Final Report

State of Indiana Analysis of Impediments to Fair Housing Choice

2008 Update

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May 8, 2008

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2008 Update

Prepared for

State of Indiana
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Introduction and Participants

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Introduction and Participants

This report contains an updated Analysis of Impediments to Fair Housing Choice (AI) for the State of Indiana for program year 2008. The AI was conducted in 2005, using a similar methodology as the Consolidated Plan and includes data from the 2005-2009 Consolidated Plan, subsequent annual Action Plans and updates from the current 2008 Action Plan.

Data used in preparing the AI relied on extensive involvement of stakeholders and the public. It includes information from three citizen surveys; a key person/organization survey; a public housing authority survey; a public forum; and key person interviews. In addition, the research took into account reviews and analyses of data on fair housing complaints, legal cases, and mortgage lending and foreclosure data, as well as State barriers to affordable housing.

Lead and Participating Agencies

Indiana's AI was a collaborative effort. The Indiana Office of Community and Rural Affairs (OCRA) and the Indiana Housing and Community Development Authority (IHCDA) were responsible for overseeing the coordination and development of the updated AI and 2008 Action Plan.

The State of Indiana retained BBC Research & Consulting, Inc. (BBC), an economic research and consulting firm specializing in housing research, to assist in the preparation of the AI and the 2008 update. In addition to BBC, two additional consulting firms, Briljent and Engaging Solutions, assisted with the key person interviews and resident survey for the 2008 update.

Participants

This document contains an update of information about impediments for the 2008 year. The updated AI and 2008 Action Plan were developed with a strong emphasis on community input. Some of the data in this report are from earlier years, which means that the data are still current and reflect current impediments. Since the State chooses to conduct different types of public processes each year, the way the data are gathered can vary from year to year.

Citizens participated in the development of the updated AI and 2008 Action Plan through consultations with various stakeholders and conducted a resident survey to update the impediment in its Five Year AI. In addition, in 2006 the Consolidated Plan Coordinating Committee and housing and community development stakeholders distributed a survey to citizens to collect information about fair housing impediments and other housing needs. A total of 802 surveys were received from citizens in nonentitlement areas. Results from this survey and the 2008 survey are included with the 2005 citizen survey results, described in Section II.

2008 citizen participation. Engaging Solutions and Briljent conducted key informant interviews by phone and mail/email with individuals who are knowledgeable about housing and community development, including fair housing, in Indiana during February 2008. These individuals represented local government officials, housing and real estate professionals, social service providers, and representatives of community and professional organizations. Their comments are summarized in Section II of this report.

The materials that these organizations shared with us are sourced throughout the report. In addition to the key person interviews a resident survey was distributed to clients of several of these agencies. The survey was also available for Indiana residents to complete online. These stakeholders included representatives of the following organizations.

Exhibit I-1.
Organization/Agencies Consulted, February 2008

Organizations/Agencies	Organizations/Agencies
AARP Indiana	Indiana University
Administrative Resources Assoc.	Kankakee Iraqouis Regional Planning Commission
Ball State University	Office of Tourism and Devel.
Center for Urban Policy and the Environment	Partners in Housing Devel. Corp.
Commonwealth Engineering	Pathfinder Services
Community Action Program of Western Indiana	Providence Self-Sufficiency Ministries
FSSA Division of Aging	Randolph County Economic Devel.
Grant County Economic Development Council	Region III-A Economic Devel.
Hoosier Uplands	River Hills Economic Devel.
Indiana Assoc. for Community Economic Devel.	Rural Opportunities, Inc.
Indiana Assoc. of Homes for the Aging	Southern Indiana Devel. Commission
Indiana Assoc. of Realtors	Southern Indiana Regional Planning Commission
Indiana Assoc. of United Ways	Southwest Indiana Regional Devel.
Indiana Builders Assoc.	State Farm Insurance
Indiana Coalition for Housing and Homeless Issues	Tikijian Associates
Indiana Community Action Assoc.	Vectren Energy
Indiana Rural Health Assoc.	West Central Indiana Economic Devel.

