standardized form of the total variable provides a means of identifying individual census tracts where fair housing choice is at high risk due to demographic factors most often associated with housing discrimination. With the data presented in standardized form, the results can be compared to the standard normal distribution, represented by a bell curve with a mean of 0 and a standard deviation of 1. The analysis shows extreme problem areas as those census tracts with standard scores below -2.00 . Scores between -1.99 and -1 are designated problem areas. Scores between -0.99 and 0 are reported as below average and above 0 as above average. The results are summarized in the following section.

It should be emphasized that the data used to perform this analysis do not directly report fair housing violations. The data were utilized in order to measure potential problems based on concentrations of demographic groups who most often experience restrictions to fair housing choice. Areas identified as having extreme problems are those where there is a high concentration of minorities, female-headed households, unemployment, high school dropouts, low property values, and, most likely, are areas where a large proportion of loans (conventional home mortgages, FHA or VA home mortgages, refinance, or home improvement) have been denied.

Included following the map is the correlation table (Table 5.1). MedValue is the median home value according to the 2000 census. MedRent is the median contract rent. XMinority is the percent minority. XFemHH is the percent female-headed household. XPre60 is the percent of housing built prior to 1960. MedHHI is the median household income. XLessHS is the percent of the population 25 years of age and older that has less than a high school degree. XUnemp is the unemployment rate for the population aged 16 and older considered being in the labor force. XPubTrans is the percent utilizing public transportation to get to and from work. AllRat is the ratio of denials to originations from the HMDA data from 1997 to 2006.

5.2. Findings

Looking first at the correlation table (Table 5.1), several high correlations are worth noting. First, the home loan denial to origination rate has a high correlation to percent minority (0.7666). This means that the home loan origination rate tends to be lower in the areas with high concentrations of minorities. The denial to origination rate has moderate positive correlation with the percentage of population with less than high school education (0.6833) and negative correlation with median household income (-0.6727). These results indicate that the persons with less than high school education and lower income households tend to have lower home loan origination rates.

Second, the correlation between percentage minority and percentage female-headed households with children is high and positive (0.8123), meaning that the minority community has a higher rate of female-headed households with children than the non-minority community. The median household income has a moderate negative correlation with percentage of female-headed households (-0.6097) and the percentage of minority (-0.6843) which indicates that minorities and female-headed households with children tend to have lower median household income.

The percentage not graduating from high school has a strong, negative correlation to median household income (-0.7593). Non-high school graduates live in much lower value housing, both owned (-0.7386) and rental housing (-0.6419). Less than a high school degree is also relatively highly correlated with percent minority (0.6198).

As indicated on Map 5.1, the census tracts designated as having extreme problems are concentrated in the central and eastern census tracts of Little Rock.

These areas of greatest concern contain the oldest housing stock, most likely in poor condition, with lower housing values and rents, and are primarily occupied by minority households that have higher percentages of households headed by females with children than that of other census tracts or areas. There is a higher than average unemployment rate and lower than average level of educational attainment.

