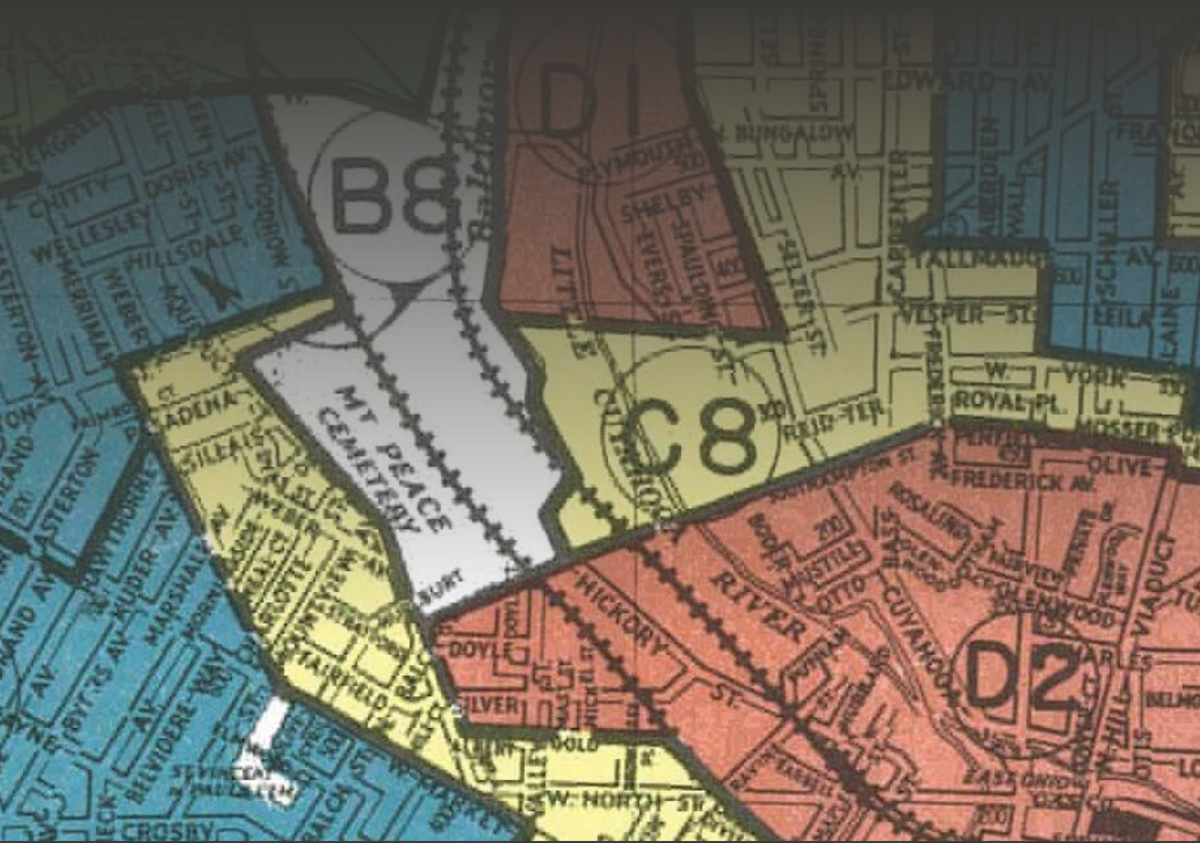
CHALLENGING RACE AS RISK

How **Implicit Bias** undermines housing opportunity in America—and what we can do about it



By Jillian Olinger, Kelly Capatosto, and Mary Ana McKay

With contributions from Christy Rogers, Belkis Schoenhals and Audrey Porter

As a university-wide, interdisciplinary research institute, the **Kirwan Institute for the Study of Race and Ethnicity** works to deepen understanding of the causes of—and solutions to—racial and ethnic disparities worldwide and to bring about a society that is fair and just for all people.

Our research is designed to be actively used to solve problems in society. Research and staff expertise are shared through an extensive network of colleagues and partners, ranging from other researchers, grassroots social justice advocates, policymakers, and community leaders nationally and globally, who can quickly put ideas into action.

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Contents

Introduction

The ability to exercise agency over where one lives is a hallmark of freedom. And yet, this privilege has not been equally afforded to all. Race has been—*and continues to be*—a potent force in the distribution of opportunity in American society.

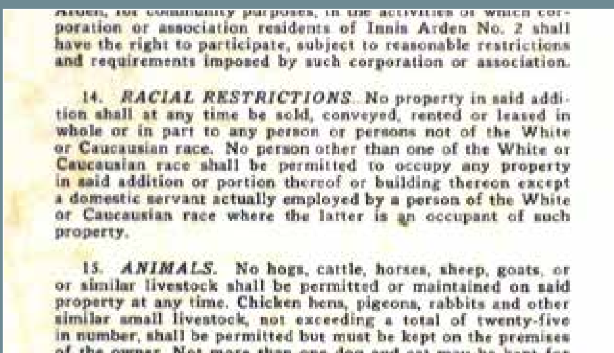
Despite decades of civil rights successes and fair housing activism, who gets access to housing and credit, on what terms, and where, remains driven by race. This is important to our shared future because investments in homeownership are multiple and generational. Indeed, research shows that the biggest factor in the Black-White wealth gap is years of homeownership, showing how critical positive home equity is to building wealth. Racialized systems that generate lasting inequality may perpetuate self-fulfilling expectations, where "structural disadvantages (e.g., poverty, joblessness, crime) come to be seen as cause, rather than consequence, of persistent racial inequality, justifying and reinforcing negative racial stereotypes."[1]

There is a clear record of the impact of structural racism on opportunities for people of color in home-buying and credit access today. Structural racism describes the process by which policies, organizations, institutions, systems, culture and history interact across institutional domains to produce and sustain racial inequality. In terms of housing and credit, racial residential segregation has been a critical structural force. For example, historically, people of color have been restricted from buying homes in particular neighborhoods, regardless of their ability to pay, through practices such as racial covenants or redlining. Today's exclusions are less overt, but segregation remains, thus limiting people from the benefits that we know attends living in neighborhoods of high opportunity.

W.E.B. DuBois acknowledged one hundred years ago that the health of minority populations is heavily influenced by the social institutions around them.[2] Not only do housing and credit form the lifeline for our national economy, but they serve as the economic lifeline for many of us individually. Housing and credit can influence our daily lives: the better one's access to safe, affordable housing, the better one's outcomes tend to be along a range of indicators of individual, family, and community well-being.

While the research regarding structural impediments and disparities in housing and lending is well-documented, the research connecting implicit biases to housing and lending outcomes is less well-understood. Implicit biases, or the attitudes or stereotypes that affect our understanding, actions, and decisions in an unconscious manner,[3] are a key component to understanding why diverse populations were, and continue to be, subject to a wide range of discriminatory practices in finding, purchasing, financing, and realizing equity in a home.

As this report argues, these implicit biases are manifest in the housing and lending economy in part due to a **deeply rooted association between race and risk** in the physical and social landscape of our communities. This association helps drive neighborhood segregation, and thus widens opportunity segregation.


poration or association residents of Innis Arden No. 2 shall have the right to participate, subject to reasonable restrictions and requirements imposed by such corporation or association.

14. *RACIAL RESTRICTIONS.* No property in said addition shall at any time be sold, conveyed, rented or leased in whole or in part to any person or persons not of the White or Caucausian race. No person other than one of the White or Caucausian race shall be permitted to occupy any property in said addition or portion thereof or building thereon except a domestic servant actually employed by a person of the White or Caucausian race where the latter is an occupant of such property.

15. *ANIMALS.* No hogs, cattle, horses, sheep, goats, or or similar livestock shall be permitted or maintained on said property at any time. Chicken hens, pigeons, rabbits and other similar small livestock, not exceeding a total of twenty-five in number, shall be permitted but must be kept on the premises

Historically, **racial covenants**, like the example pictured to the left, provided the legal means to prevent people of color from purchasing homes in White neighborhoods.

A sorting exercise has proven to be the most popular method for measuring an individual's implicit attitudes. It is available to the public at implicit.harvard.edu.

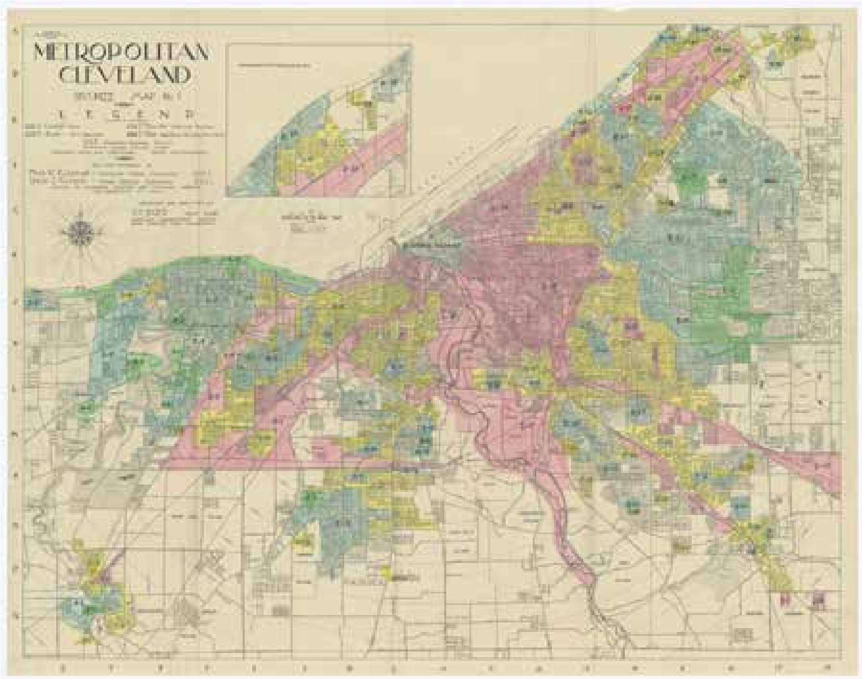
Connecting Structural Racism and Implicit Bias

The goal of this report is to expand the understanding of structural racism, which examines how historical and structural racism affects racial disparities in housing and credit outcomes today. To do so, we apply the lens of **racial cognition**—how race impacts the way individuals think and behave in these domains. The primary way we apply this lens is by understanding the influence of implicit racial bias.

Implicit biases can often run contrary to individual's explicit beliefs or intentions to be egalitarian.[4] This is because individuals form implicit biases through exposure to a culture where discrimination and inequity are highly visible. Moreover, implicit biases have effects on our real-world behavior, which can contribute to the perpetuation of these inequities.[5] Thus, implicit biases not only result from, but also contribute to, structural inequity.

Individuals are typically unaware of their biases, and implicit biases may be a better representation of individual's attitudes and beliefs than what they self-report due to weak introspection.[6] Implicit biases are a part of being human. Everyone possesses them, even individuals with heightened commitments to impartiality, such as judges or teachers.[7] We generally tend to hold implicit biases that favor our own in-group. However, it is still possible to hold negative biases toward our in-group, particularly if the group affiliation is based on an identity that is often stigmatized by the broader culture.[8] It is possible to measure one's own implicit biases. The **Implicit Association Test** (IAT)[9] is the most popular method for assessing implicit attitudes. The test operates by measuring the relative strength of associations between pairs of concepts through a sorting exercise.[10] When concepts are strongly associated, the sorting is quicker and more reliable, while the opposite is true for unrelated concepts. Of particular interest are race-based IAT findings. In fact, most Americans (regardless of their own racial identification) possess a pro-White bias.[11]

Learn more about implicit bias by visiting KirwanInstitute.osu.edu/implicit-bias-review



Redlining maps were institutionalized by the federal government and used to deny mortgages and business loans to minority communities (shown as the red areas in the map). The above map shows Cleveland, Ohio; the disparities between these neighborhoods is starkly visible in Cleveland still today and can be quantified by comparing life expectancies between neighborhoods.