Source: 2008 Key Informant Interviews.

In addition to the interviews and survey, citizens and stakeholders could participate in the planning process by submitting written comments on the 2008 Action Plan.

Fair housing forum. On Wednesday, February 9, 2005, the Indiana Civil Rights Commission hosted a Fair Housing Open Forum. The purpose of the forum was to assess impediments to Fair Housing in Indiana, and develop strategies to ensure that all Hoosiers are afforded fair housing choice. At the time of the forums, the Indiana Housing Finance Authority (IHFA, now IHCDA) assisted in identifying groups and individuals who were targeted as potential contributors so that they might also receive an invitation. Altogether, 100 people pre-registered to attend with a total of 89 in attendance. The attendees included individuals representing 60 agencies and organizations and six interested citizens, as shown in Exhibit I-2 on the following page.

Exhibit I-2.
Fair Housing Forum Agency or Organization Representatives

Agency or Organization Representatives	Agency or Organization Representatives
Adult & Children Mental Health Center	Indiana Protection /Advocacy Services
Affordable Housing Corporation	Indianapolis Division EEOC
Bloomington Housing Authority	Indianapolis Resource Center for Independent Living
BOSMA Industries	IRL Development Corporation
Brothers Uplifting Brothers	Knox County Housing Authority
Carpenter Realtors	Manchester Village Apartments
Community Action Program	Marion County Center for Housing Opportunity
Crawford Manor Apartments	Mayor's Advisory Council for People with Disabilities
Crawfordsville Housing Authority	Mexican Civic Association
Custom Mortgage	National City Corporation
Division of Family Resources Housing/Community Services	New Albany Community Housing
Edward Rose Properties	Norstar Mortgage Group
Family Services of Central Indiana	Northwest Indiana Aliveness Project
Fifth Freedom	NWI Open Housing Center
FSSA Consumer/Family Affairs	Park Regency Apartments
FSSA Division on Disability, Aging, Rehabilitative Services	Path Finder Services
FSSA Family/Children	Policy, Planning, Regional Services
Future Choices	Positive Link
Governor's Council for People With Disabilities	Project Renew
Great Lakes Capital Fund	Richmond Housing Authority
Homeless Initiative Program	Rural Housing Finance Corporation
Hope of Evansville	Rural Rental Housing
Indiana Association of Community and Economic Development	Salvation Army Harbor Light
Indiana Civil Rights Commission	South Bend Housing Authority
Indiana Coalition on Housing and Homeless Issues	Southern Indiana Center for Independent Living
Indiana Housing Finance Authority	St. Jude House
Indiana Institute on Disability and Community	Therapeutic Solutions
Indiana Legal Services	Unique Ministries Awareness
Indiana Manufactured Housing Association	Villas Apartments

Source: Fair Housing Forum, February 2005.

Funded

The AI research, report and plan implementation is funded using CDBG and HOME.

SECTION II.
Jurisdictional Background Data

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Jurisdictional Background Data

This section contains an updated portion of the Analysis of Impediments to Fair Housing Choice (AI) for the State of Indiana. It includes data from three citizen surveys; a key person/organization survey; a public housing authority survey; a public forum; key person interviews; and reviews and analyses of data on fair housing complaints, legal cases, and mortgage lending and foreclosure data, as well as State barriers to affordable housing.

Demographic, Income, Housing, Transportation, Education, and Employment data

The Socioeconomic and Housing Analysis section of the 2008 Action Plan (included in the Appendix of this report) incorporates the most recently released socioeconomic and housing data from the U.S. Census Bureau, HUD and State data sources. The section discusses the economic and housing characteristics of the State of Indiana, including changes in population, household characteristics, employment, education, housing prices and affordability.