Map 5.1: Fair Housing Index

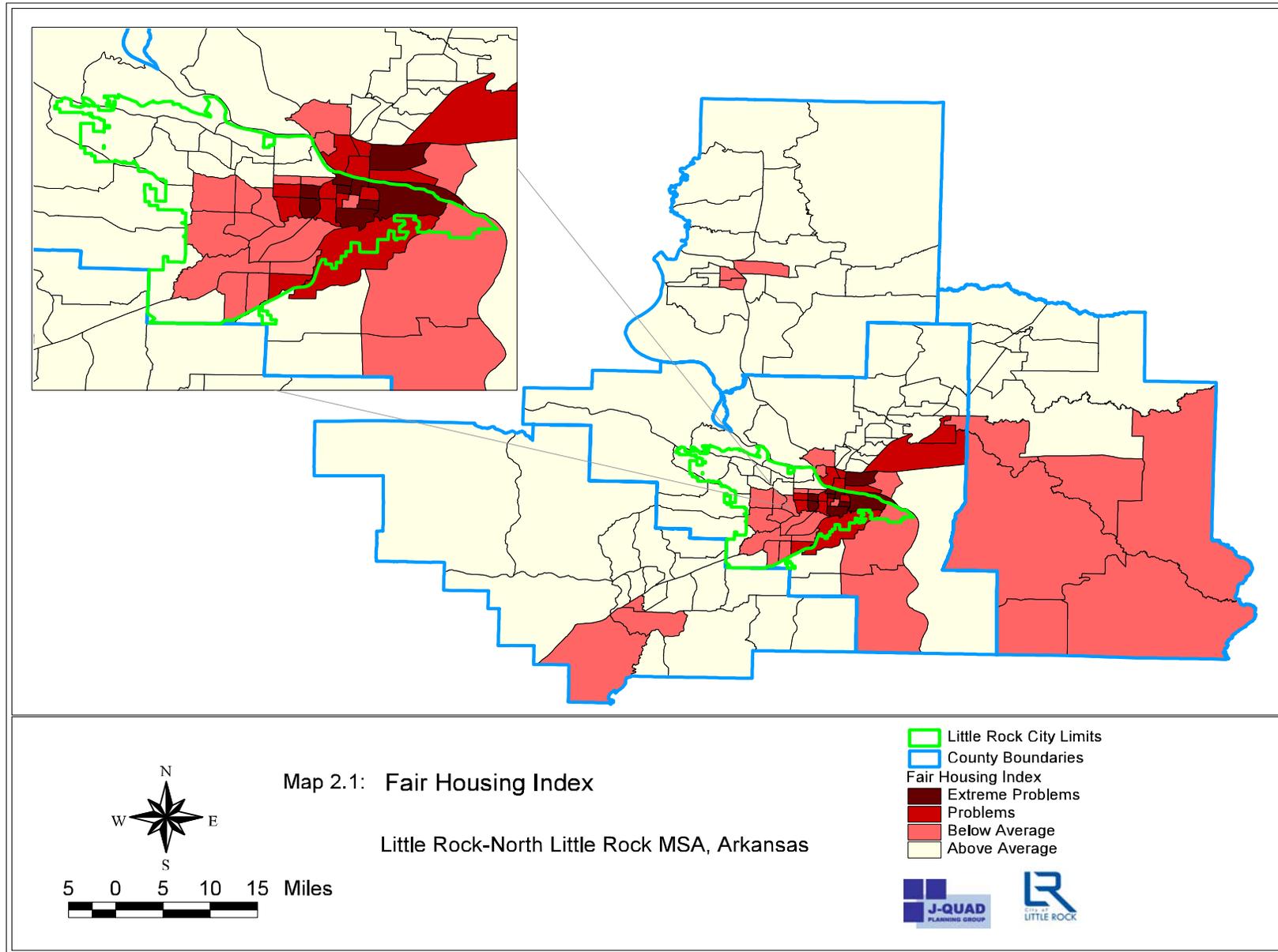


Table 5.1

Correlation Table of Index Variables

	AllRat	XPubTrans	XLessHS	XUnemp	MedHHI	XPre60	MedRent	MedValue	XMinority	XFemHH
AllRat	1.0000									
XPubTrans	0.6947	1.0000								
XLessHS	0.6833	0.4298	1.0000							
XUnemp	0.5325	0.5504	0.4709	1.0000						
MedHHI	-0.6727	-0.4998	-0.7593	-0.5205	1.0000					
XPre60	0.5957	0.6117	0.4895	0.3950	-0.5946	1.0000				
MedRent	-0.4748	-0.2481	-0.6419	-0.2947	0.6260	-0.2214	1.0000			
MedValue	-0.6275	-0.3498	-0.7386	-0.3488	0.8225	-0.4014	0.6749	1.0000		
XMinority	0.7666	0.6389	0.6198	0.5630	-0.6843	0.5855	-0.3394	-0.5328	1.0000	
XFemHH	0.5933	0.3595	0.4824	0.4332	-0.6097	0.3048	-0.3757	-0.5149	0.8123	1.0000

Variable	Definition
XFemHH	% Female Headed Households, 2000
XMinority	% Minority, 2000
MedValue	Median Home Value, 2000
MedRent	Median Contract Rent, 2000
XPre60	% of Housing Built Prior to 1960
MedHHI	Median Household Income, 2000
XLessHS	% Less than High School Degree, 2000
XUnemp	% Unemployed, 2000
XPubTrans	% Taking Public Transportation to Work, 2000
AllRat	Ratio of Home Loan Denial to originations, All Loan Types, 1997 - 2006

Section 6: Impediments to Fair Housing and Remedial Actions

Introduction

This section draws on the information collected and analyzed in previous sections to provide a detailed look at fair housing impediments in Little Rock. Five major categories of impediments were analyzed: Real Estate Impediments; Public Policy Impediments; Neighborhood Conditions as Impediments; Banking, Finance, and Insurance Related Impediments; and Socioeconomic Impediments. For each impediment identified, issues and impacts are detailed. Remedial actions are suggested to address each impediment. Some of the remedial actions recommended in this section are conceptual frameworks for addressing the impediments. These actions will require further research, analysis, and final program design by the City of Little Rock for implementation.

Evaluating fair housing is a complex process involving diverse and wide-ranging considerations. The role of economics, housing markets, and personal choice are important to consider when examining fair housing. The effects on persons of a particular race, ethnicity, or members of the protected classes under fair housing law are comparatively analyzed to determine any disparities. Little Rock has relatively few impediments to fair housing. However, some issues were identified.

The City of Little Rock's commitment to furthering affordable housing through planning and CDBG/HOME program design and implementation is noteworthy. These efforts will continue to improve and help maintain stability, and strengthen its older and lower income areas. The City and its nonprofit partners are encouraged to expand these efforts into other neighborhoods as a primary means of expanding fair housing choice. The impediments identified in this section can be directly linked to and supported by data and analysis from the previous sections. In some instances, footnotes have provided links to the corresponding sections should the reader need to refer to those sections for more details.

6.1 Real Estate Impediments

Impediment: Lack of Affordability and insufficient Income.

Issues: Lack of affordability, that is households having inadequate income to acquire housing currently available in the market, may be the most critical impediment faced by the people of Little Rock. According to the 2000 Census data, the median home value for the single-family houses in the city was \$87,300 and the median contract rent was \$456 in 2000.¹ The average income required to qualify for a mortgage based on the year 2000 median home price of \$87,300 is approximately \$20,000 to \$25,000 in household income. When you factor in housing related expenses other than mortgage payments such as taxes, insurance, and utilities, home ownership is not attainable to many in the City with approximately 23.8 percent of White person households, 47.6 percent of African American households, 37.2 percent of Hispanic households earning less than \$25,000 in annual income. The disparity in income among the three major races/ethnicities also means that obtaining housing at any cost based on the current market will be difficult for many minorities. In 2008, the modal income class, the income class with the highest number of households, for Whites was in the \$50,000 to \$74,999 with 19% of households in that income range and the median income for whites was \$58,175. However the most frequently reported income for African-American households was the \$15,000 to \$24,999 range with 19% percent of African-American households earning this range and a median income of \$32,937. Among Hispanic households, the most frequently reported income was the \$35,000 to \$49,999 range with 22.2 percent of households earning this range and a median income of \$32,426.

While the supply of housing is slightly increasing, home-ownership is declining among minority households further demonstrating the

affordability issue faced by some consumers. According to the Census estimates, Little Rock had 84,888 housing units in 2000. The total number of housing units in the City had increased 4.8 percent between 1990 and 2000. Of the total number of housing units in 2000, approximately 53 percent were owner-occupied, 39 percent were renter-occupied, and the remaining 8 percent were vacant. The vacancy rate in the city decreased 3.0 percentage points between 1990 and 2000. The homeownership rate for Whites was 65.8% compared to 45.3 percent for African Americans and 33.6 percent for Hispanic households in 2000.