Structural racism and implicit bias can intersect in ways that dangerously deepen the effects of each; one cannot be considered in isolation from the other. In other words, time, people and place; history, race, and space intersect in ways that help define categories of identity, exclusion, and belonging. To illustrate how this impacts today's unjust outcomes, this report highlights three particular phenomena from both a structural and a cognitive lens: (1) the historical association of blackness with risk and whiteness with stability, (2) the resultant discriminatory lending and neighborhood-level exclusions, and (3) mixed results from housing mobility interventions seeking to disrupt these patterns. What they share is a perceived connection between non-Whites and increased racialized identity, financial, and political “risk.” For example, individuals perceive neighborhoods with high amounts of Black residents as more dangerous, regardless of actual crime levels.[12] The racial composition of a neighborhood can affect perceptions of neighborhood disorder.[13] Implicit bias can drive decisions that further entrench segregation: racial bias is more predictive of residential integration attitudes than economic impact or mere in-group favoritism.[14] In addition, Whites’ evaluations of a neighborhood’s desirability are significantly associated with residents’ race.[15] Sometimes biases can be layered upon each other: association between Black Americans and public housing is subject to *additional* stereotypes of crime, laziness, and danger.[16]

Today, many of our communities are not only still dealing with the fallout of the housing and economic crises of 2007, but they are also grappling with stunning demographic change. As we design strategies to meet these transitions, we must take care to ensure we are designing solutions to set our housing and credit markets up to enable the success of all people. Critical as they are, if we only focus on the structural aspects of policy and regulations, we will fall short. Solutions must also work to change our mental associations—especially our implicit ones—about fair housing and fair credit, thereby changing how we organize our housing finance system and our neighborhoods. We have over a century of explicit and deeply disparaging language regarding people of color in the housing market—whether as neighbors or as good lending risks. Such explicit and derogatory language, perpetrated over many decades, ultimately became embedded in our subconscious associations between people of color and risk. The entrenchment of such negative associations will thus require dedicated and sustained work to unwind. If we are to advance equitably as a society,

> *“Structural racism and implicit bias can intersect in ways that dangerously deepen the effects of each”*

we need to continue illuminating the existence and operation of implicit biases in order to disrupt and mitigate them, allowing for more just and inclusive communities. Addressing the structures alone without also taking on the underlying assumptions and attitudes that motivate behaviors and decisions limits our ability to transform housing and credit markets.

PROGRESS CAN BE MADE. Implicit bias research tells us that even merely being exposed to the concept of implicit bias and its impacts alone produces subtle changes in our perceptions and attitudes, which can impact outcomes. By introducing implicit bias into understandings of housing market and credit systems, we open up new points of intervention.

To that end, we close with several recommendations for future research and policy reform in housing and lending markets, including: continuing advocacy for race-conscious housing finance reform; challenging conceptions of economic "objectivity" and "rationality"; getting more borrowers of color through loan approval processes successfully; researching automation and its role in reinforcing or disrupting implicit biases in lending; analyzing appraisal practices to suggest new approaches; reviewing housing mobility program designs with an implicit bias lens; and understanding opportunities in the new AFFH rule in light of implicit bias research.

PART ONE

Housing and Credit Systems and Implicit Bias

Racialized outcomes do not require racist actors. The ways in which individuals think about, talk about, and act on race can create and perpetuate racial inequality unintentionally. As an applied research institution, the Kirwan Institute's work to expand awareness of unconscious bias research has broad implications for equity and access to opportunity, including in the realms of housing and credit.

Although the word "racism" is commonly understood to refer to situations in which an individual targets another for negative treatment because of skin color, more recent research suggests that this individual-centered view of racial behavior is too limited. Cognitive psychology and neurology research have shown that racial meanings are quickly and easily triggered when individuals of different races interact, and can result in harmful racial outcomes despite strongly held egalitarian commitments.

"research shows that even when we are not talking about race, we are thinking about it"

Put simply, research shows that even when we are not talking about race, we are thinking about it. This idea is easier to understand when we consider how visible race has been in the social, economic, and political history of the United States. Race also influences, often unwittingly, many of the important decisions we make in our personal, professional, and social lives today: where we live, who our closest friends are, the people with whom we interact the most on a daily basis and thus come to know in more than a superficial way.

Decades of empirical study reveals that implicit biases influence our thoughts about, reactions to, and interactions with members of "in-groups" and "out-groups" (social groups of which we are, or are not, a part). These implicit biases operate in what researchers call our "implicit mind," the part of the brain sometimes called the "subconscious" or the "unconscious." This means that implicit biases often operate without conscious awareness.

The existence of unconscious bias helps to explain the persistence of housing inequality and high levels of residential segregation, despite the dismantling of racially discriminatory laws. Every act of buying or renting housing involves human actors who exercise discretion, sometimes unconsciously. Paired testing studies, also called audit studies, have proved that differential treatment of persons in housing markets persists. In these paired studies, two testers—one White, one non-White—with matched characteristics (e.g., age, gender) are trained to present themselves to real estate agents in alike ways and to assert similar preferences for housing. The studies have shown disturbing systemic differences in treatment linked to race: equally-qualified Black, Hispanic and Asian renters were informed about and shown fewer units compared to White renters. When it came to home-buying, prospective Black and Asian buyers were shown fewer houses than equally-qualified White homebuyers. Although explicit bias no doubt plays a role in some of these transactions, implicit bias research suggests that these inequities will not be eliminated without a fuller understanding of the myriad ways in which race operates on the human mind without our knowledge. Thus while the most blatant forms of housing discrimination (redlining, restrictive covenants, refusing to meet with minority home seekers) may have been eliminated or reduced, additional policies and strategies will be needed to create pathways to housing and opportunity free of bias.

Housing, credit, and the opportunity divide

Understanding the operation of the housing and credit markets through an implicit bias lens is no small matter. The real estate industry is one of the biggest in the US, amounting to hundreds of billions of dollars in revenue.[17] Not only do housing and credit form the lifeline for our national economy, they serve as the economic lifeline for many of us individually. Housing and credit can influence life chances—the better one's access to safe, affordable housing (whether rental or owned), the better one's outcomes tend to be along a range of indicators. Housing is the epicenter of family life; it connects jobs and workers, students and schools; it contributes to the stability (and instability) of our neighborhoods; and it impacts resident health and community well-being. Secure and affordable housing is thus a critical opportunity structure that anchors neighborhoods, families, and individuals. Conversely, lack of secure and affordable housing and barriers to fair housing can cause significant household distress, such as cost burdens that limit resources to support other human needs, and the chronic stress generated by unstable shelter.

History shows that access to critical, interdependent opportunity structures has not been provided equally to all. Instead, we have a remarkably racialized history of access to housing and credit, on what terms, and where. Our communities of color have been either denied access outright, or provided access on terms that were unsustainable (such as being channeled into bulk predatory loans). Indeed, segregation—whether it be in the markets or in our neighborhoods—"has never been simply about the sorting of people, but about the sorting of opportunity and the resources that shape life chances."[18] This process has unfolded in myriad ways: through segregated land uses; the power of capitalists, real estate elites, and government actors to shape spatial patterns; and race and class conflict in cities.[19] Race has been, and continues to be, a central organizing principle of housing and credit markets.

A recent Stanford study highlights how today's racial disparities are illustrated in what has been called "the neighborhood gap." This gap occurs when White and African American families live in markedly different neighborhoods, despite earning similar incomes. Researchers have found that White and Asian American middle income families live, on average, in middle income neighborhoods, while African American middle income families tend to live in distinctly

The Racial Wealth Gap

In 2011, White households had 13 times the median wealth of Black households. A difference in years of homeownership is seen as the main cause of this discrepency.

lower income neighborhoods. More striking is that middle income African Americans often live in neighborhoods with lower incomes than low income Whites. This steering helps "widen racial disparities, including disparities in upward mobility."[20] For example, an African American family who typically earns $100,000 annually lives in a neighborhood with a median income of $54,400.[21] In contrast, White and Asian Americans tend to live in neighborhoods where the median income is similar to, or higher than, their own. Similarly, researchers have found that "even when minority homeownership rates are compared to Whites of similar income, minority homeownership rates are consistently and significantly lower than those of comparable Whites. The gaps are largest at lower income levels, but still fairly sizeable even for high income minority households."[22]

This difference serves as an indicator of larger structures at play. Behind this neighborhood gap are housing policies, as well as variables within the housing and lending process, all of which are influenced by explicit and implicit biases. These biases can lead actors within the housing and lending markets to view race as risk, which can bring additional barriers for people of color to assert their rights to live where they choose.

As sociologist Thomas Shapiro found, the biggest factor in the Black-White wealth gap is years of homeownership.[23] In 2011, White households had 13 times the median wealth of Black households.[24] Without modest generational wealth or home equity to draw from, African American workers have struggled to translate wages into equity-building. Shapiro and his team have shown that, over the past 25 years, for every dollar increase in income, Whites have been able to build $5.12 in wealth.[25] In contrast, with that same dollar, African American workers have been able to build only 69 cents in wealth. In 2005, before the housing crash and recession, median wealth of White households was eleven times that of African American households, and seven times that of Hispanic households. After the crash, White median wealth surged to twenty times as much as African American households and eighteen times as much as Hispanic households. Today's wealth gap is the highest it has been in 25 years. Fair housing and fair lending remain at the crux of these inequalities.

"the effects of past discrimination... are likely to persist ...even in the absence of ongoing discrimination"

THE HISTORIC AND STRUCTURAL exclusions of the past continue to support current racial wealth disparities, and in automatic fashion. Indeed:

> setting aside evidence of continuing discrimination in each of these domains, these historical practices [i.e. redlining, covenants] themselves are sufficient to maintain extraordinarily high levels of wealth inequality through the intergenerational transfer of advantage (the ability to invest in good neighborhoods, good schools, college, housing assistance for adult children, etc.).... Even if we were to eliminate all contemporary forms of discrimination, huge racial wealth disparities would persist, which in turn underlie

racial inequalities in schooling, employment, and other social domains."[26]

Recent work based on formal modeling suggests that the effects of past discrimination, particularly as mediated by ongoing forms of social segregation, are likely to persist well into the future, even in the absence of ongoing discrimination.[27]

Not only do these systems act automatically to maintain disparities (unless intentionally disrupted), but they may lead to **self-fulfilling expectations**, where "structural disadvantages (e.g., poverty, joblessness, crime) come to be seen as cause, rather than consequence, of persistent racial inequality, justifying and reinforcing negative racial stereotypes. Bobo et al. argue that "sharp Black- White economic inequality and residential segregation…provide the kernel of truth needed to regularly breathe new life into old stereotypes about putative Black proclivities toward involvement in crime, violence, and welfare dependency."[28] Indeed, "these biased perceptions of racial minorities and the spaces they inhabit fuel a predictable self-fulfilling prophecy. On the margins, biased perceptions of fear and dread drive those who have resources to flee, and the disinvestment associated with that flight exacerbates the material conditions that lead people to have greater fear and greater dread."[29]

Where did such expectations come from? Belying the widely-accepted justification of segregation as a result of consumer preferences, historical analyses document how skillfully real estate professionals manipulated racial anxieties of Whites through the use of restrictive covenants and blockbusting tactics,[30] and cashed in: "land developers and real estate elites used restrictive covenants to create a market for their commodity, to stimulate consumer demand for racially exclusive neighborhoods, and in effect, **established the precept that the value of housing is dependent on the race of its occupants**."[31] Prior to these practices, this association did not exist; race, culturally-specific behavior, and place of residence were not connected in the minds of the general population. Today, while new euphemisms are used (schools, safety, and property values, for example) there remains an implicit understanding that these words are racially coded.