Complaint Data and Legal Analysis

Residents of Indiana who believe they have experienced discrimination may report their complaints to HUD's Office of Fair Housing and Equal Opportunity (FHEO), the Indiana Civil Rights Commission (ICRC), and/or to a local organization depending on local ordinances. There are five local/regional fair housing enforcement agencies located throughout Indiana in addition to ICRC. Complaints reported to FHEO are sent to ICRC for investigation. ICRC is the state agency that enforces Civil Rights Law and the Fair Housing Act.

ICRC also houses the state's Fair Housing Task Force, which provides education and outreach activities related to fair housing choice to communities and citizens statewide. The Task Force is currently inactive and the future status is unknown.

As part of the AI, the ICRC was contacted and requested to provide summary information about cases that had been filed by or against organizations in Indiana. Data was received and is summarized as follows.

Housing discrimination complaints. Any person who feels they have been discriminated against under the Fair Housing Act and/or the Indiana Fair Housing Act may file a complaint within one year after the discriminatory act has occurred with ICRC. ICRC is equipped to take complaints in person at their office in Indianapolis. Complaints may also be filed by either personal delivery, mail, e-mail, telephone, fax, or online (www.in.gov/icrc/pubs/onlinecomplaint.html). The complaints must be in writing. ICRC staff can provide assistance to those who need assistance in drafting and filing their complaints. After complaints are filed, they are investigated by ICRC on both the part of the complainant and the respondent.

A complaint may be resolved in a number of ways. The ICRC Alternative Dispute Resolution (ADR) Team can attempt to resolve the dispute through mediation at any time during the investigation, if all parties agree. If mediation is not agreed upon or a resolution cannot be found, the complaint proceeds through the investigative process (where a *test* may be performed during the investigation) and is then reviewed by the director of the ICRC. The director makes the final determination of probable cause that an illegal act of discrimination occurred. (If no probable cause is found, the complainant may ask for reconsideration of the complaint within 15 days). If probable cause is found, the complaint proceeds through the resolution process. A complaint may be resolved through a settlement between the parties. If a settlement cannot be reached, a public hearing takes place with an Administrative Law Judge (ALJ). In a trial, the complainant may be represented by an ICRC staff attorney. After the trial, the ALJ issues proposed findings, which are submitted to ICRC. The complainant and respondent have 15 days to file objections to the recommended findings.

If, during the investigative, review, and legal process, ICRC finds that discrimination has occurred, the agency may issue an order to stop the discrimination and eliminate further discrimination.

As of December 31, 2007, the ICRC database contained 723 records of housing discrimination complaints filed since 2003. Exhibit II-1 summarizes the cases filed during this period. The most common reason for discrimination identified in ICRC records was race or color; 35 percent of the filed cases were filed based on racial discrimination. The second most common reason for discrimination was handicap/disability (33.5 percent of cases), followed by national origin/ancestry (10.9 percent) and familial status (9.7 percent).

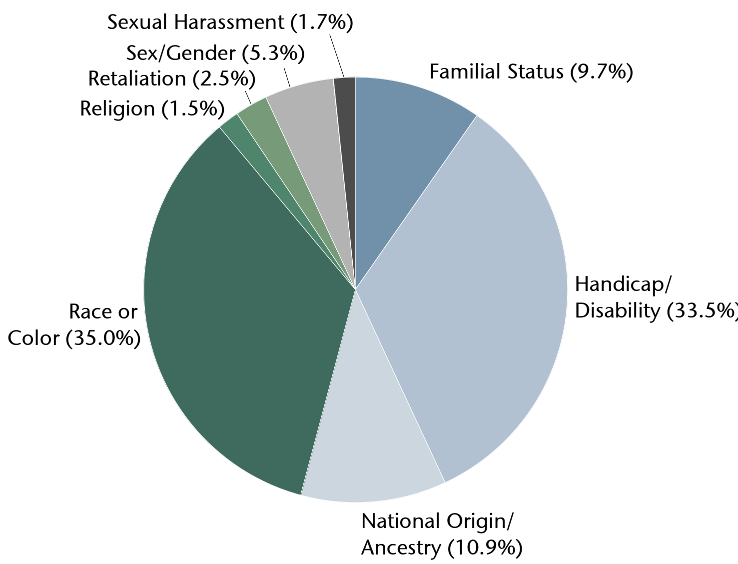
Exhibit II-1.
Protected Class Basis of Housing Discrimination Complaints Filed with ICRC, 2003 to 2007

Note:

The reported complaints are from all agencies in the ICRC's Fair Housing Database from 01/01/03 to 12/31/07.