We therefore have identified a shortage of affordable housing in standard condition as a primary impediment to fair housing in Little Rock. A wide range of interconnected issues influence the development of affordable housing. These issues include the rapidly rising cost of land, materials, and construction; development fees; or the investment needed to rehabilitate substandard housing. This combination of rising costs and the lack of affordability, particularly among minorities, lower income groups, elderly and renters have made attainable housing harder to secure. Focus group participants voiced particular concern that the supply of affordable homes for working families were in short supply in the areas where they are needed which is only adding to the overall affordable housing shortage.

Impacts: Affordable housing impacts the structure and stability of neighborhoods. Income diversified neighborhoods and neighborhoods that are accessible to a mix of incomes have shown a greater potential to maintain themselves as a viable community. That is, people are most likely to maintain housing they own or when it is their housing of choice. In 2000, there was a 2.0 percent increase in persons owning their own

homes². However, homeownership rates for minorities lagged far below that of Whites. Contributing to the city's lower minority homeownership rate, is the fact that a large percentage of households still lack sufficient income to buy housing of their choice in Little Rock or in areas of the City they desire to live. The lack of income to buy housing limits housing choice and, to the extent that household income correlates to housing value, this limitation is even greater³. The Census data reveals higher percentages of minorities fall into lower income groups whose household incomes are insufficient to qualify for the median priced home in Little Rock⁴. An analysis of household income and cost burden suggests that there is a strong need for additional affordable housing to meet the needs of lower-income households in the City. Without adequate affordable housing lower income and minority households have also shown higher incidents of cost burdened with regard to their monthly mortgage (principal, interest, taxes, insurance, and utilities) or rent payments⁵. According to Community Profile in year 2000, about 75 percent of low-income renter-occupied households are paying more than 30% of their income for housing, and 55.7 percent of low-income owner-occupied households paid more than 30% of their household income on housing expenses.

Remedial Actions: Little Rock should continue to work with local banks, developers and non-profit organizations to expand the stock of affordable housing. The City has had success with its partnerships with banks and

² According to the 2000 Census the homeownership rate for the City of Little Rock was 52.4 percent, an increase of 2.0 percent from 1990's homeownership rate of 50.4 percent page, 21 of the Community Profiles.

³ Fair Housing Index Table 5.1 on page 84, shows a strong correlation between lower income groups relative to housing values and rents.

⁴ According to the 2000 Census, Table 1.3 page 11, about 11.2 percent of White households, 26.6 percent African-American households, and 21.6 percent of Hispanic households earned less than \$15,000 in 2000.

⁵ According to Comprehensive Affordability Strategy (CHAS) data, Table 1.11 on page 29 of the Community Profile in year 2000, 75 percent of low-income renter-occupied households are 30% cost burdened, and 55.7 percent of low-income owner-occupied households paid more than 30% of their household income on housing expenses. Also 67.4 percent of very-low income renters and 71.6 percent of homeowners paid more than 30 percent of their income for housing expenses.

non profits in leveraging additional funding for affordable housing from the institutions such as Federal Home Loan Bank of Dallas. A continuation of these efforts should increase the production of new affordable housing units and assistance toward the purchase and renovation of housing in existing neighborhoods. Greater emphasis should also be placed on capacity building and technical assistance initiatives aimed at expanding non-profit, faith based organizations and private developers' production activities in the City. Alternative resources for housing programs should be sought from Fannie Mae, U.S. Department of Treasury Community Development Funding Institution (CDFI) program, and other state and federal sources.

It is recommended that the City aggressively seek resources and explore opportunities to expand funding for its first time homebuyer mortgage assistance program. This would support eligible person in the market in acquiring affordable housing within the community and support those responsible for providing financing and engaged in affordable housing development.

In an effort to expand local resources, we also recommend that the City Board of Directors initiate an effort to research and consider one particular policy change, inclusionary zoning, as one alternative means of promoting balanced housing development. Inclusionary zoning has been used in other communities to ensure that some portion of new housing development is affordable. As housing prices rise, low to moderate-income residents may be displaced or unable to afford new housing in mixed income areas of the City without the use of Inclusionary Zoning provisions. Mixed-income housing broaden access to services and jobs and provide opportunities for lower-wage earning families to buy homes in appreciating housing markets and, as a result, accumulate wealth.

Inclusionary Zoning, also known as **inclusionary housing**, can be implemented by enacting provisions in the local Zoning or Development Ordinances that require a given share of new construction houses be affordable to people with low to moderate incomes. The term *inclusionary* zoning is derived from the fact that these ordinances seek to counter *exclusionary* zoning practices which aim to exclude affordable housing from a jurisdiction through the zoning code. In practice, these policies involve placing restrictions on 10% - 30% of new houses or apartments in a given development in order to make the costs of the housing affordable to lower income households. The mix of "affordable" and "market-rate" housing in the same neighborhood is seen as beneficial by many, especially in jurisdictions where housing shortages have become acute. Inclusionary Zoning is becoming a common tool for local jurisdictions in the United States to help provide a wider range of housing options than the market provides on its own. The zoning code must be amended to include this provision and can also be applied when residential planned unit development zoning is requested. Implementation is triggered at the building permitting phase. Inclusionary Zoning could increase the resources for affordable housing through private developer built units or developer dollars allocated in lieu of building units. Inclusionary Zoning could also generate additional resources for affordable housing since the federal grant programs cannot address all of the City's needs for affordable housing. Based on the current level of build out in the City and limited development opportunities, it is recommended that the City consider Inclusionary Zoning in its future development plans, particularly in areas such as Lake Hamilton.

Inclusionary Zoning Ordinances vary substantially between jurisdictions. These variables can include:

- Mandatory or voluntary ordinance. While many cities and counties require inclusionary housing, many more offer zoning bonuses, expedited permits,

reduced fees, cash subsidies, or other incentives for developers who voluntarily build affordable housing.