Understanding the race: risk association

Segregated housing and segregated credit grew up together. Today, our neighborhoods remain marked by racial discrimination and segregation. For example, despite decades' worth of fair housing and fair credit legislation, in the 50 largest metropolitan areas in 2010, the Dissimilarity Index[32] remains stubbornly high at 59 (60+ is considered highly segregated).[33] To be sure, the responsibility is widely shared. Both public and private actors and institutions are complicit. Historically, practices and policies such as restrictive covenants, block busting, and redlining drove the segregation of housing and credit markets. More recently, reverse redlining,[*] steering of homebuyers to certain neighborhoods, and NIMBYism continue to uphold these racial boundaries. And this history continues to influence our decision-making, often in ways we are not aware or which we claim are "rational." While there are many explicit explanations for the racial disparities in housing and credit, we are beginning to better understand how our implicit biases influence these outcomes.

Implicit biases: cause and effect

Individuals certainly exhibit overt racial discrimination during housing and lending decisions. However, much of these decision-making errors occur at the implicit level. **Implicit biases reflect exposure to stereotypical messages rather than intent to discriminate.**[34] Thus, implicit biases are complex in the sense that one can possess them toward groups of people while still maintaining an explicit commitment to egalitarianism. Moreover, the racial history

* *Reverse redlining is the process in which communities previously cut off from credit are flooded with predatory loans.*

of this country's housing and lending practices discussed herein have a significant impact on the implicit associations individuals continue to hold about race. Thus, implicit bias is both a product of and contributor to structural inequity.

One of the most pervasive and challenging implicit associations we hold is that between people of color—especially Blacks—and the notion of "risk." In this report, we are taking a broad view of risk, to include not just how lenders assess risk, but how people in general, in their everyday lives, make assumptions and decisions on who to interact with and how. For the lender, the risk assessment generally involves accounting for the probability of all relevant events in the future, and the gains or losses associated with these, and pricing credit accordingly. For the average person, the assessment may be less mechanical, but gains and losses are still processed—what will buying a house in an integrated or minority neighborhood mean for resale? How will a proposed affordable housing development impact property value? Will there be more crime because of it?

We argue that the racial patterns that developed in our housing and credit markets (who lives where, who gets approved for what type of loan) enables our implicit associations between minority neighborhoods and borrowers, and risk. Individuals internalize the racial boundaries of the housing market and subsequently generate implicit biases. These biases influence the decision-making process, and add additional human error in housing and lending practices. In the housing and lending realm, the opportunities for bias and error are plentiful, as many actors are involved in the process—who have ample discretion in how the process unfolds—of home-buying, renting, and loan approval. For example, one study finds that "credit history irregularities on policy applications were often selectively overlooked in the case of White applicants."[35]

How do we explain this transmission? Our discriminatory policies of the past, such as redlining, which explicitly devalued minority neighborhoods, continue to impact our beliefs today about neighborhood value, even though this practice has long since been illegal, through a process known as "negative information effects." **If little to no lending is occurring in a certain neighborhood, there is no information for other potential lenders**. This void of information leads to an underestimation of the value of homes because of low sales activity. These lower appraisals in turn lead to even less lending activity (or, lending at higher costs to borrower, also known as the "contagion effect"), and the cycle continues. Worse yet, these processes are too often seen as objective and rational, ignoring the fact that the processes reflect a history of discrimination, and perpetuate it.

We can view this kind of self-fulfilling prophecy in reverse. In the positive feedback loop, the fact that financing is made readily available within a specific geographic area lowers the inherent risk of lending in that area, because people will be able to buy and sell homes with relative ease—it is now a liquid market, and thus, the risk of foreclosure is lowered. Whether viewed positively or negatively, "the cycle requires the active decisions of countless people for its sustenance—it is contingent and susceptible to disruption and reversal.... Self-fulfilling cycle depends on how lenders and appraisers define and relate to particular geographic areas. For the cycle of concentrated lending to play out, the people involved first have to define, and then sustain, the boundaries of the favored area."[36] In short, this is how "redlining" (or its reverse, "greenlining") operates.

Perceptions of race and risk are documented beyond the housing and lending fields. A primary example are the studies that show a job applicant's race, rather than criminal record, predicted employment outcomes— Whites with a criminal record were more likely to get called back than Blacks without a criminal record.[37] Thus, to these employers, race was a bigger indicator of risk than a criminal history.

This example illustrates how pervasive the erroneous association between race and risk is on our decision-making practices.

Thus over time, with the repeated interactions of many different actors, and under the sanction of institutions, White neighborhoods came to be seen as good places to invest and raise a family, while Black neighborhoods came to be seen as a bad investment and a potentially risky one. This association in part may help explain the continued reluctance of White households to live in mixed neighborhoods. For example, one study found that 20% of Whites said their ideal neighborhood was all White, 25% said it had no Black residents, and 33% said it had neither Hispanic nor Asian residents.[38]

PART TWO

The Intersection of Implicit Bias and Neighborhood Dynamics

Any discussion of housing and neighborhoods must be situated within the context of significant trends underway in the United States: demographic shifts, increasing economic inequality and insecurity, policy reform in housing and immigration, and increased neighborhood segregation. Trends indicate that as always, America is changing:

- More and more Americans are people of color and immigrants. By 2015, there were already five majority-minority jurisdictions in the country: Hawaii (77%), the District of Columbia (65.2%), California (62%), New Mexico (61.6%) and Texas (57%). Estimates by the U.S. Census Bureau show that in 2014, 50.2% of children under the age of five were minorities.

- Poverty rates, especially for children of color, are rising. In particular, concentrated poverty is growing rapidly: The number of people living in high-poverty areas—defined as census tracts where 40% or more of families have income levels below the federal poverty threshold—nearly doubled between 2000 and 2013, from 7.2 million to 13.8 million.[39] This is the highest proportion of Americans living in high-poverty neighborhoods ever recorded.

- Income inequality is at an all-time high, and economic mobility has decreased. In 2010, median American household income adjusted for inflation was $49,445—an amount equal to what families made in 1989. The service economy is eclipsing the building economy (manufacturing and production), and the service economy itself is bifurcated into high-wage professional services and low-wage care services. The service sector of the labor force has grown from 15.5 million in 1977 to about 62.5 million in 2015.[40] However, at the low end, this growth does not come with livable wages for workers. The portion of households with middle class incomes has steadily declined over the last thirty years.

- We also have a new generation of workers who are saddled with enormous amounts of student debt, restricting their mobility and homeownership options. We have more than $1 trillion in outstanding student debt in the US. Recent studies are finding large racial disparities in student debt, with low income Black students carrying $8,000 more in student debt than their White counterparts.[41] Today, young adults are staying home and returning home at much higher rates—29% of those between the ages of 29 to 34 lived with their parents during the Great Recession.[42]

The accelerated pace of demographic and economic changes, and bifurcation along race, income, job and educational lines, means that we are moving farther apart—both literally and metaphorically—from people with very different lived experiences from our own.

Racial preferences continue to matter

As these trends continue to unfold and shape our communities in ways seen and unforeseen, we have to ask ourselves a critical question: do we really want to live together? Unfortunately, there is little evidence to suggest that we do. Racial residential segregation remains incredibly high—both in patterns familiar (i.e. Black/White dissimilarities), and new (i.e. micro-segregation at the block-level). Today, the average Black person lives in a neighborhood that is only 35% White, and we have witnessed continued or small increases in segregation among the country's fastest growing populations of Asians and Hispanics.[43] Studies show that the number of all-minority census tracts doubled between 1980 and 2010, with little evidence of White movement into such neighborhoods, leading one study to conclude that "there is no route to a fully integrated metropolis because White flight continues to create new all-minority neighborhoods."[44] At the same time,

"White flight continues to create new all-minority neighborhoods"

"micro-segregation" is occurring as segregation at the block group level even if different minority groups are in the same neighborhood.[45] And finally, the explanations of continued racial segregation extend beyond differences in income or educational attainment, which account for only a small share of differences in racial patterns; rather, "persistent racial boundaries are located in systems of racial ideology that operate independently of class structure and mobility patterns."[46] That is, White residential preferences continue to be negatively shaped by racial stereotypes.[47]

A history of White avoidance and resistance to integration

What gave rise to such negative racial associations, spurring White avoidance of minority neighbors and neighborhoods? A quick review of history and federal policy is instructive. In the two decades spanning 1940–1960, major changes were occurring to the racial and spatial patterns of metropolitan areas: millions of Southern Blacks moved North and West, or from the rural South to urban centers, facilitating a process of contested—in many cases, violently so—neighborhood change. Researchers refer to this transition as the formation of the "second ghetto."[48] As racially restrictive covenants and racial zoning practices came under legal scrutiny, Whites formed neighborhood associations, many of whose sole purpose was the "function of Negro exclusion" and "the maintenance of Caucasian-pure residence areas."[49] Whites increasingly fled the transitioning city for the safety of the suburbs, throwing up road blocks behind them. Indeed, some have characterized this resistance as a period of "chronic urban guerilla warfare, as the racial dynamics of neighborhood change produced violent responses from Whites who feared, resented, and often resisted Black 'intrusion' into their neighborhoods."[50] Yet the Black population in urban centers was bursting at the seams, prompting African Americans to continually challenge the neighborhood color line. Thousands of violent protests, perpetrated by White citizens, occurred in cities across the country.[51]

To be sure, the real estate industry was paying close attention to the unfolding drama:

> The real estate industry had a major interest in the residential changes that accompanied Black migration to the postwar American city. Many local real estate sales people and brokers confined their activities to specific urban neighborhoods and districts. Economic or social forces that affected such districts had consequences for their business and income. In many cities, real estate men served as officers or leaders of neighborhood improvement associations; in other cities they worked in concert with associations in promoting restrictive covenants and maintaining White neighborhoods. Similarly, local banks, savings and loans, and mortgage firms had big investments in urban neighborhoods and kept a close watch on residential changes. Appraisal firms had to weigh the impact of racial transitions in revising and establishing property values. Builders and developers had to keep abreast of population trends and market forces to make intelligent business investment decisions. Apartment owners, landlords, and property management firms had to consider how residential transitions would affect their taxes, property values, and pricing structures. The dominant belief held by the real estate industry was that neighborhoods change, but never for the better.[52]

This negative view of neighborhood change was especially true of neighborhood racial change. Arguably, policymakers, officials, and White residents looked to public housing to contain the "problem" of change.

The public housing approach of the past gave rise to negative associations of affordable housing

For many Americans, the term "affordable housing" evokes negative visions of "public housing projects." Our approach to providing public housing in the past is in part to blame for this fear. In previous decades, public housing was viewed as an effective and efficient solution to disease-ridden tenement housing, providing transitional housing for large numbers of working-class households. While public housing in its earliest days did facilitate the transitional housing envisioned for White working-class families, it wouldn't be long before it would operate as a source of segregation. In the 1930s, while the FHA was redlining urban neighborhoods of color, the Department of the Interior was directing field officers to segregate public housing through the "neighborhood composition" rule for selecting tenants for newly-built public housing projects in racially-mixed neighborhoods: whichever race had dominated the neighborhood *before* the units were built was the *only* race allowed to move in *after* the units were built.[53] With the Housing Act of 1949 and modernist design in vogue, public housing morphed into high-rise projects. Although there were many things wrong with the implementation, in a nutshell, money and management were never sufficiently committed to these "projects" and as a result, most of these high-rise public housing units rapidly deteriorated into slums, while effectively keeping African Americans out of the emerging White suburbs.[54] Indeed, the National Commission on Urban Problems (i.e. the Douglas Commission) warned in 1968 that "perhaps the most potentially explosive problem we face in our cities is the fact that the increase of non-Whites in central cities is accompanied by just as big a movement of Whites from the center city to the suburbs. The result is an almost unyielding pattern of segregation."[55] The Douglas Commission noted that "the people in the slums are the symptoms of the urban problem, not the cause. They are virtually imprisoned by the White suburban noose around the inner city, a noose that says, 'Negroes and poor people are not wanted.'"[56]

The worsening social conditions within these "ghettos," as they came to be known, would soon confront the general population in the urban riots of the 1960s in cities across the country. In their wake, tens of thousands of rioters would be arrested, hundreds injured, and some dead. The Kerner Commission would indict the United States "as moving toward two societies, one Black, one White—separate and unequal." The Commission would single out three major underlying causes of the urban riots: discrimination and segregation, which included housing; Black migration into and White departure from central cities; and the conditions of Black ghettos.[57]

It is these images of inner-city, large-scale housing projects—all too often scenes of urban violence—that continue to dominate popular portrayals of affordable housing in the US, even though almost all of these towers have since been demolished. Back then, for White Americans watching this tragedy unfold from their suburban bastions, these scenes seemed to give validity to their fears, regardless of the fact that these conditions were, at their root, produced through the discriminatory practices of public and private actors. Today still, Americans disproportionately associate minorities with these images and believe that affordable housing will bring crime, poverty, and a general degradation of the neighborhood with it.[58] This history helps situate current manifestations of NIMBY attitudes.