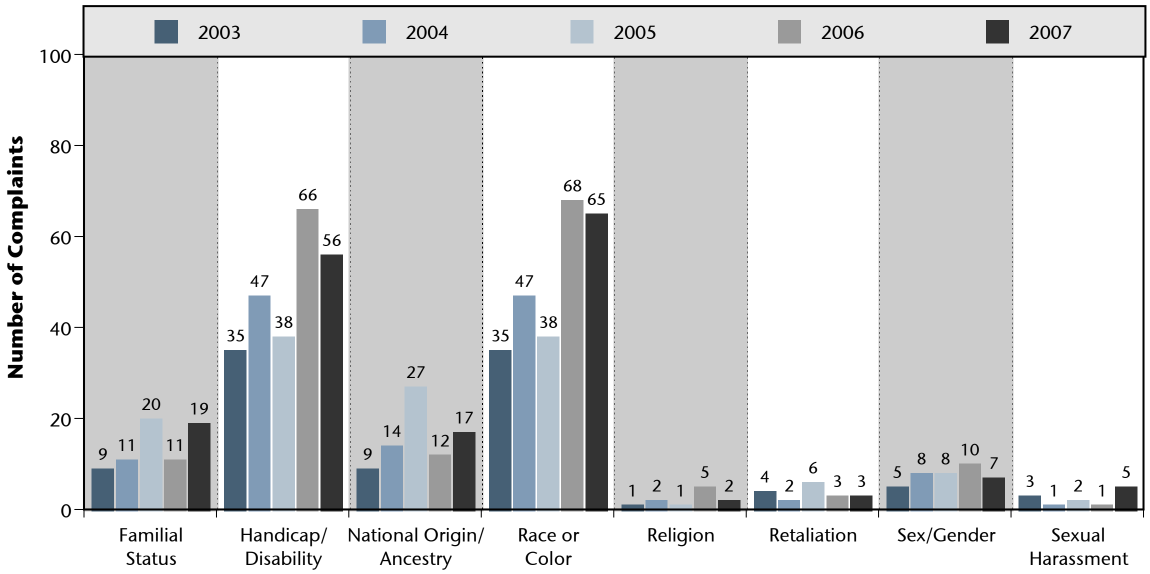
Source:

Indiana Civil Rights Commission.



The following exhibit shows the type of complaints filed by the year increments, from 2003 to 2007, by protected class basis of complaint. The number of complaints filed increased 72 percent when comparing the number of complaints filed from 2003 to 2007.

Exhibit II-2.
Protected Class Basis of Housing Discrimination Complaints Filed with ICRC, 2003 to 2007



Source: Indiana Civil Rights Commission.

The above data are consistent with national data compiled by the National Fair Housing Alliance, which have shown that complaint volumes are highest among African Americans (the largest minority population in Indiana), persons with disabilities, and families with children.

A report on fair housing trends by the National Fair Housing Alliance suggests that only one percent of housing discrimination experienced in the U.S. is reported. There were 723 complaints received by ICRC from 2003 to 2007. If these complaints represent only one percent of the incidences of housing discrimination experienced, then an estimated 72,300 cases of discrimination occurred during the past five years in Indiana.

The citizen surveys conducted for the Five-Year Consolidated Plan estimate that between 4 and 6 percent of Hoosiers believe they have experienced housing discrimination at some point in time. This equates to between 250,000 and 380,000 people, based on 2006 population estimates for the State.

ICRC also reported a summary of the alleged violations for 2006 and 2007. The most common alleged violation during this two year period was discrimination in the terms, conditions and/or privileges when relating to renting. The exhibit on the following page lists these alleged violations.