- A percentage of units dedicated as inclusionary housing. This varies quite substantially between jurisdictions, but appears to range between 10-30%.
- Minimum size of development that the ordinance applies. Most jurisdictions exempt smaller developments, but some require that even developments incurring only a fraction of an inclusionary housing unit pay a fee.
- Whether inclusionary housing must be built on site. Some programs allow housing to be built nearby, in case of hardship.
- Whether fees can be paid in lieu of building inclusionary housing. Fees-in-lieu allow a developer to "buy out" of his/her inclusionary housing obligation. This may seem to defeat the purpose of inclusionary zoning, but in some cases the cost of building one affordable unit on-site could purchase several affordable units off-site.
- Income level or price defined as "affordable," and buyer qualification methods. Most ordinances seem to target inclusionary units to low- or moderate-income households, earning approximately the regional median income or somewhat below. Inclusionary housing typically does not create housing for those with very low incomes.
- Appearance and integration of inclusionary housing units. Many jurisdictions require that inclusionary housing units be indistinguishable from market-rate units, but this can increase costs.
- Longevity of price restrictions attached to inclusionary housing units, and allowable appreciation. Ordinances that allow the "discount" to expire essentially grant a windfall profit to the inclusionary housing buyer, preventing that subsidy from being recycled to other needy households. Therefore, many programs restrict annual price appreciation, often tying it to inflation plus market value of home improvements, striving to balance the community's interest in long-term affordability with the homeowner's interest in accruing equity over time.

The City, in coordination with the Chamber of Commerce, should encourage major employers and lenders to consider Employer-Assisted Housing (EAH) programs, encouraging employers to work with employees in their efforts to purchase housing. In some instances, the City and the Chamber will have to help raise the awareness among local employers and increase their understanding that not all wage levels permit ready entry into homeownership, without some sort of subsidy. This is important in that the private sector and employment community often view the use of subsidies to help low to moderate income households achieve homeownership as a public responsibility. In reality, with limited resources, the city government can only assist a small percentage of those in need. The Chamber can play a critical role in researching this issues and encouraging local businesses, Little Rock School District, universities and local hospitals to consider implementing such programs for their employees. Employer-Assisted Housing programs benefit employers, employees, and the community. Employers benefit through greater employee retention. Employees receive aid to move into home-ownership. Ultimately, communities benefit though investment in the neighborhoods where the employers and employees are located. The most common benefits provided by employers are grants, forgivable loans, deferred or repayable loans, matched savings, interest-rate buy downs, shared appreciation, and home-buyer education (provided by an employer-funded counseling agency). Successful EAH programs use a combination of some of the benefits listed above. One program that has met with success was developed by Fannie Mae, which not only has their own EAH program, but also helps employers implement EAH programs. Fannie Mae's own EAH program has made it possible for 2,200 of its employees to become homeowners. The City of Waco, Texas has implemented an EAH program and made it eligible to all city employees.

6.2 Public Policy Impediments

Impediment: Increased public awareness of fair housing rights and local fair housing legislation should be evaluated.

Issues: The City of Little Rock has not enacted a local Fair Housing Ordinance. The State of Arkansas enacted the Arkansas Fair Housing Act in 1995. The State Act contains all of the requisite provisions to pass HUD's scrutiny as a substantially equivalent law. The Arkansas Fair Housing Commission was established under the legislation and has been designated as an enforcement program substantially equivalent to that provided by federal legislation. The Director of the Arkansas Fair Housing Commission receives complaints, and is responsible for investigating the complaint and attempting to conciliate the dispute. The Arkansas Fair Housing Commission was added to the list of FHAP agencies in August, 2003. The City of Little Rock is part of the enforcement geography afforded enforcement coverage by the State of Arkansas Fair Housing Commission. While the current system provides an acceptable process for filing and investigating fair housing complaints, local fair housing legislation would be an important step toward raising local awareness and establishing more effective local Fair Housing Policy. We therefore recommend the City consider enacting local legislation and continue its utilization of and support to the Arkansas Fair Housing Commission for enforcement, education and outreach.

Fair housing complaint information was received from the U.S. Department of Housing and Urban Development. The data provides a breakdown of complaints filed for Little Rock from August 1, 2006 through July 31, 2010. One hundred twenty one complaints were filed according to one or more of seven bases, including; National Origin, Color, Religion, Familial Status, Handicap, Sex, and Race. Of the 121 complaints, 40

cases were closed with a satisfactory resolution and 27 withdrawn after resolution. However, 40 cases resulted in a no cause determination.

The 121 HUD reported complaints for Little Rock represents a steady increase in the number of complaints since the State Fair Housing Commission began its enforcement and outreach efforts. While we were unable to determine what factors attributed to the increase number of complaints, we are encouraged that the public's improved awareness relative to their fair housing rights may be a major contributing factor.

Impacts: Most communities benefit greatly from having local fair housing law and local enforcement, marketing and outreach. The City of Little Rock appears to have benefited from the State having received FHAP and FHIP funding from HUD for its Fair Housing Commission to enhance its program, enforcement and outreach. With little knowledge of their rights, potential buyers or tenants may not realize that their rights have been violated or how to seek remedies offered by federal and state enforcement agencies.

Remedial Actions: The City should consider increasing its fair housing education and outreach in an effort to raise awareness and increase the effectiveness of its local fair housing ordinance. Other alternatives for increasing awareness and effectiveness of fair housing include providing local enforcement. However, community development resources are limited and therefore local enforcement would necessitate the City applying for federal funds for investigation and enforcement and expansion of outreach and education. We do not recommend this approach at the current time assuming the State Fair Housing Commission continues its' services in the local jurisdiction. The City should increase its efforts toward providing outreach and education and referral of complaints to HUD for investigation and enforcement. The City

should target some of its fair housing education and outreach to the rapidly growing Hispanic and immigrant populations. The City should organize fair housing workshops or information sessions to increase awareness of fair housing rights among these populations, who are more likely to be entering the home-buying or rental markets.

6.3 Banking, Finance, Insurance and other Industry related impediments

Impediment: Impacts of the Subprime Mortgage Lending Crises and increased Foreclosures.