NIMBYism and implicit biases

NIMBYism (Not-in-my-backyard) is an attitude that expresses disfavor for a specific form of development in one's neighborhood. Although much of the housing literature characterizes NIMBYism as one of the lenses for understanding neighborhood dynamics, most fail to unpack the implications of NIMBYism as an attitude itself. Attitudes are defined as the "psychological tendency expressed by evaluating a particular entity with some degree of favor or disfavor."[59]

In many communities across the country, against the backdrop of the trends outlined above, the need for quality, affordable housing is acute, and yet, opposition to it remains firm. Developing affordable housing in neighborhoods that offer a wide range of opportunities—good schools, fresh food, safe parks—is the standard we should be pursuing to make meaningful inroads to closing the opportunity gap.

Unfortunately, it is too often the case that residents in higher opportunity neighborhoods resist these efforts.

The justifications for opposition can take many forms. One common concern is that affordable housing reduces the value of adjacent properties. Current research suggests that quality developments in areas of low poverty have little or no effect on prices. Conversely, affordable housing *can* have negative effects on value when it is concentrated in areas of poverty.[60] Another common concern is that affordable housing brings more crime to a neighborhood. A study of scattered-site affordable housing in Denver showed no increase in crime from the developments.[61] Evidence suggests that affordable housing in the form of redevelopment may even reduce crime.[62]

"Current research suggests that quality developments in areas of low poverty have little or no effect on [property values]"

Yet regardless of research to the contrary, the race: risk association remains, informing exclusionary attitudes such as NIMBY. While NIMBY attitudes can take different forms, "NIMBY attitudes against affordable housing typically revolve around two promises: first, it jeopardizes existing community amenities, and second, it creates new or exacerbates existing dis-amenities."[63] In Rolf Pendall's examination of possible explanations of protests against new housing developments in the San Francisco Bay Area in the 1990's, he found that projects with affordable housing components caused more NIMBY protests than projects that did not contain units of affordable housing.[64]

Affordable housing decisions can activate implicit biases
NIMBY attitudes—which rely heavily on racial and economic stereotypes—are made highly accessible during important housing decisions, such as whether to approve a proposed affordable housing development. Thus, NIMBY attitudes

and their concurrence with individuals' implicit racial biases contribute to their pervasiveness in the US. Two of the specific implications of this interaction that are uplifted in the NIMBY research literature include perceptions of housing value, and perceptions of crime and disorder.

The most prominent appeal to personal interest within the housing domain may well be the impact that affordable housing decisions have on residents' housing values. For most Americans, housing is their main asset, a way of ensuring future opportunity for their children, or financial security in retirement. Although these motives may seem exclusively economically-oriented (and therefore race neutral), research has shown that many people rely on implicit race-based associations when determining financial outcomes. In fact, factors like racial bias are more predictive of attitudes toward residential integration than economic impact or mere in-group favoritism.[65] The impacts of these implicit race-based biases are often amplified in relation to public housing. For example, one study has demonstrated that public housing is viewed as synonymous with Black Americans and is subject to compounding stereotypes of crime, laziness, and danger.[66] Findings from a similar study indicated that Whites' evaluations of neighborhoods were significantly associated with residents' race.[67] Moreover, data from the study revealed that Whites assumed that the housing stock in neighborhoods with Black residents was less likely to appreciate in value.[68] Again, such associations have important implications for people when deciding where to move and raise a family. When describing this pattern, researchers suggest that bias "has a stranglehold on how people think about and perceive neighborhoods—even neighborhoods that, on the face of it, are identical."[69]

And finally, implicit associations between race and criminality can skew perceptions of neighborhood safety. For example, associations between Blackness and criminality predicted higher levels of perceived residential crime in Black neighborhoods, regardless of actual crime levels.[70] Similarly, the racial composition of a neighborhood can affect perceptions regarding the level of disorder; often this perception can occur absent indications of community chaos. That is, race alone can serve as the proxy for disorder.[71]

Beyond "my backyard"

One of the most important reasons to highlight the cognitive underpinnings of NIMBY attitudes is the tendency for these attitudes to influence individuals and communities to act against their own best interest. Research indicates that NIMBYism creates a barrier for positive housing outcomes, even for those who hold these attitudes against others. For example, studies document that barriers to affordable housing in large cities such as New York and San Francisco limit our country's economic growth by limiting the mobility of workers to higher wage positions. Statistical models estimate this potential added growth would correlate to a 9.5% rise in the national GDP.[72]

Thus, implementing affordable housing projects serves the best interests of our communities and the nation as a whole. Affordable housing offers communities the benefits of increased diversity, both socially and economically. Moreover, research suggests that affordable housing can improve the local workforce by "reducing common causes of employee stress and absenteeism, including high housing costs and mobility, lengthy and costly commutes, and poor adult and child health due to unsuitable living conditions."[73]

PART THREE

The Intersection of Implicit Bias and Lending

The subprime and foreclosure crisis of 2007 and its continuing aftershocks in many communities across the country adds urgency to the need for more research into how our implicit biases operate in the housing and credit markets. To be sure, the evolution of the subprime and foreclosure crisis is not a simple thing to explain: much of the exploitation was explicit, and dependent upon a racialized history of credit-starved communities.

Financial markets have become more complicated. For example, the "shadow market" is opaque, even to experts, and yet has considerable power to shape our world. For example, financial journalist Eric Weiner describes the shadow market as "the invisible and ever-shifting global nexus where money mixes with geopolitical power."[74] As Weiner goes on to describe, it has no center, no regulatory structure, and yet amounts to trillions of dollars of global capital. Further, factually untrue narratives were perpetuated in the media (i.e., it was "bad borrowers" who used their houses "like an ATM" that were largely to blame for the unraveling—not a shift in mortgage market origination models, Wall Street's enormous appetite for quick, high-volume returns, or broker incentives to put borrowers into the highest-cost financing).[75]

Despite the complexity of the causes of the subprime crisis, the structural implications are clear: "Unfair practices, incentives, predatory lending patterns, [and] exploitation were fertilized by historically entrenched exclusionary policies. They took root and grew unimpeded in racially segregated neighborhoods across this nation."[76]

HOW IS THIS STRUCTURAL DAMAGE related to the underlying assumptions and attitudes that motivate behaviors and decisions? This section aims to clarify the misperception that lending decisions are conducted in an entirely objective fashion; instead, these decisions rely on deeply entrenched, yet often unacknowledged, associations between race and perceived risk. Here, we seek to understand how it could be that borrowers of color were systematically channeled into unsustainable, predatory loans *despite* being qualified for safer products.

We will challenge the notion of "rational" discrimination, explore the genesis of race: risk and its implications in lending, and examine the impact of implicit biases as they relate to the reliance on "objective" measures of creditworthiness.

Challenging the concept of "rational" discrimination

Housing and lending practices have garnered significant attention in the past several years as a driving force behind the US's Great Recession. Currently, much discussion takes place around the need for additional interventions to solve problems of wealth inequity and address secondary factors that influence buyers entering or leaving the housing market. Moreover, the ongoing discourse has largely relied on a traditional economic perspective to understand and evaluate the cascading negative effects of lending practices on the current housing market.

Though this approach can be useful, many economic models rely on the assumption that actors make logical decisions, which we now know to be at best, misguided optimism. Thus, purely quantitative information is incomplete without due consideration for individual behavior and relevant decision-making mechanisms. One champion for this line of thought—that humans make systematic logical errors which affect our economic structure—is Nobel Prize winner, Daniel Kahneman. As part of his immense contribution to the decision sciences, Kahneman has written extensively about how humans primarily rely on implicit, non-conscious processes rather than conscious deliberation.[77] To illustrate, one study demonstrated that judges' parole decisions were affected by something as simple as whether or not they had eaten yet—judges were most lenient immediately after consuming lunch.[78] Although this example is somewhat comical given that it confirms the old adage that "justice is what the judge ate for breakfast," it is shocking to know that such a weighty decision can be influenced by such a trivial factor.[79]

This disconnect between a purely economic model and a framework that considers the human component of market behavior can lead to starkly different conclusions, most pronounced in how researchers, policymakers, and financial regulators conceptualize racial disparities within the housing and credit markets. At the very core of this is whether housing market actors make racially-biased decisions when evaluating and resolving loan applications—either through a practice often referred to as redlining (pertaining to neighborhoods), or simply by individual discrimination. Discriminatory lending patterns are well-documented. For example, people of color are more likely to get subprime loans despite being similarly situated.[80] And yet, many studies aim to specifically disprove that lenders' biases create the disproportionality that exists. For example, some studies propose that existing racial differences are better attributed to demand and statistically-modeled risk factors.[81] The argument goes that although lenders denied more applications for people of color than Whites, they correctly did so by identifying "rational" or "economic" reasons such as level of income or neighborhood characteristics.[82] The conclusions made by those who rely on the idea of risk aversion to explain racial disparity rely on two erroneous assumptions: (1) Race is something that can be isolated from the very characteristics that shape it, such as a history of racial discrimination in education, labor, housing and healthcare—a history that "shows up" in neighborhood, income and credit differentials,[*] and (2)

* *Kobayashi and Peake define racialization (as opposed to racism) as "the process by which racialized groups are identified, given stereotypical characteristics, and coerced into specific living conditions, often involving social/spatial segregation and always constituting racialized places." (Kobayashi, Audrey, and Linda Peake. "Racism out of Place: Thoughts on Whiteness and an Antiracist Geography in the New Millenium." Annals of the Association of American Geographers 90, no. 2 (2000): 392–403.)*

Actors in the housing and lending field only make logical, non-biased decisions. Unfortunately, the history of the development and use of risk factors is informed by racial biases. Indeed, as one researcher notes:

> The language of financial risk is an economic language imbued with the legitimacy of 'formal rationality' but the risk criteria used to decide who gets a mortgage and who does not lose their 'formal' patina when one investigates the origins and the way they are implemented. Their origins show that the contemporary decision-making rules are a mix of rules of thumb, accepted norms, and theoretical assumptions imposed on reality.[83]

The genesis of race: risk and its implications in lending

Racial discrimination can often persist unchallenged when masquerading as risk prevention. When individuals are denied the opportunity to finance housing, a number of individual factors—purportedly race-neutral—are seen as the rationale for denial. However, these factors, including neighborhood location, credit scores, and income history, cannot be disentangled from a history of racial discrimination. Arguably, the "relationship between race and risk remains at the root of historically disparate housing opportunities in the US."[84]

How did this myth originate?

Various bodies of research suggest that racial discrimination (whether implicit or explicit) in lending is a product of historical and structural inequities, including federal housing policies and real estate practices, and bank restructuring and deregulation. We briefly consider each in turn, before unpacking the implicit bias framework.