Exhibit II-3.
Alleged Violations Summary, 2006 and 2007

Source:
Indiana Civil Rights Commission.

	2006	2007	Total	Percent
Discrimination - terms/conditions/privileges relating to rental	63	84	**147**	**36%**
Discriminatory refusal to rent	26	27	**53**	**13%**
Failure to provide reasonable accommodation	28	24	**52**	**13%**
Intimidation and interference	32	11	**43**	**10%**
Discrimination - services and facilities relating to rental	17	5	**22**	**5%**
Discriminatory refusal to negotiate for rental	8	13	**21**	**5%**
Failure to provide reasonable modification	5	8	**13**	**3%**
Discriminatory terms, conditions, privileges relating to sale	3	7	**10**	**2%**
Discriminatory advertisement - rental	6	3	**9**	**2%**
Misrepresentation of availability	4	5	**9**	**2%**
Discriminatory financing (includes Real Estate transactions)	2	4	**6**	**1%**
Discriminatory occupancy standards	2	3	**5**	**1%**
Discriminatory refusal to sell	4	1	**5**	**1%**
Discrimination in selling of residential real property	1	2	**3**	**1%**
Discriminatory Brokerage Services	0	3	**3**	**1%**
Discrimination - services and facilities relating to sale	2	0	**2**	**0%**
Discrimination in terms and conditions of membership	1	1	**2**	**0%**
Blockbusting	0	1	**1**	**0%**
Discrimination in making of loans	0	1	**1**	**0%**
Discrimination in the terms/conditions for making loans	1	0	**1**	**0%**
Discrimination in the brokering of residential real property	0	1	**1**	**0%**
Discriminatory refusal to negotiate for sale	1	0	**1**	**0%**
Non-compliance with design and construction requirements	1	0	**1**	**0%**
Total number of complaints	**207**	**204**	**411**	**100%**

Exhibit II-4 shows the status of the complaints in 2006 and 2007. One third of the complaints closed during the two years were found to have no reasonable cause.

Exhibit II-4.
Case Status Summary for Cases Closed in 2006 and 2007

Source:
Indiana Civil Rights Commission.

	2006	2007	Total	Percent
No reasonable cause	52	39	**91**	**33%**
Investigation	3	33	**36**	**13%**
Complaint withdrawn/settlement	12	21	**33**	**12%**
Failure to cooperate	15	15	**30**	**11%**
Mediation agreement	11	9	**20**	**7%**
Complainant withdrew	13	5	**18**	**7%**
Appeal with the ICRC	8	4	**12**	**4%**
Failure to locate	5	2	**7**	**3%**
Lack of jurisdiction	5	2	**7**	**3%**
Final order	2	-	**2**	**1%**
Appeal with administrative court	1	-	**1**	**0%**
Consent agreement	1	-	**1**	**0%**
Reasonable cause	-	1	**1**	**0%**
Other	5	8	**13**	**5%**
Total number of complaints	**133**	**139**	**272**	**100%**

Fair housing testing. The ICRC investigator may also request that a *test* be performed during an investigation to identify cases of housing discrimination. Testing is a controlled method to determine differential treatment in the quality, and content, of information and/or services given in order to discover discriminatory practices. Testing programs "match" persons in protected classes with white individuals having the same characteristics (e.g., income levels, credit histories, rental records). These individuals independently engage in identical transactions—applying for a mortgage loan, refinancing a current loan, previewing an apartment and completing an application—and report the results of the transaction. The transactions are then compared to identify evidence of disparate treatment. ICRC does not yet have data on the housing discrimination component of the testing program.

Recent legal cases. As part of the fair housing analysis, recent legal cases were reviewed to determine significant fair housing issues and trends in Indiana. Searches of the Department of Justice and the National Fair Housing Advocate case databases found seven cases involving the Fair Housing Act in Indiana. This section summarizes the issues in these cases.