Issues: The housing foreclosure rates across the country continue to soar and the impacts are being felt in Arkansas as well. Numerous web sites are providing numerical counts and locations for homes with foreclosure filings across the country and for jurisdictions in the State of Arkansas. RealtyTrac.com shows 770 properties in foreclosure for Little Rock and 11,856 properties foreclosure for the State of Arkansas in October 2010.

The rise in foreclosures may relate to the rise and fall of subprime lending market. Subprime lenders offer loans to less-creditworthy borrowers, borrowers that lack sufficient down-payments to afford the property, and risk based borrowers that speculate on the real estate market by acquiring real estate with no equity investment/down-payment in hopes that the property will appreciate in value over a short period of time. These loans are generally offered at higher interest rates or through products involving adjustable interest rates and balloon payments. When the borrower cannot meet the increased mortgage payment they default and the property goes into foreclosure.

Neighborhood Housing Services, NHS, and Neighbor Works America are two national housing intermediaries that have created innovated programs in Chicago, Baltimore, and New York City designed to reduce the impacts of foreclosures and subprime lending in those affordable housing markets.

Remedial Actions:

The City of Little Rock should continue pursuing HOME and Neighborhood Stabilization Program (NSP) funding as it becomes available to provide home buyer assistance. Some of the buyers that will be eligible for these funds will likely face the issues of foreclosure. The City, if successful in obtaining additional funding, should consider expanding its program goals to consider initiatives that reduce mortgage defaults and foreclosure rates among low and moderate income home buyers.

The City should work with the State, National Non-Profit Housing Intermediaries and HUD to develop a program and identify funding that can help reduce the mortgage default rate and foreclosure rates among low and moderate income home buyers and existing home owners. The program should consider the following as features of such an initiative.

Develop a loan default prevention program based on providing counseling to affected borrowers, assistance with identifying alternative products that helps borrowers avoid subprime lending, and assistance with re-negotiation for more favorable terms for borrowers with subprime loans. This program would identify government assistance programs that also serve to assist distressed borrowers.

Evaluate the feasibility of creating a maintenance and replacement reserve account for affordable home buyers assisted with the City's federal funds to insure that funds are escrowed to help cover the cost of major repairs.

Evaluate the feasibility of creating a mortgage default and foreclosure prevention account for affordable home buyers assisted with federal funds to insure that funds are escrowed to help cover the cost of unexpected income/job loss and to write down interest rates.

Evaluate the feasibility of creating and implement post purchase support programs in conjunction with non profit development partners to provide housekeeping and preventive maintenance training, and organize neighborhood programming such as associations, crime watch and other initiatives aimed at strengthening and maintaining neighborhood stability.

Impediment: Low number of loan originations and approvals from minorities.

Issues: A look at the Home Mortgage Disclosure Act data for Little Rock indicates that the overall experience of minority groups within the home mortgage loan market differs from that of Whites. We recognize that removal of this impediment is not solely within the control of the government, and that finance industry policies, consumer credit worthiness, and economic trends all impact this issue. However, it is possible that the City could play a dual role of providing programming and leadership to help resolve the problem. The continuing disparity between the loan origination rates among White applicants and minorities, and the extent to which the aforementioned factors contribute to their denial rates must be addressed. This is evidenced in our HMDA analysis that shows African Americans and Hispanics accounting for the second and third highest percentages of the City's population in year 2000 at 40.4 and 2.7 percent respectively, while their percentages of home loan originations were 20.7 percent and 0.8 percent of total originations, much lower compared to their percentage of population in the City.⁶ In 2000, Whites

⁶ HMDA Table 4.2 page 67

were 54 percent of Little Rock's population, and accounted for 47,469 home loan originations and 62.2 percent of total originations. This compared to 628 originations for Hispanics, and 15,803 originations for African Americans. Origination percentages for all types of home loan applications combined, including refinance and home improvements, were higher for Whites when compared to minority applicants.⁷ It should be noted that as of 2007, there have been even further increases in the minority population as a percentage of Little Rock's total population, widening the disparity in lending.

Impacts: The lower percentage of loan applications among minority groups and lower income households indicates that fewer minority households are purchasing homes or improving housing conditions. Disparity in lending practices suggests that a higher proportion of Hispanic and African American households will remain renters, thereby limiting the potential for these citizens to build equity through homeownership opportunities. Higher percentages of lower income groups and minority households also tend to live in older housing stock in the City. A lack of home improvement loans and a higher percentage of renters among low income households in minority concentrated areas suggest that persons living in such areas are not likely to receive improvements to the home they are living in and therefore more likely to be living in substandard housing. This leads to the further deterioration of the housing stock and the evolution of minority concentrated neighborhoods. These factors combined reduce the chance that a neighborhood sustain itself and its resident can provide the homeowner and rental maintenance necessary to maintain stable neighborhoods.

⁷ HMDA Analysis Table 4.4 page 69, which compared all loan purposed applications by race and ethnicity resulted higher origination rate for White applicants compared minorities.

Remedial Actions: Little Rock should continue to pursue additional funding for homebuyer assistance and outreach and education efforts in order to increase the number of minorities who apply for and receive approval for mortgage loans. The City should encourage financial institutions and mortgage companies to expand their homebuyer support services to more people as a means of improving the origination rates among minorities. The City could help raise the awareness of this concern by discussing the findings in this study relative to the HMDA data with lending institutions and by encouraging lenders to develop strategies to improve the success rate among minority loan applicants.

Financial literacy is an important factor in the successful management of personal finances, which sets the stage for all of life's important purchases such as house, car, etc. A well ordered personal budget prepares households to qualify with the best credit terms, eliminates the major obstacles in the home buying process, and enables households to build equity through homeownership. An early start in managing personal finances can prepare an individual for those major purchases. Little Rock should encourage lenders and the Little Rock School District to expand homeownership and credit counseling classes as part of the high school curriculum in order to help prevent credit problems rather than attempting to correct credit profiles in order to successfully qualify an applicant for a home loan origination.