INSTITUTIONALIZED DISCRIMINATION AND SEGREGATION

The federal government has a well-documented history of racialized housing policy. For example, the Home Owners Loan Corporation (HOLC) was established in 1933 in an effort to provide mortgage relief to homeowners and lenders in the wake of the foreclosure crisis during the Great Depression. However, HOLC utilized racial underwriting and appraisal practices that judged the credit-worthiness of entire neighborhoods based on the following four categories:

> …the highest category going to new, racially homogenous, all-White neighborhoods. Outlying Jewish and White working-class neighborhoods were given a second grade, while neighborhoods near a contiguous African American neighborhood were assigned a third category of housing value. The lowest appraisal value was given to all-African American neighborhoods, regardless of the age of the dwellings or the income of the residents.[85]

The Federal Housing Authority (FHA), created in 1934 as part of the New Deal legislation, incorporated the policies of HOLC, including the racially discriminatory appraisal methods and neighborhood ranking system.[86] Both HOLC and FHA required private institutions to adopt "land use tools and subdivision regulations to protect property values" and staff warned developers and realtors that "if a neighborhood is to retain stability it is necessary that properties shall continue to be occupied by the same social and racial classes" and lenders to "not insure mortgage on homes unless they were covered by a racially restrictive covenant, located in racially homogenous neighborhoods, and removed from blighting influences such as poor schools and older housing."[87] In short, "the FHA institutionalized a racially separate and unequal system of home financing that favored suburban building for Whites while precluding insurance for homes in racially mixed and non-White neighborhoods in the inner city."[88]

Then in the late 1940s, the FHA began promoting the Black housing market as "a large untapped market" that provided safe risk for lending, and promised the FHA would be there to support those "courageous" lenders and builders who ventured into this market, but only within "acceptable sites for Black housing development" (which did not, of course, include White neighborhoods).[89] What these discriminatory policies and practices amounted to was a form of "risk containment" to maintain the value of predominately-White residences.[90]

BANK DEREGULATION AND SUBPRIME LENDING

Beginning in the 1930s with the New Deal legislation, regulations required that mortgages had underwriting criteria based upon the borrower's ability to pay. Borrowers were required to make a substantial down-payment (about 20%), and loans were long-term, fixed-rate, and self-amortizing.[91] The Glass-Steagall Act of 1933 separated commercial banks from investment banks, preventing commercial banks from speculation on investments—in other words, protecting public interest over private gain. The Federal Deposit Insurance Corporation was established to provide protection for deposits. These policies ensured a sound system of lending: homeownership rose from 44% in the late 1930s to 64% by the mid-'60s.[92] However, because of redlining, the benefits of government-supported homeownership were largely off limits to households of color.

The federally regulated boundaries of the housing finance system were eroded throughout the 1980s via deregulation.[93] While the intent of deregulation was to attract global capital to a competitive market and protect depositories from interest rate risk,[94] it also opened the floodgates to unscrupulous practices. In the early 1990s, subprime lending was virtually non-existent. By the end of 2006, over $1 trillion in mortgage loans were subprime, representing 13% of outstanding mortgages nationally.[95] And there were notable racial contours to this market. In 2005, at the peak of the housing bubble, 55% of Black and 46% of Hispanic borrowers received higher cost loans compared to 17% of White and Asian borrowers.[96]

Economist Gary Dymski summarizes the "dramatic political-economy" story of the subprime crisis:

> Before the 1990s, banks' reluctance had led to credit starvation in minority and lower-income neighborhoods. From the mid-'90s on, cities were awash in credit. Banks set up or contracted with intermediaries to make and securitize huge volumes of subprime and payday loans. The same lender might make exploitative loans in some portions of a city, while making prime loans elsewhere. Lenders, banks, and markets **came to regard aggressive and even exceptionally unsustainable terms and conditions for a subset of their borrowers as their normal business practices**. These practices soon migrated from inner-city areas to the broader markets; and then the crisis came [emphasis added].[97]

The impact of the subprime and foreclosure crisis was staggering. The Great Recession drained more than $17 trillion in wealth from American families,[98] but had a particularly devastating impact on households of color. Black and Hispanic families lost an alarming 66% and 53% of their household wealth, respectively.[99] Many Black and Hispanic families who lost their homes drained savings, college, and retirement accounts, in an effort to (unsuccessfully) avoid foreclosure. The impacts of foreclosure rates were so severe in some cities that they undid twenty years of community development work in just two years' time and exacerbated vacancy rates.[100] Explicit and implicit racial biases surfaced during the subprime lending boom:

> While an individual's race or racial composition of the community may not have been a conscious decision factor in how someone came to get a given loan, in the end, one's racial or ethnic identity and the history associated with the racial composition of the neighborhoods relates to the harm they now feel from the problems in our real estate and mortgage markets.[101]

Lending, wrought with bias and discrimination, continued to conflate race with risk factors. Thus, making lending decisions on seemingly objective evaluation criteria (e.g.

neighborhood location or financial history) omits a critical analysis of how the presence of these factors is a product of racial segregation and discrimination.

HOW IMPLICIT BIASES INFILTRATE LENDING DECISIONS

Human bias is a complex factor within the lending systems, especially as it contributes to the source of racial disparities in the housing market. The best way to understand the lending process is to understand the context in which it takes place: within the context of racially segregated space. We are "embedded in a social context and it is that context which structures the information that [lenders] receive and the way they process it, even when they are making economic decisions."[102] As such, racial disparities in lending "are indicative of a failure of the loan process [to generate a profile of an applicant as a good risk], and of the social structure of which it is a part and which it helps to construct."[103]

The tendency to associate race with levels of risk exists beyond the home-lending domain. For example, a field study assessed the presence of racial bias in the lending process for small businesses, revealing similar patterns of differential treatment depending on the client's race as those in the housing market. Lenders required Black and Hispanic males to provide more information (e.g. financial statements, tax returns, bank account, and debt) than White males.[104] Additionally, the study found that Black and Hispanic males received less help completing the loan application compared to their White counterparts.[105]

The impact of implicit biases and the race: risk association

Implicit and explicit biases are significant for the individual borrower. Implicit racial bias results in material and adverse outcomes for people of color. Such biases account for a part of the ongoing, and growing, wealth gap between households of color and White households. The wealth gap in turn limits critical opportunities for upward mobility for people of color.

IMPLICIT BIASES THWART ABILITY TO BUILD WEALTH

Studies show that explicit housing discrimination has declined, but racial stereotypes persist, negatively impacting minorities.[106] Ross notes that "across-neighborhood differences in access to credit appear especially important for explaining [the] racial disparities."[107] As the subprime crisis revealed, fair housing and fair credit is less about access to credit, and more about the terms of that access. Banks denied credit applications to qualified minority borrows over several decades—making borrowers significantly more likely to approach subprime lenders.[108] Although the subprime market can provide an option for less qualified borrowers to access the housing market, predatory lending can come with adverse consequences. Buyers faced deception, fraud, manipulation, and aggressive tactics intended to exploit a buyer's lack of financial knowledge. Predatory loans have been described as setting borrowers up for failure because they charge higher fees and interest rates,[109] without assessing a borrower's ability to repay.[110] Moreover, subprime lenders specifically targeted people of color: a study conducted in 2006 revealed that African Americans were twice as likely to be involved in the subprime market compared to Whites with the same financial background.[111] Other studies document that **when White testers approached a subprime lender, they were more likely to be referred to the lenders' prime borrowing division than similar Black testers.**[112]

IMPLICIT BIASES INFLUENCE THE APPRAISAL PROCESS

Wealth-building through homeownership is also impacted by the appraisal process, not just of one's own home, but that of neighboring houses. Research suggests that implicit bias plays a role in "explaining the connection between property values and racial stereotyping of space."[113] The drawing of boundaries is a critical part of the appraisal process, delineating the pool of available comparable properties for valuation. Through this process, appraisers may inadvertently uphold racial segregation in housing markets, in that the long-standing "logic of [uniformity] points the appraiser toward using neighborhood delineations that follow existing racial and ethnic dividing lines."[114]

Here, too, history matters, for:

> even before professionalization [of the appraisal industry], and even before [appraisers] agreed on one definition of value, **appraisers agreed that the presence of minorities in a neighborhood was detrimental to home values**. They also agreed that people of different incomes should live in separate neighborhoods [emphasis added]....

Any breach of this consensus (i.e. mixing of uses, races, or incomes) resulted in a decline in value, and was seen as a breach of professional appraiser ethics.[115]

Sadly, this consensus of segregation was locally driven and widely publicly agreed to. For example, speaking to the first racial zoning ordinance in 1910, then-Mayor of Baltimore J. Barry Mahool (who was seen as a social justice advocate and progressive reformer at the time) remarked "that Blacks should be quarantined in isolated slums in order to reduce the incidents of civil disturbance, to prevent the spread of communicable disease into the nearby White neighborhoods, and to protect property values among the White majority."[116] Even after ruled unconstitutional in 1917, planners and attorneys and others with power over development patterns continued to find ways to ensure that the effects of racial zoning ordinances were sustained, "guiding" Black neighborhood change and expansion (especially in response to the Great Migration).[117]

This locally-driven discrimination would soon become nationalized. In the 1930s, the newly-created FHA adopted the appraisal practices of the time, thereby:

> clearly articulating a class system that persists to this day: **the logic of the system** demanded that lower income home owners be segregated from their middle income and upper income counterparts, regardless of race…**which ensured that lower income neighborhoods would be least likely to receive FHA insurance because they were considered to be near the end of their economic life. But over and above this class logic was a logic that was gratuitously unjust toward non-Whites. That logic stipulated that White and non-White neighborhoods were separate markets and that the latter were 'non-competitive.'** On this basis, the FHA explicitly and categorically excluded non-White neighborhoods from the benefits of FHA insurance. What we have in the FHA Manual is a clear explanation of the relationship between race and class in the minds of the real estate industry at the time [emphasis added].[118]

This categorization relied on the premise of "infiltration theory," a process of (negative) neighborhood change that many in the real estate industry at the time accepted. As described by one appraiser in 1944, "infiltration of incompatible races has always been a red flag to the appraiser. It is of special importance now and will be more important after the war. No one thing can so quickly depress values as the beginning of a race movement."[119] Sentiments like this were pervasive in the real estate industry—reflected in the education and training of professionals, in the myriad journals that commented on the field, and in public policy.[120] One housing expert notes that the FHA "set itself up as the protector of the all-White neighborhood…and became the vanguard of White supremacy and racial purity—in the

North and in the South."[121]

Although much of the language used in the FHA Manual came under critique in the 1970s for leading to the redlining of minority and old neighborhoods, the underlying logic of uniformity remained. As late as 1984, appraisal texts were referring to the "introduction of contentious groups" as a threat to neighborhood stability and property values. While not explicitly calling out race, it was implicitly understood that the text is referring to minorities.[122] This history of explicit discrimination continues to permeate the practice today, but in subtler ways, "for despite the fact that the explicit endorsement of segregating people by race has been expunged from appraisal handbooks, the explicit endorsement of segregating people by income remains, and as a result, there remains an implicit endorsement of racial segregation."[123]

These valuations also affect how people in general perceive property values in a given neighborhood, which can influence people's decisions on where to move. For example, one study finds that Whites' evaluations of neighborhoods were significantly associated with residents' races, revealing that Whites assumed that the housing stock in neighborhoods with Black residents was less likely to appreciate in value, and these biases may stem, at least in part, from unconscious biases.[124]

PART FOUR

The Intersection of Implicit Bias and Housing Mobility Interventions

In the wake of civil rights legislation, housing policymakers have struggled to help provide equitable access to neighborhoods of opportunity, and to reverse the course of residential racial discrimination and segregation. Indeed, this is what Title VIII of the Civil Rights Act of 1968 (popularly known as the Fair Housing Act) and its 1988 Amendments, and the current release of the AFH standard is intended to achieve.[125] Sadly, while these efforts are often well-articulated and informed, their reliance on incentives and entrenched patterns of resistance have not even slowed racial and income residential segregation. Today, we are more segregated than ever, in terms of income and race.[126] One fairly recent such intervention, the Moving-to-Opportunity demonstration, provides an opportunity to reflect on how implicit biases may be inadvertently thwarting the success of promising policies.