Sheila White v. HUD. In February 2007, the United States Court of Appeals for the Seventh Circuit reversed a decision made by a HUD administrative law judge ("ALJ"), in which the ALJ concluded that White failed to prove a violation of the Federal Housing Act. In the reversal, the Court of Appeals determined that White successfully established her claim of discrimination based on familial status.

The case began in 1998 when White called to inquire about a two-bedroom apartment for rent in Harvey, Illinois. She spoke with an elderly woman, who asked her who would be occupying the apartment. When White said that she and her two minor children would occupy the unit, the elderly woman said that she would not rent to White because White had children and was not married. White filed a complaint with the Secretary of HUD, reasonable cause was determined in 2001, and, after prolonged discovery, the ALJ scheduled a hearing in February 2004. The ALJ concluded that White failed to prove her case, and it became a final Agency Order in January 2005. White subsequently filed a petition for review, which led to the United States Court of Appeals for the Seventh Circuit reversal and finding of discrimination.

United States of America v. Centier Bank. In October 2006, a Consent Order was issued to resolve the claims of the United States that the defendant, Centier Bank ("Centier" or "the Bank"), has engaged in a pattern or practice of conduct in violation of the Fair Housing Act by discriminating on the basis of race, color, and national origin in the extension of residential real estate credit in the Gary, Indiana metropolitan area. The execution of the Order is not, and is not considered as, an admission or finding of any violation of the Federal Housing Act by the Bank.

The United States' alleged that the Bank engaged in a pattern of locating or acquiring branch offices outside of communities with a majority of African American and/or Hispanic residents. In January 2001, the Bank had 27 branch offices throughout the Gary metropolitan area, but none in a majority minority census tract. In summary, the United States contends that the Bank's credit-related policies and practices, taken as a whole, have been implemented with the purpose and effect of discriminating on the basis of race, color, and national origin in the extension of residential real estate-related credit.

Centier responded to the allegation s by noting that Centier was, until the mid-1980's, prohibited by Indiana law from branching into cities in which resided the home office of another banking institution. Centier maintained that "the long-standing presence of certain other banks in Gary, East Chicago, and Hammond coupled with the severe economic downturn occurring just as Indiana's branching restrictions eased in the 1980's and continuing until today, has made it difficult for Centier to gain a significant market share of loans" in majority minority areas.

The Consent Decree imposed the Remedial Order, including the following:

- General nondiscrimination injunction;
- Lending initiatives—Additional Branch Locations and Services: Centier was ordered to expand certain existing offices and open or acquire two new full-service branch locations in the designated areas. In addition, the Bank was ordered to provide employees fluent in Spanish and capable of handling lending transactions;
- Staff: Centier was required to employ a full-time Director of Community Lending, whose primary responsibilities include overseeing the development of the Bank's lending in the designated census tracts and compliance with the provisions of the Order;
- Advertising and Outreach: Centier was required to spend a minimum of $375,000 on a targeted advertising and marketing campaign in the designated areas; and
- Centier must invest a minimum of $3.5 million over the duration of the Order in the creation and funding of a special financing program.

Villas West II of Willowridge, Homeowners Association, Inc. v. Edna McGlothin. In January 2006, the Court of Appeals of Indiana, Second District, upheld a prior trial court finding that a restrictive covenant violated the Fair Housing Act. The case began in October 2002, when the Villas West II Homeowner's Association (Association) filed a complaint for injunctive relief against Edna McGlothin. The case centered on a covenant that prohibited the leasing of dwelling units by an owner.

In 1996, Edna McGlothin purchased a duplex-style condo home at Villas West II of Willowridge in Kokomo, Indiana. In 1999, McGlothin was placed in a nursing home and Shirley Ashcraft, daughter and personal representative of McGlothin, leased the residence. In August 2002, the Association notified Ashcraft that McGlothin was in violation of the covenants by leasing her residence. After the initial complaint for injunctive relief was filed, Ashcraft filed a counterclaim on behalf of McGlothin, alleging that the covenant against leasing "evidenced an intention to make a preference, limitation, or discrimination among persons who could occupy dwelling units within the subdivision based on race, color, sex, familial status, or national origin" and is therefore in violation of the Fair Housing Act.