One example is a program launched by the Texas Credit Union Foundation, the Texas Cooperative Extension, and the National Endowment for Financial Education (NEFE) on March 29, 2007 in Dallas, Texas. Project NEFE is part of a statewide collaborative initiative to bring the accredited High School Financial Planning Program along with comprehensive training to schools across Texas, all free of charge. Signed into law in 2005 by Gov. Rick Perry, House Bill 492 by Rep.

Beverly Woolley (R-Houston), requires school districts and open-enrollment charter schools to incorporate instruction in personal financial literacy beginning with the 2006-2007 school years. The National Endowment for Financial Education (NEFE) has provided both leadership and funding for this effort. The NEFE curriculum will be used by participating Texas schools and that curriculum meets the learning objectives and standards approved by the Texas Education Agency and State Board of Education to meet the requirement.

Since 1984, The National Endowment for Financial Education (NEFE) has been addressing youth financial literacy with the nationally known NEFE High School Financial Planning Program® (HSFPP). The HSFPP consists of a seven unit student manual, instructor's guide that offer a large, continually growing collection of resources, articles, and financial tools for teachers, students, and parents. To learn more about the HSFPP, visit <http://hsfpp.nefe.org>. Unit Include:

- Your Financial Plan: Where It All Begins
- Budgeting: Making the Most of Your Money
- Investing: Making Money Work for You
- Good Debt, Bad Debt: Using Credit Wisely
- Your Money: Keeping It Safe and Secure
- Insurance: Protecting What You Have
- Your Career: Doing What Matters Most

The City should help raise awareness of this issue including dialogue with the school district about evaluating the NEFE funding as a possible source of financing for credit education programs in City schools. Continued emphasis should also be placed on homeownership and credit education provided through bilingual instructors and counselors and as a part of the English as a second language (ESL) program.

Impediment: Predatory lending and other industry practices.

Issue: Predatory lending is a widespread concern in Little Rock. Several incidents were cited, by person interviewed and those attending the focus group sessions, suggesting unfavorable lending practices⁸. In many of the minority neighborhoods, lending institutions display an insignificant presence in the community. In many low-income neighborhoods, traditional banking and lending relationships have been relegated to an overabundance of pay-day loan, check-cashing, and title-loan stores due to a lack of traditional lending institutions. Focus Group participants also complained of extremely high interest rates being charged by not only neighborhood predatory lenders, but traditional banks and financial institutions for credit cards, auto loans, and other consumer loans. In some instances, the low-income population may be subject to predatory lending because they have a poor credit rating and limited credit history.

Others participating in the Focus Group sessions and interviews reported that recent homes built in older neighborhoods and minority concentrated areas are sometimes priced lower than comparable units in other areas based on industry appraisals. Appraisals generally determine value based on comparable units in close proximity to the subject property, Older neighborhoods tend to have limited or sometimes no recently built units for use in making a value comparison. If comparable units are limited to the immediate area, the values may be distorted in favor of comparisons to older homes that are the same square footage but have less amenities and updated features and therefore lower values. In other instances, participants were concerned the influences of the foreclosure rates and sub prime lending on mortgage approvals and higher private mortgage insurance for small loans.

⁸ Focus Group Sessions page 53

Impact: Predatory lending practices often result in a lower-income household losing their home, automobile or other collateral. In some cases, Focus Group participants cited instances where homeowners who had already paid off their original mortgage were losing their home when used as collateral on a loan for a small fraction of the home's value. With low approval rates when submitting loan applications to traditional lenders, residents are more likely to utilize the services of subprime lenders and check-cashing stores that may charge exorbitant interest rates and have severe default penalties. Predatory lending may further impair an individual's credit and monopolize more of a low-income person's monthly income with high interest rates and finance charges, leaving less money for housing and necessities. Consumers felt that they had little recourse to address adverse industry practices that impact their housing choice.

Remedial Actions: The City should encourage lending institutions to provide greater outreach to the low income and minority communities. Greater emphasis on establishing or reestablishing checking, saving, and credit accounts for residents that commonly utilize check-cashing services is desired. This may require traditional lenders and banks to establish "fresh start programs" for those with poor credit and previous non-compliant bank account practices. Lending institutions should therefore be encouraged to tailor products to better accommodate the past financial deficiencies of low income applicants with credit issues.

City Officials should help raise awareness among the appraisal industry concerning limited comparability for affordable housing products. Industry representatives should be encourage to perform comparability studies to identify real estate comparables that more realistically reflect the values of homes being built in low income areas.

6.4 Socio-Economic Impediments

Impediment: Poverty and low-income among minority populations.

Issues: For many households, low or no income is a major factor preventing their exercise of housing choice. Minority populations in the City as a whole and minority concentrated area of the City are confronted with even higher percentage of their population living in poverty than Whites¹¹. The 2000 Census shows a poverty rate of 6.4 percent for White households, while African Americans and Hispanic households in the City had poverty rates of 32.8 percent and 25.5 percent respectfully. Of even greater concern is the poverty rate for households with children under the age of five years. The poverty rate for households with young children was 61.0 percent for African Americans, 29.5 percent for Hispanic, and 5.3 percent for White children under the age of five. Household income for minority populations in the City were also low disproportional to that of White households. In 2000, 28.6 percent of African American households had incomes below \$15,000 compared to 21.6 percent for Hispanics and 11.2 percent for Whites¹². This is an area of concern relative to housing choice because as some of the lower-income areas revitalize, many homes will be priced above any reasonable rate for purchase or rent by these households. Additionally, as property values rise, minorities' housing choices tend to be even more limited to areas with older housing stock.

Factors such as family size, education and job skill levels, and unemployment are also major contributors to the plight of these households.