The Moving-to-Opportunity demonstration

For some, the chance to relocate can mean a chance for new opportunities. Efforts by the Department of Housing and Urban Development (HUD), such as the Gautreaux program (the result of a 1976 consent decree in a lawsuit that charged HUD with employing racially discriminatory practices against Chicago public housing residents), moved poor families from urban to suburban neighborhoods in order to offer individuals access to better education and more job opportunities. The results for families that moved because of Gautreaux were promising—such as improved educational attainment and quality, and better employment achievement. However, because Gautreaux was only a quasi-random program in one particular city, the causal mechanisms leading to better outcomes were unclear. Thus, the Moving- to-Opportunity (MTO) program was created. From 1994 to 1998, HUD offered families from Baltimore, Boston, Chicago, Los Angeles, and New York a chance to move out of impoverished public housing. Assessments of the program yielded several key findings regarding mobility programs and the effects they may have on families and individuals, both positive and negative.

The MTO program enrolled 4,604 low income households and randomly assigned each family into one of three groups.[127] The first, referred to as the “experimental” or “MTO” group, was given vouchers that could only be used in neighborhoods with poverty rates less than 10%. This group received counseling and assistance in finding housing in these low poverty neighborhoods, where they were required to stay for one year. The second, the “Section 8” group, was given a traditional voucher they could use anywhere, without special counseling. The last, the “control” group, did not receive any mobility vouchers, but remained eligible for housing assistance or other social programs they were previously eligible for. All the households enrolled were disadvantaged economically and a majority of them were headed by women. Two-thirds of them were African American and the remaining were primarily Hispanic. Not all families who received vouchers used them to relocate—those who did were, on average, younger, had fewer children, and were more displeased with their current neighborhood than those who did not use the voucher.

After a year, the families in the experimental group were given the opportunity to move again without any special neighborhood requirements.[128] At the time of the interim survey collection, conducted four to seven years after random assignment, approximately 60% of MTO families, 30% of Section 8 families, and only 17% of the control group families resided in neighborhoods with less than 20% poverty rate. Final survey estimates, taken 10 years after the initial relocation of families, found that MTO treatment families lived in census tracts with an average poverty level of 22%, and those in the Section 8 group lived in tracts with an average poverty level of 29%.[129] The changes in neighborhood for the families originally participating in the MTO moves are important because they set a baseline for understanding the long-term impacts relocation had on the younger participants as they grew up and navigated new and unfamiliar neighborhood conditions. More specifically, it was found that for youth in the MTO treatment group, the skills they may have obtained while living in low poverty areas did not translate to the realities they faced in their new neighborhoods, with different forces affecting who they interact with, what they experience, and how they essentially survive.

The ability to collect a randomized sample enables analysis of the causal mechanisms that effect families as they move from high poverty to low poverty neighborhoods.[130] As the interim survey results became available, it was apparent that the MTO program had several unpredicted effects. Although the main intent of the MTO program was to promote economic self-sufficiency and educational attainment, several studies found an association with relocation and a wide range of *health* outcomes for adults and youth. This research indicates that external conditions and neighborhood stressors can impact internal physiological functions and processes. The divergent responses to the changes in neighborhood are most salient between young boys and girls. Understanding these differences is important for future implementation of robustly effective housing mobility programs.

Neighborhoods and health

A comprehensive body of research exists about neighborhood effects on health.[131] Studies continuously demonstrate the negative effects high poverty neighborhoods have on the health outcomes of residents.[132] Poor neighborhood conditions, including an unwelcoming physical environment, residential instability, limited access to health care, failing or non-existent infrastructure or public space, and weak social support, contribute to poor outcomes among residents.[133] In neighborhoods with high poverty, the risk of experiencing violence further affects health and behaviors. These encounters may cause individuals to develop unhealthy practices. Such environments have been found to impact mental health. For example, in neighborhoods perceived to be disorderly or possessing poor housing quality, depression is more likely experienced among residents.[134] Stress is also more likely to be experienced by residents in high poverty neighborhoods and it is often handled with unhealthy behaviors.[135] The social environment, marked by the number and strength of connections among residents, can also impact health in high poverty neighborhoods. The current literature suggests that increased social connections and cohesion is one such protector against depression.[136] Residential instability, which is thought to reduce and weaken social ties, is also associated with higher levels of depression.[137] Furthermore, individuals who are exposed to crime and violence have higher levels of stress, over time.[138] In sum, the consequences of both the physically and socially distressed environment include poor health (both physical and mental), more focus on short-term coping mechanisms (such as smoking or drinking), and less concern for long-term health conditions.

MTO assessments of health

Perhaps one of the more compelling discoveries of the MTO research is the disparity in mental health outcomes between boys and girls in the treatment groups. Quantitative and qualitative research exhibits how the MTO program impacted the genders differently, how the differences emerged, and what it suggests for future policy.

ADULT HEALTH OUTCOMES

Because a vast majority of the MTO families were headed by women, the studies examining adult health outcomes primarily focus on the results for women. Among women in the treatment group, lower obesity and better mental health (as measured by the Kessler 6 scale of psychological distress) were recorded.[139] However, similar levels of prevalence of serious mental disease between the treatment and control groups, and *higher* levels of drug or alcohol dependence for the treatment group were also found in the summary study of MTO by HUD.[140] The study found that overall mental health improvement was a result of the MTO intervention. Women also recalled how they were treated in high poverty neighborhoods and how these conditions changed as they moved to low poverty neighborhoods such as decreased harassment from men and less feelings of fear.[141] In one study, the mothers in the MTO treatment felt that the decreased exposure to crime and violence led them to worry less about their daughters in the new neighborhoods.[142] This decrease in concern may lead to improved mental well-being. The findings among adults suggest that the MTO program had positive mental health benefits on families.

YOUTH HEALTH OUTCOMES

The youth outcomes are more complex. The results of the children's analyses suggest that the MTO program did not benefit all populations equally. There are few statistically significant treatment impacts when looking at the youth population in the groups combined.[143] However, when the genders are evaluated separately, the results are gripping. Girls in both treatment groups experienced marked improvements in health, especially mental health outcomes.[144] These include lower rates of mood disorder, fewer serious behavioral and emotional problems, fewer panic attacks, and lower chance of operational defiant disorder (ODD) in the past year.[145] Among girls in the Section 8 treatment group, a 2014 study found lower rates of major depression and conduct disorder.[146] In a qualitative study, Popkin and colleagues found that among the girls and women in the MTO treatment group, there was a reduced feeling of "female fear" (i.e. "the fear of sexual victimization, verbal and physical harassment, and sexual exploitation").[147] Studies of youth in Baltimore and Chicago found that girls in the MTO groups were least likely out of all other youth groups to have friends who engaged in deviant behavior.[148]

The health outcomes for boys are decidedly less positive. In one study, researchers observed increased levels of PTSD among the boys in the Section 8 voucher group.[149] Furthermore, the study also concluded that boys in the MTO group had significantly increased rates of major depression and conduct disorder.[150] Studies find that boys in the MTO group were actually more exposed to deviant behavior and risky peers.[151] These findings also support research by Kling et al. that shows the MTO program has had lasting positive effects for girls, but over time, boys are more likely to engage in crime.[152] In fact, the researchers find that crime among MTO boys was more severe than among boys in the control group, who did not relocate. The adverse outcomes among the boys in the MTO treatment compared to control group boys can be partially explained by the neighborhood adaption skills these boys failed to gain because of their relocation during pivotal years.[153] The adaption skills include navigating neighborhoods successfully, avoiding potential illegal behavior, and understanding social cues and deviant peers. Beyond deviance and crime, the boys under the MTO treatment experienced further negative conduct behavior and poor mental health outcomes. A 2012 study found that among boys who had health vulnerabilities, there were worse major depressive effects.[154]

EXPLAINING DIVERGENT YOUTH PATHWAYS

Several mechanisms for explaining the outcome divergence among boys and girls are suggested in the literature. Much of the time, the focus is on the impact neighborhoods may have on youth behavior. Collective efficacy, peer effects, and proximate adult role models are all possible explanations as to why the MTO intervention produced differential outcomes for boys and girls. In the scope of neighborhoods, collective efficacy refers to the levels of trust among residents and willingness to intervene for the benefit of the neighborhood as a whole.[155] Peer effects are the influence peers within a neighborhood have on the proclivity of an individual to commit a risky act. Finally, the proximity of adult role models—whether a neighbor or parent—is shown to impact the extent to which a young boy or girl is able to avoid deviant behavior through the influence of an adult.

One common theme from the MTO qualitative studies among youth participants is the increased surveillance in low poverty neighborhoods. Boys relocated in the MTO program cite that they were often harassed by police and did not hang out in public because they felt that people grew very suspicious of their presence.[156] Girls and boys had distinct social behaviors, with girls socializing in more private locations and boys in more public locations; thus, the different genders were exposed to different levels of surveillance. This might explain why the boys felt they were negatively viewed by neighbors or approached by police more—they exposed themselves more to these chances by socializing publically and not privately. Another explanation concerns coping skills. An interesting concept that emerged in the Clampet-Linquist et al. study (2011) is that the boys who were given the MTO treatment missed access to key survival skills in the high poverty neighborhoods, so upon their return to these areas, they were less aware of neighborhood processes and often engaged in far worse behavior than the boys who remained in those neighborhoods as part of the control group.

Exploring the potential impact of implicit biases on mobility intervention outcomes

Knowledge about the operation of implicit bias may help further explain the disparity in mental health outcomes between boys and girls in the treatment groups. Implicit bias can help explain why residents may have perceived boys in the treatment group more negatively than girls. Moreover, the experience of internalizing implicit biases can help account for the differential coping mechanism responses expressed by boys and girls in the program. The following examples illustrate why implicit bias may have heightened the experience of discrimination for boys in the program.

People of color, in general, experience specific types of implicit discrimination in White communities—such as being perceived as an outsider, a threat, or even a criminal.[157,158] External factors often lead to increased experiences of discrimination among minority populations. However, implicit racial bias can be exacerbated (or *"although most children are allowed to be innocent until adulthood, Black children may be perceived as innocent only until deemed suspicious."*

mitigated) when compounded by gender.

To illustrate, work by Goff et al. (2014) demonstrated that the implicit dehumanization of Black children lead to perceivers viewing Black male children as less innocent. As a sobering, yet comprehensive summary of this work, the researcher noted "although most children are allowed to be innocent until adulthood, Black children may be perceived as innocent only until deemed suspicious."[159] Further, most people hold implicit gender stereotypes (e.g. gender norms) linking females to being more innocent and less dangerous than males.[160] This may have minimized the perceived threat for girls of color in the MTO program. The tendency for individuals to implicitly associate male children of color with suspicion more than their female counterparts may indicate that young females in the treatment groups may have received a lesser degree of stigma in their new context than the young men.

However, the intersection between gender and racial biases complicates this relationship. For example, the degree to which the presumption of innocence is afforded to girls is also affected by their racial identity. A recent report demonstrates that although male students are disciplined at a higher frequency than female students, on average, the racial disparity in school discipline is higher for female students than for male students.[161] As this example illustrates, there is no perfect formula for interpreting the impact of implicit biases on youth within the MTO program. Thus, it is also important to consider how individuals process these experiences.