Evidence submitted during a subsequent bench trial presented data on the racial composition of the City of Kokomo by census tract, and effectively showed that African American householders in Kokomo are far more likely to rent their homes than White householders. Therefore, the covenants limiting leasing have a greater adverse effect on the African American and racial minority householders than on White householders.

The Court found "no legitimate reason for the inclusion of the covenant in the Declaration of Covenants." Further, the Court concluded: "While it cannot be conclusively determined that this provision was included to foster segregation, there can be no doubt that it has a serious discriminatory result."

United States of America v. Lake County Board of Commissioners, et al. In October 2004, a complaint was filed against the Lake County Board of Commissioners and Lake County Redevelopment Commission for violating the Fair Housing Act by interfering with and retaliating against two employees of the County's Development Department. The United States alleges that the defendants terminated the employees for supporting a new housing development in which African-Americans would likely purchase homes and for assisting the Division in fair housing litigation against the City of Lake Station.

The case was referred to the Division after the Department of Housing and Urban Development (HUD) received a complaint, conducted an investigation, and issued a charge of discrimination. In May 2007, a consent decree was issued, ordering the defendants to pay a total of $350,000 to the two complainants. The decree also requires the defendants to document their fair housing policy, conduct training for employees, post a fair housing sign, and to continue those practices.

United States of America v. Edward Rose & Sons, Inc, et al. In February 2003, the Court issued an order granting the United States a preliminary injunction to enjoin the defendants from occupying or further constructing 19 apartment buildings at Westlake Apartments in Belleville, Michigan and Lake Pointe Apartments in Batavia, Ohio, until they could be redesigned or retrofitted to be brought into compliance with the Fair Housing Act.

The two complaints filed allege Edward Rose & Sons, several affiliate companies, as well as individual architects and architectural firms, have engaged in a pattern or practice of discrimination against persons with disabilities. They have failed to include accessible features required by the Fair Housing Act and the Americans with Disabilities Act in a number of apartment complexes it developed in Indiana, Michigan, Ohio, Wisconsin, Illinois and Virginia.

The United States alleges that approximately 4,050 ground floor units in 42 apartment complexes do not have accessible entrances, kitchens and bathrooms, along with other building features. Edward Rose & Sons is one of the largest multifamily developers in the nation. Fifteen of the 42 apartment complexes sited in this case are located in Indiana.

On August 25, 2004, the Sixth Circuit Court of Appeals affirmed the decision of the district court granting the United States' motion for a preliminary injunction. The Circuit affirmed that the Fair Housing Act requires the common landing area between two covered dwellings to be accessible to persons with disabilities. The defendants' split-level design only provides access by way of a half-flight of stairs.

Sara Simpson and Anne Kavelman v. Flagstar Bank FSB. In September 2003 the U.S. District Court for the Southern District of Indiana, Indianapolis Division provided an opinion of the magistrate judge's Report and Recommendation of the class action lawsuit against Flagstar Bank as well as the Defendants' objections. This class action lawsuit arises from Flagstar Bank FSB's loan policy capping the loan officer's revenue per loan (RPL) at 3 percent for minority borrowers and 4 percent for non-minority borrowers. The policy was discontinued on January 31, 2002.

On September 25, 2001, the Plaintiff Sara Simpson, a non-minority, closed a loan with Flagstar where the loan officer earned 3.23 percent loan officer RPL, more than the 3 percent cap for minority borrowers. On August 6, 2001, Plaintiff Anne Kavelman, a non-minority, closed a loan where the loan officer earned 1.5 percent loan officer RPL. The Plaintiffs sued under the Fair Housing Act and sought to certify two subclasses: one, with Simpson as class representative, consisting of a non-minority borrowers who were charged over the 3 percent cap for minorities; and the second, with Kavelman as class representative, who closed loans within the policy period but were not charged over 3 percent.