¹¹ Table 1.4 Poverty status by Race on page 13 of the Community Profiles

¹² Table 1.3 Household Income by Race on page 11 of the Community Profiles

Impacts: Households experiencing a severe lack of income and those unemployed typically must accept housing in the poorest areas of town. Housing tends to be segregated by income class and sometimes by race or ethnicity, where the housing stock is most likely in poor condition, there are higher reported incidents of criminal activity, and opportunities for improving a person's quality of life are low. Children from these households grow up in an environment that sometimes dooms them to replicate their community's living standards, continuing the cycle of poverty for generations to come. Focus group participants voiced a perception that certain areas of the City are home to a disproportionate number of low-income persons, living in substandard multifamily housing developments. Participants indicated that the concentration of poverty is not only a concern with regard to social equity and the plight of renters, but poverty is also having a significant impact on the condition and quality of single family housing in the neighborhoods where there are high concentrations of home owners. In areas where a majority of homeowners cannot afford routine maintenance, poor housing conditions may quickly become the prevalent state of affairs. Lack of job opportunities and lack of sufficient income to afford decent housing were cited as concerns. Both crime and perception of crime were discussed as critical issues that are hindering some residents from living in various areas of Little Rock.

Remedial Actions: The City and Chamber of Commerce should continue to work on expanding job opportunities through the recruitment of corporations, the provision of incentives for local corporations seeking expansion opportunities, assistance with the preparation of small business loan applications, and other activities whose aim is to reduce unemployment and expand the base of higher income jobs. A particular emphasis should be to recruit jobs that best mirror the job skills and education levels of those populations most in need of jobs. For Little Rock,

this means jobs that support person with high school education, GED's and in some instances, community college or technical training. These persons are evident in the workforce demographics and in need of jobs paying minimum wage to moderate hourly wages. The City should also continue to support agencies that provide workforce development programs and continuing education courses to increase the educational level and job skills of residents. The goal should be to increase the GED, high school graduation, technical training, and college matriculation rates among residents. This will help in the recruitment of industry such as "call centers", clerical and manufacturing jobs. Call centers and customer service centers where employees are recruited to process sales or provide customer service support for various industries, have become more and more attracted to areas with similar demographics to that of Little Rock. The combination of lower priced land, government incentives for relocation and the workforce to support their industries, have all become incentives in recent years.

The Aflac Insurance Company is a great example of a "call center operation" that relocated to a smaller city, and is making a difference by dramatically expanding employment in Columbus, Georgia for persons from similar demographic groups to those most in need of jobs in Little Rock. In 1998, Aflac opened its Computer Service Center housing 600 employees. In 2001, the company opened its Corporate Ridge office, a 104-acre development housing the company's claim processing and call center operations. Aflac recently opened a new phase of the expansion in 2007, which added 90,000 square feet to the existing Paul S. Amos Corporate Ridge campus building located in Columbus. The City of Columbus provided an incentive package including tax abatement and land assembly and acquisition subsidies in part through the use of their federal grant funds.

We recommend that the City, in conjunction with the Chamber of Commerce, continue to focus on actively recruiting industries that match the demographics of the populations most unemployed, as a means of improving poverty rates, incomes and home ownership rates in the City. The City should evaluate providing incentives similar to those used by other communities to achieve this goal. Recruiting such industries can assist in increasing the City's tax base and while serving to provide the necessary income for more person to achieve home ownership.

6.5 Neighborhood Conditions Related Impediments

Impediment: Limited resources to assist lower income, elderly and indigent homeowners maintain their homes and stability in neighborhoods.

Issue: Neighborhood decline and increasing instability in Little Rock neighborhoods is a growing concern. Neighborhoods relatively stable today with most of its housing stock in good condition will decline if routine and preventive maintenance does not occur in a timely manner. The population is aging, which means more households with decreasing incomes to pay for basic needs. This increase in elderly households coupled with the steady rise in the cost of housing and the cost of maintaining housing means that many residents will not be able to limit their housing related cost to 30 percent of household income and still maintain their property. Rental property owners will be faced with increasing rents to pay for the cost of maintenance and updating units rendering rental units unaffordable to households as well.

Government programs utilizing CDBG and HOME HUD funding and other sources impact only a small percentage of those in need of assistance. Increased support from volunteers and community resources will be needed to close the gap between total needs and resources available.

Impact: Neighborhoods and homeowners and renters must devise a means for residents and landlords to keep pace with the maintenance demands of housing, an aging housing stock, and support those persons unable to maintain their properties on their own. This will enhance and support a healthy neighborhood “Image and Identity” and help attract new residents and retain existing residents and businesses. An essential component of this recommendation will include becoming healthier, sustainable neighborhoods, able to meet the essential quality of life needs of its residents and to improve the physical character of the neighborhood. In some neighborhoods, these attributes are viewed as negative and uninviting both internally by its residents and externally by the community at large. Some neighborhoods are viewed as unsafe and a haven for criminal activities. Whether this is reality or a perception, it has a detrimental effect on the image of the neighborhood either way.

Neighborhood assets must be protected and improved. Structures should be strategically removed if found to no longer contribute to the well being of the community. Maintaining vacant lots, including clearing weed, litter, and junk, and maintaining tree growth, would immediately improve the appearance of neighborhoods. Existing regulatory efforts need to be expanded and additional resources allocated to support enhanced code enforcement throughout the City. Other amenities such as providing streetscape enhancements in the medians and pedestrian areas along residential streets, adding street lighting, sidewalks, shrubs, and new development on vacant lots, would significantly improve the neighborhoods. Most of all, there is a need to revive the “sense of community and trust” and encourage participation and cooperation from residents to maintain their homes, yards, and surroundings and to actively participate in community empowerment activities such as Crime Watch, neighborhood associations and self help initiatives.

Remedial Actions:

The City should design and implement a Centralized Program of Self-Help Initiatives based on volunteers providing housing assistance to designated elderly and indigent property owners and assist them in complying with municipal housing codes. This will require an organized recruiting effort to gain greater involvement from volunteers, community organizations, religious organizations/institutions and businesses as a means of supplementing available financial resources for housing repair and neighborhood cleanups.