External factors such as increased discrimination, stigma, and bias (both implicit and explicit) can have a huge impact on internal health factors. For example, implicit in-group devaluation—holding a negative evaluation of one's in-group—has roots in external sources and may have an impact on internal well-being.[162] In addition, minorities with less status are more susceptible to automatic in-group devaluation.[163] Moving to a high income neighborhood could have made that status gap more salient to the youth in the MTO program. Additionally, the researchers cited depression and frustration amongst the potential mental health concerns associated with implicit in-group devaluation. Moreover, Chae et al. (2014) explored the long-term health implications of own-race implicit bias for Black males. The researchers found shorter Leukocyte telomere length (LTL) in Black men was significantly correlated with an implicit anti-Black bias and reported higher levels of discrimination.[164] LTL shortening is a phenomenon related to psychosocial and physiological stress.[165]

PART FIVE

Moving Research and Action Forward

In the end, racial bias within the housing and credit markets is pervasive and decisive. Indeed, there appears to be something "off limits" about remedying housing (and by extension, credit) discrimination. For example, one study finds that 28% of Whites support an individual homeowner's right to discriminate on the basis of race when selling a home.[166] Paired testing audits continue to report that minorities are told about and shown fewer units (rental or homeownership) than Whites, even if they are well-qualified.[167] Indeed, renters calling or emailing to inquire about a property and who could easily be identified—by name or speech—as Black or Asian were treated more adversely than those perceived to be White.[168] **It seems we don't have to dig too deep to tap into our biases when it comes to our homes.** Back in 1968, the Douglas Commission called the struggle for freedom of choice and equal opportunity in housing and balanced neighborhoods nothing less than the "struggle for the soul of America."[169]

"policy and practice needs to strive not just for changing systems, but changing people's hearts and minds"

The continued presence of discrimination in housing and credit markets brings with it high costs to society. For example, research documents that regions with high levels of racial segregation are less economically competitive.[170] The effects on the economy are not just an urban problem; studies show that racial segregation also negatively impacts the economic growth of suburbs.[171] Where one lives continues to matter immensely for life outcomes, whether people are afforded equal access to amenities in opportunity-rich neighborhoods. Segregation and discrimination in housing produce a myriad of unequal outcomes for individuals, including in employment and education, which in turn have profound effects on wealth-building, leading researchers to note that:

> the primary drivers of the Black-White wealth gap are years of homeownership, income, unemployment, college education, and financial inheritance, **all of which can be directly or indirectly shaped by past and present housing discrimination and segregation** [emphasis added]."[172]

Noted implicit bias researcher Jerry Kang explains Americans' reticence to identify present-day racial residential discrimination:

> Many Americans believe that segregation isn't really caused by racial discrimination taking place today. According to this 'common sense,' racial discrimination was common in the past (driven by very explicit biases). But today, segregation is driven more by simple economics: the rational pursuit of self-interest for oneself and one's family. Most people simply want a safe and clean neighborhood, with good amenities, good schools, and good houses that will keep their property values. People with resources, of whatever race, will select and move into such neighborhoods and away from spaces with crime, blight, disorder, and poverty. According to this common sense story, racial segregation is just a collateral consequence of the banal fact that well-resourced people (who happen to be disproportionately White) get to exercise their economic choice to move to 'good' neighborhoods (again, which happen to be disproportionately White).[173]

And Americans appear quite comfortable with this "common sense" argument, as Kang describes, "disparate racial impact caused by economically 'rational' behavior is viewed as regrettable but understandable, not deplorable. At worst, it's really just the sin of being selfish, and when people are accused of being selfish about their families' welfare, they often respond 'Guilty as charged!'"[174] And yet, "spatial proximity or propinquity is a necessary condition for intergroup contact and mutual understanding among racial groups."[175]

Knowing this, policy and practice needs to strive not just for changing systems, but changing people's hearts and minds, to the core of our values. Because it is from our values that systems, policies, and attitudes are informed:

> There is a dynamic internal to the housing market itself that cannot be ignored… constituted by the drawing of spatial boundaries…and a lending process that favors one set of applicants over another on the basis of rules whose content is **the product of a particular set of values developed within a particular institutional context** [emphasis added].[176]

For fifty years, since the creation of the Fair Housing Act, we have struggled with the realization of true fair housing and fair credit opportunity, passing myriad legislative packages and bringing suits in court in an effort to more fully integrate our communities and make the American Dream a reality for individuals and communities that have historically been denied its promise. To be sure, anti-discrimination enforcement is a necessary part of the solution, but it is limited in that it doesn't take care of the challenge of segregation. Indeed,

> While state and federal laws make overt housing discrimination illegal, real estate steering practices, appraising techniques, and stereotypical views of White and Black neighborhoods have changed little in the last few decades…. Thus, racial segregation in housing persist because the participants in the real estate industry still hold and disseminate the belief that racial minorities are poor credit risks and racially-mixed or predominantly Black and minority neighborhoods are of lesser value than all-White neighborhoods. As long as housing consumers and real estate interests act according to this belief then fair housing and other anti-discrimination statutes will have little effect in lessening racial inequalities in housing.[177]

Although there are affirmative provisions required by the Fair Housing Act that call on actors to "affirmatively further" fair and integrated housing, these provisions have seldom, if ever, been truly adhered to. Unless we can begin making changes in the way people think about race, especially as it pertains to their (potential) neighbors, we will continue to see disappointing results, and certain groups will continue to lose out—economically and socially.

Addressing implicit bias/structural inequity

CHALLENGING OUR CONCEPTION OF RATIONALITY

As described earlier in the report, the language of risk is often imbued with an economic objectivity, a formal rationality deemed above challenge. And yet, we are calling for exactly that: challenging this view and opening our minds to the possibility that economic objectivity is a fiction. For as Stuart describes, in his extensive review of how actors construct and assess risk, "there are two ways we can understand the construction process in a social context.... [one is] to show that people often act in ways that are not economically rational when making economic decisions, while the second [is] how economic rationality itself is socially constructed."[178]

If rationality is itself a social construction, this opens the debate around public policy and racial discrimination. Stuart argues that the literature documenting the existence of discrimination is limited because it assumes there is an objective measure of risk—it falls prey to the first assumption of economic rationality. Thus, debates and interventions are likewise constrained.

The research on discrimination in housing and credit markets has been described as "incomplete, contradictory, and controversial."[179] Indeed, arguments that racial discrimination is not "rational" (and therefore doesn't happen) have been made, in contradiction to the seminal research by the Federal Reserve Bank of Boston that "found a wide disparity in the rates at which Whites, Hispanic, and Black applicants, with the same economic characteristics, were being turned down for a loan."[180] The authors of the

Boston study remarked that "because little is known about the relationship between applicant characteristics and actual loan performance, any model must by necessity explain what lenders *actually* consider when making their decisions rather than what they *ought* to consider."[181] To be sure, "there is no critique-proof methodology for assessing the presence or absence of discrimination."[182] However, even though the research may not be able to unequivocally prove a racial bias in lending, "neither is it true that all evidence of racial redlining signifies nothing."[183] In reviewing mortgage discrimination models, studies show that racial disparities do exist in the housing and credit markets, and that "these patterns indicate that structural or personal discrimination, or both, may be present."[184]

RACE-CONSCIOUS HOUSING FINANCE REFORM ADVOCACY MUST CONTINUE

A little more than ten years after the housing bubble burst and credit markets collapsed, advocates find themselves still engaged in the fight for fair credit. Despite some positive steps, such as the creation of the Consumer Financial Protection Bureau, and the passage of the Dodd-Frank Act, access to credit remains tight for many borrowers, especially borrowers of color. Some worry that the pendulum has swung too far. For example, the 10th percentile of FICO scores, which represents the lower bound of creditworthiness needed to qualify for a mortgage, was 664 (February 2015), compared to the low 600s before the crisis.[185] In 2015, only 10% of mortgages were made to borrowers with credit scores below 667, although about 40% of all households (and 60% of low to moderate income households) fall into this category.[186] The Center for Responsible Lending estimates a "missing" 5.2 million dollars in loans from 2009–2014 due to tightened standards.[187] The households who are most impacted by the tightened system are those who have always been marginalized in our housing and credit systems. For example, a recent analysis of lending by six major banks in Washington DC found that although Whites make up just

36% of all households in the region, they constituted 75% of home lending, whereas African Americans households made up 56% of all households yet received just 18.5% of home loans.[188] Nationally, just 2.6% and 5% of conventional loans were made to Black and Hispanic borrowers, respectively.[189]

Every American family and individual should be able to make meaningful choices regarding how and where they want to live, and implement those choices through fair and sustainable credit options. We must commit to a reformed system that does not perpetuate "separate and unequal" access to credit. This is a call for us to practically implement our egalitarian values—a values-informed approach to housing finance reform.

This is important not only as a matter of principle and law, but because of the contours of the coming housing market. The populations most devastated by the recent predatory lending crisis—low to moderate income communities of color, immigrants, older adults—will, along with a generation of young people making diverse family and housing tenure choices, soon make up the greatest number of potential housing consumers. Critical attention must be paid to both swiftly changing demographics and to rising economic insecurity. The Joint Center for Housing Studies at Harvard University projects that more than 70% of net household growth between 2010 and 2020 will be from minorities. Innovative, responsible, fairly capitalized access to housing choice and credit options must be at the heart of a new economy and a new housing finance system, access that must be fiercely protected and affirmatively promoted by the federal government.

GETTING MORE BORROWERS OF COLOR SUCCESSFULLY THROUGH THE LOAN APPROVAL PROCESS

A central theme throughout this report has been the pervasive and implicit association between race and risk. We must do away with that. We can start by identifying key decision points, and thus intervention points, within the process. Paired testing audits are good at identifying sources of discrimination early in the process, but the loan approval process is long and complex, with many actors. Where are other significant junctures of "fall-out" for borrowers of color who make it past that first application or phone inquiry?

MORE RESEARCH UNPACKING HOW AUTOMATION MAY REINFORCE OR DISRUPT IMPLICIT BIASES IN LENDING

We can consider how to inhibit instances of implicit human bias by limiting options for individual discretion.[190] Personnel outcomes in the public sector are instructive. Studies have found that "highly rationalized systems of hiring, promotion, and remuneration are associated with an increasing representation of hiring minorities, greater racial diversity in positions of authority, and a smaller racial wage gap."[191] In lending, studies document that the use of automated underwriting systems, thereby presumably removing lender discretion, are associated with an approximately 30% increase in approval rates for minorities and low income clients.[192] However, more research is needed to fully assess the impact of automatic underwriting systems. Researcher Daniel Immergluck notes that while automation may account for disparate treatment, it does not address disparate impact, nor account for historic effects of disadvantage on present-day outcomes. In other words, while automation may make the process easier for lenders, not all borrowers are created equal. The system can benignly perpetuate discrimination because complex processes of historic stratification in society (by race, ethnicity, or gender, for example) leave people at different starting lines. In other words, there is an inherent bias in risk criteria that on the surface may seem completely objective.[193]

"the inclusion of utility payments in a credit scoring model could cut the number of borrowers considered subprime in half"

Here too, even when discussing automation and credit scoring mechanisms, the race: risk association prevails. Researcher James Carr notes that:

> discussions that address improving access to credit are often couched in the rhetoric of 'loosening credit standards.' That framing of the issue is misleading and disingenuous since it implies that improving access for people of color requires financial firms to accept an excessive level of risk and losses.[194]

On the contrary, the models of credit scoring currently used, which are more than a decade old, are known to disadvantage borrowers of color, who are less likely to have traditional sources of credit. In the meantime, other predictive models have been tested and found to be more accurate. For example, Carr cites studies conducted by Experian that find the inclusion of utility payments in a credit scoring model could cut the number of borrowers considered subprime in half.[195] Such an inclusion could benefit borrowers of color greatly. Indeed, the reliance on automated credit scoring does little to help those borrowers who don't fit the current definition of a "good risk." More research is needed to tease apart the effects.

FURTHER RESEARCH INTO APPRAISAL PRACTICES AND SUGGESTIONS FOR NEW APPROACHES

In the early years of the appraisal profession, especially during the 1920s, there was a lot of debate as to how to define and measure value—do you use a sales comparison/market value approach? The cost/summation approach? The present value approach? Despite the widespread differences of opinion on the issue of determining value, there was widespread agreement that there was a "certain desirable urban structure"—i.e. one where uses were separated, races were separated, and classes were separated.[196] Further, any breach of this "desirable structure" would result in a loss of property value.

This consensus had real-world applications: the public concern over preserving the “residential neighborhood” or “desirable structure” gave rise to the use of zoning, the first ordinances of which were used to separate Black and White residential areas.[197] A real turning point in defining value occurred with the creation of HOLC and the FHA. Up to this point, there was only general consensus in the appraisal field that to preserve value, uses/races/classes should be separated.

Today, however, one might assume (correctly) that the definition of “desirable structure” has changed markedly from what it was close to 100 years ago. If this is true, then the assumptions about desirability that are the foundation of the appraisal process may be increasingly irrelevant. For example, the Echo Boom generation will be driving real estate markets for the short- and near-term, especially urban markets, accounting for a majority of the five to six million new renter households formed through 2020.[198] And they have a decidedly greater appreciation for diverse urban experiences than past generations. This new possibility produces some interesting questions for further research: From an equity-based perspective, how would we define “desirable structure” today? How would this change the valuation process? How might these changing definitions to “desirable structures” alter or shape the implicit associations individuals hold toward urban neighborhoods?

APPLYING IMPLICIT BIAS IMPLICATIONS TO THE NEW AFFH RULE

The long-awaited rule and method for evaluating fair housing and opportunity on a regional scale are major advances in delivering on the promise of fair housing. However, communities would do well to integrate implicit bias implications and devise communications and engagement strategies that start early, and continue often throughout the evaluation process. Research shows us that there are words or messages that may inadvertently trigger implicit bias responses, and thus practitioners will want to avoid these.[199] For example, in making the case for affordable housing, practitioners may point to the changing demographics, or many of the trends we listed above. But studies show that White Americans express more racial bias—both implicitly and explicitly—when exposed to changing racial demographics of the US, in particular, the "majority-minority" frame.[200] When this shift is made salient, White Americans expressed greater preference for interactions with their own race, expressed more automatic pro-White/anti-minority bias, and this bias emerged even towards groups that were not responsible for this shift.[201] For example, in one study measuring White responses to articles, even when articles participants read accurately ascribed the demographic shifts to the growth in Latino population, White Americans expressed more automatic bias toward African and Asian Americans.[202] The activation of such biases can in turn lead to different policy positions—when exposed to the racial demographic shift, White Americans increase endorsement of conservative ideology and policy positions more strongly, both for policies related to race and for those relatively race-neutral.[203]

INTEGRATING IMPLICIT BIAS RESEARCH IN HOUSING MOBILITY PROGRAM DESIGN

Moving-to-Opportunity was a comprehensive and innovative housing intervention that offered families the chance to move from high poverty to low poverty neighborhoods. The findings indicated that the intervention had divergent effects based on gender—where girls benefited and boys were hindered. The general consensus from the research suggests that future housing relocation programs need to consider gender-specific counseling procedures to ensure that boys can adjust properly to the new neighborhoods and perhaps experience the positive benefits that girls had during the MTO program. Most importantly, the goal of this discussion is to uplift the importance of implicit bias during the development and implementation of any new initiative aimed to advance racial and economic equity.

Addressing implicit bias at the institutional level

Organizational contexts play an important role in the perpetuation of stereotypes and ultimately discrimination. Researchers concerned with "durable inequality"—the inequality that describes the organizational dynamics involved in creating and maintaining group boundaries—argue that "the reduction or intensification of racist… attitudes will have relatively little impact on durable inequality."[204] Organizational contexts matter for determining solutions to implicit bias in housing and lending because organizational processes and practices can and do "mediate the cognitive biases and stereotypes of actors."[205] Indeed, understanding the "opportunity structure for discrimination" within organizations that "allow or inhibit the expression of discriminatory tendencies" will be an important aspect of the research moving forward.[206] However, we also must remain cognizant of the fact that "rules and procedures are themselves subject to the influence of groups inside and outside the organization who 'mobilize resources in a way that advances their interests.'"[207] Though not necessarily intended, this interest may compete with efforts to promote inclusive policies internally and externally.

One such instance is that "the government's lack of clear guidance regarding compliance with antidiscrimination laws and regulations allowed organizations to establish and legitimate their own compliance measures."[208] For example, in the aftermath of the mortgage meltdown, lending has become increasingly constricted. From an industry perspective, lenders suffered great losses from defaults; they realized unprecedented and substantial servicing costs for defaulted loans; and they are uncertain as to the different rules that will be coming as policymakers struggle to recalibrate the housing finance system to a more sustainable and sensible position.[209]

In particular, lender uncertainty about the rules they are to follow to avoid "put back" risk (i.e. loans that default that the government is able to transfer back to the lender, and thus the associated costs, if it is determined that the lender did not follow the rules in making the loan) has led lenders to be overly cautious in the loans they make. In essence, lenders only make loans they are confident have very little chance of default. For example, in June 2013, the average credit score of a borrower receiving a GSE-backed loan was 766, up about 50 points from a decade ago, before the housing bubble.[210] As these standards become increasingly rigorous, efforts to expand the inclusivity of lending will decrease concurrently—exacerbating the potential for biased decisions to go unchecked or to be justified as a result of tightening standards.

In short, organizational processes matter for developing implicit bias-related solutions to the disparities in housing and credit. Indeed,

> Organizations occupy a unique position with respect to shaping patterns of discrimination. They mediate both the cognitive and attitudinal biases of actors within the organization as well as the influence of the broader economic and legal pressures applied from beyond.[211]

Because implicit biases are more likely to operate when our cognitive capacities are limited, organizations can develop policies and procedures to increase the decision capabilities of its employees. For example, imposing concrete guidelines for organizational practices can reduce decision fatigue, ambiguity, and subjectivity—all of which are shown to increase the reliance on biased thinking.[212]

This gives rise to the following questions for further exploration:

- What institutional arrangement could mitigate the effects of implicit biases related to race and risk?

- How can firms leverage knowledge of implicit bias to help those that are negatively impacted by lending decisions?

Addressing implicit bias at a personal level

In thinking about current racial prejudice and attitudes, some theorize that what we are really experiencing today is "symbolic racism," where we espouse values of egalitarianism on the surface, yet these ideals don't translate into policy and implementation that produces more equal outcomes. In other words, "these new formulations of prejudice include a blending of negative affect and beliefs about members of certain-groups with more abstract political ideologies that reinforce the status quo."[213]

Efforts to reduce the effects of implicit biases on an individual level typically fall into one of two categories: reducing susceptibility, and altering associations. The first acknowledges the constraints on our logical decision-making that occur based on context. Examples include time constraints, high workload, and any other factors that may inhibit cognitive control. By identifying and tracking the instances when individuals might be most susceptible, they can hold a healthy skepticism regarding the impact of their decisions. Researchers have shown that the opposite—overconfidence in one's objectivity—increases the likelihood that someone will act according to the negative implicit biases they hold. In short, "believing oneself to be objective is a prime threat to objectivity."[214] This is because equitable decision-making requires awareness, knowledge, and intention.

Some interventions—like intergroup contact—are proven to not only reduce implicit biases, but also alter the implicit associations that individuals hold. Such transformative interventions are uncommon on an individual level. Indeed, the structural inequality that exists in the housing domain limits our exposure to intergroup contact in the first place. This isolation is further served by the preoccupation Americans exhibit of regarding their home as their "private castle." Researcher Cheryl Staats describes this ironic relationship in terms of implicit bias, noting that, "implicit biases can contribute to their own perpetuation by limiting the de-biasing opportunities that intergroup contact in neighborhoods would create."[215] To complicate things, our conversations and observations of people in our lives has raised the possibility that many people may be able to "do diversity" (i.e. have cross-cultural experiences) in other venues that facilitate intergroup contact, such as places of worship and other public spaces. **The ability to choose other venues for more intergroup contact, and thereby satisfy our desire to be egalitarian, lets our choice to live in homogenous neighborhoods off the hook, as it were**. This causes us to wonder if such a possibility allows us to continue to view White residential homogeneity as the normative "background" of our lives. But neighborhood segregation still matters. As one study highlighted, "interracial friendship was heavily shaped by racial segregation or proximity; overall, **about one-third of friendship segregation was attributable to neighborhood segregation**. Recent evidence of re-segregating schools (and their children) does not bode well for achieving greater social interaction (and perhaps mutual understanding) among young people of different races and ethnicities."[216]

In order to reap the collective benefits that intergroup contact has to offer, we must be intentional in advocating for spaces that are more inclusive. To illustrate this benefit, diverse spaces that facilitate meaningful interpersonal contact mitigate the effects of bias.[217] In fact, "being embedded in naturally existing local environments that facilitate positive contact with members of stereotyped groups create and reinforce positive implicit associations, thereby counteracting implicit bias."[218]

More testing for implicit discrimination related to housing and lending

To date, most research testing for discrimination as it relates to housing and lending is based on explicit discrimination or observable criteria. For example, fair housing audits document differential treatment; in the lending field, researchers can test for potential discrimination utilizing Home Mortgage Disclosure Act (HMDA) data. But more research is needed to understand the processes occurring beneath the surface—those that are unobservable and cannot be derived from simple statistics. Bertrand et al. specifically call for more work examining economic behavior and the Implicit Association Test. For example, the relationship between a realtor and potential client, in which the realtor is tasked to forecast a client's idiosyncratic tastes—a subtle, complex, and ambiguous task that is a situation ripe for the triggering implicit biases.[219] They suggest contacting realtors after a fair housing audit takes place and conducting an IAT. They also suggest conducting "situational experiments" in which situational factors known to trigger implicit biases are varied, and conducting IATs. For example, one could vary the level of ambiguity with a more-specific and less-specific description of a client's desired home, and conduct IATs in each situation.

Conclusion

The work of fair housing and fair credit is far from over, though we have made some progress through the years. Research around implicit bias, however, provides some much needed—if complicated—nuance to understanding the persistence of disparities in housing and credit outcomes even as we mark half a century of fair housing legislation. These new understandings add urgency to additional research understanding housing, credit, and discrimination as our country continues to become more diverse, and groups historically marginalized continue to strive for greater housing and credit opportunities—opportunities that we know matter immensely for positive outcomes in nearly every facet of life.

Implicit bias research tells us that prolonged and practiced intergroup contact gives rise to de-biasing, and the neighborhood is likely the best opportunity for this kind of exposure. However, the idea that people turn to other spaces, perhaps outside their neighborhoods, to “get diversity” may in turn limit people’s willingness to consider residential integration—being able to “outsource” diversity allows them to feel egalitarian while at the same time “protecting” their property rights of value and safety they associate with home.

It should be acknowledged that no intervention addressing implicit biases is a panacea. Though our attitudes are malleable, they are learned through years of exposure to cultural messages. Thus, any efforts to reduce an individual’s implicit biases should be tempered by the knowledge that pursuing racial equity is a lifelong journey. Though pitfalls and roadblocks certainly exist, all of us must be willing to challenge these biases daily, and reaffirm our values of equality in order to bring about the egalitarian society we desire to live in. We offer the above structural, organizational, and personal recommendations as a starting point for more conversation, research, and advocacy on unwinding discrimination and segregation in housing and credit systems. It is not easy work, but it is the only way we will be able to achieve the promise of equality for all that we hold so dear. ■

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