While there have been successful initiatives of this nature, initiated and funded both by the City of Little Rock and nonprofit agencies, a more comprehensive effort, perhaps coordinated by the City, needs to be designed and implemented that fully utilizes the resources of the community and area businesses. The program will be based on a case management system where the select needs of area property owners are matched with volunteer resource teams capable of solving the city code violations and other needed exterior repairs for select properties. Requests for assistance would be received from code enforcement officials, housing program administrators, social service agencies, community institutions, and homeowners. Priority will be given to those owners immediately affected by an active code compliance case, a targeted block or area project, and those with life threatening or uninhabitable conditions.

Eligibility for assistance will require verification of income or status as elderly or disabled. Levels of assistance would be based on the specific needs to be addressed and the ability of the property owners and their family to assist in the effort. The City could possibly fund or seek funding from the private sector for a part-time Program Coordinator designated to conduct home visits of each program participant, evaluate the

appropriateness for volunteers to perform the work, and determine and advise the homeowner of their responsibilities in support of the effort. The Program Coordinator, upon securing a match between volunteers and property owner, will coordinate project dates, materials, supplies, and project support for the day of the project. Again, some of these activities may have been initiated in the past, so in some instances, our recommendations are that activities be continued, offer an enhanced level of programming, or that the City apply for funds as they become available. Activities that could be considered for the centralized self-help initiatives program include:

- **Increase self-help initiatives such as "fix-up," "paint-up," or "clean-up" campaigns and "corporate repair projects".** In order to increase resources available for these efforts, neighborhood residents, religious institutions, community organizations, individuals, and corporations would be recruited to participate in the repair to homes occupied by elderly, disabled, and indigent homeowners through organized volunteer efforts involving their members and employees.
- **Implement a Youth Build and Repair Program in conjunction with the local school district or the Little Rock Housing Authority.** Youth Build is a U.S. Department of Housing and Urban Development (HUD) program that teaches young people how to build new homes and repair older ones. HUD offers competitive grants to cities and non-profit organizations to help high-risk youth, between the ages of 16 and 24, develop housing construction job skills and to complete their high school education.
- **Organize a "Compliance Store"** where home builders, building supply stores, merchants, and celebrities, such as radio and television personalities, are used to demonstrate simple, cost effective ways to

make improvements to houses and donate building supplies for use in self-help projects. The supplies and storage facility for supplies could be provided to enrollees by building supply stores, contractors, and hardware stores.

- **Organize "adopt-a-block" and "adopt-an-intersection" campaigns** where neighborhood groups, residents, scout troops, and businesses adopt key vistas and intersections to maintain and implement beautification projects, such as flower and shrub plantings and maintenance.

- **Creating Community Gardens as interim uses on select vacant lots** provide an opportunity for neighborhood residents to work together to increase the attractiveness of their neighborhood. Formats for community gardens range from attaching simple window boxes to homes along a street reflecting a common theme, coordinating garden planting, or converting a vacant lot that may previously have been an eyesore in the neighborhood into a flower or vegetable garden tended by members of the community. Naturally, ownership of a vacant lot is an issue to be resolved before gardening begins. The City Assessor can provide information on the ownership of the property, including a mailing address. If the lot is privately owned, permission to use the lot must be received from the owner. If the property is owned by the City or expropriated, ownership of the property might be transferred to a local non-profit organization or neighborhood association. While the costs of plant materials and supplies are an important consideration for community gardens, many nurseries and home improvement stores offer discounts for community improvement projects.

Section 7: Oversight, Monitoring and Maintenance of Records

Introduction

This section summarizes the ongoing responsibilities of the jurisdiction relative to oversight of efforts to implement the remedial actions recommend in Section Six of this report. It also sets forth the monitoring and maintenance of records procedures that will be implemented to insure that implementation efforts can be evaluated and accomplishments reported to HUD in a timely manner.

Oversight and Monitoring

The Analysis of Impediment process has been conducted under the oversight and coordination of the City of Little Rock Department of Housing and Neighborhood Programs with the support of an independent consultant.

The Department of Housing and Neighborhood Programs will be responsible for ongoing oversight, self-evaluation, monitoring, maintenance and reporting of the jurisdiction's progress in implementing the remedial actions and other efforts to further fair housing choice and will therefore provide oversight of the following activities.

■The Department of Housing and Neighborhood Programs will evaluate each of the recommendations and remedial actions presented in this report, and ensure consultation with appropriate City departments and outside agencies to determine the feasibility and timing of implementation. Feasibility and timing of implementation will be based on City policies, fiscal impacts, anticipated impact on or remedy to the impediment identified, adherence to federal, state and local regulations, and accomplishment of desired outcomes. The Department of Housing and Neighborhood Programs will provide recommendations for implementation to the City Manager based on this evaluation.

■The City's Department of Housing and Neighborhood Programs will continue to ensure that all sub-grantees receiving CDBG, HOME and other grant funds have an up-to-date Affirmative Fair Housing Marketing Plan; display a Fair Housing poster and include the Fair Housing Logo on all printed materials as appropriate; and provide beneficiaries with information on what constitutes a protected class member and instructions on how to file a complaint.

■The Department of Housing and Neighborhood Programs will ensure that properties and organizations assisted with federal, state and local funding are compliant with uniform federal accessibility standards during any ongoing physical inspections or based on any complaints of non-compliance received by the City.

■The Department of Housing and Neighborhood Programs will continue its Fair Housing outreach and education activities by hosting or participating in community fairs and workshops; providing fair housing information brochures at public libraries and City facilities; and sponsoring public service announcements with media organizations that provide such a service to local government.

■The Department of Housing and Neighborhood programs will incorporate fair housing requirements in its grant program planning, outreach and training sessions.

Maintenance of Records

In accordance with Section 2.14 in the HUD Fair Housing Planning Guide, the Department of Housing and Neighborhood Programs will maintain the following data and information as documentation of the City's efforts to affirmatively further fair housing choice.

■A copy of the Analysis of Impediments and any updates will be maintained and made available upon request.

■A list of actions taken as part of the implementation of this report and the City's Fair Housing Programs will be maintained and made available upon request.

■An update of the progress will be submitted to HUD at the end of each program year.