The court denied certification of the Kavelman subclass and granted summary judgment against Kavelman in favor of Flagstar Bank FSB. It granted certification of the Simpson subclass, specified as follows:

- non-minority borrowers nationwide who were subject to Loan Officer Policy 01-07 when they initiated mortgage loans in any amount from May 2, 2001 to October 1, 2001, and were charged over 3 percent loan officer RPL; or
- non-minority borrowers nationwide who initiated loans in any amount equal to or in excess of $50,000 from October 1, 2001 to January 31, 2002, and were changed over 3 percent loan officer RPL

State of Indiana Civil Rights Commission v. County Line Park, Inc., Paul Fox and Carolyn Fox. In November 2000, the Supreme Court of Indiana reversed the judgment of the trial court and the case has been remanded for further proceedings. In December 1996, the Cain family purchased a three-bedroom mobile home located in a mobile home park owned and operated by County Line Park, Inc. The application indicated that in addition to the Cains their four children (all under 18 years) would also live in the home. The application was denied because of County Line's long-standing policy of not renting mobile home lots to families with more than two children.

The Cains filed an administrative complaint with the Indiana Civil Rights Commission (ICRC) and the U.S. Department of Housing and Urban Development (HUD). ICRC conducted an investigation and concluded there was reasonable cause to believe discrimination based on familial status had occurred in violation of the Indiana Fair Housing Act (Act) and the Federal Fair Housing Act (FHA). The ICRC then filed a complaint in Grant Superior Court alleging County Line Park had violated the Act. In response, the landowners filed a motion to dismiss contending that although the Act prohibits discrimination against families in general, it does not provide protection to "large families" such as the Cains. The landowners also contended that the Foxes, as corporate officers and shareholders of County Line, could not be sued in their individual capacities. The trial court agreed and granted the motion to dismiss and awarded attorney's fees to the landowners. The ICRC appealed. The Court of Appeal affirmed the judgment and remanded the case to the trial court for a determination of appellate attorney's fees. Transfer of the case was granted to Indiana Supreme Court and the judgment of the trial court was reversed.

The judgment included the following summary of the discussion. The Indiana Fair Housing Act (Ind. Code 22-9.5-1-2) states, "a discriminatory act based on familial status is committed if the person who is the subject of the discrimination is:

1. pregnant;
2. domiciled with *an individual* younger that eighteen years of age in regard to whom the person:
    a. is parent or legal custodian; or
    b. has the written permission of the parent or legal custodian for domicile with that persons; or
3. in the process of obtaining legal custody of an individual younger than 18 years of age.

The Act borrows heavily from the FHA. The FHA provided: "Familial status means *one or more individuals* (who have not attained the age of 18 years)…." Seizing on the "an individual" language of the Act in contrast to the "one or more individual" language of the FHA and relying on the principals of the statutory construction, the Court of Appeals reasoned that the Act should be read more narrowly than its federal counterpart. The Indiana Supreme Court disagreed, stating that the legislature is presumed to have intended the language used in the statute to be applied logically and not to bring about an unjust or absurd result. Applying these principals to the Act, they concluded that limiting protection to families living with only "an individual" under 18 years would produce a result they do not believe the legislature could have intended. Thus, despite the differences in wording, the Act should not be interpreted more narrowly than the FHA. Therefore, the Act entitles families living with one or more individuals under the age of eighteen protection from familial status discrimination.

The Indiana Supreme Court also ruled upon the question of whether the landowners could be sued in their individual capacities. The court concluded the allegation in the ICRC's complaint entitle it to relief against all defendants for discrimination in housing based on familial status as defined in the Act.

Lending Analysis

The following section contains a review of recent studies that examined subprime lending and predatory lending activity in Indiana and an analysis of CRA and HMDA data.

Subprime loans. Subprime loans are—as the name would suggest—mortgage loans that carry higher interest rates than those priced for "prime," or less risky, borrowers. Initially, subprime loans were marketed and sold to customers with blemished or limited credit histories who would not typically qualify for prime loans. In theory, the higher rate of interest charged for each subprime loan reflects increased credit risk of the borrower.

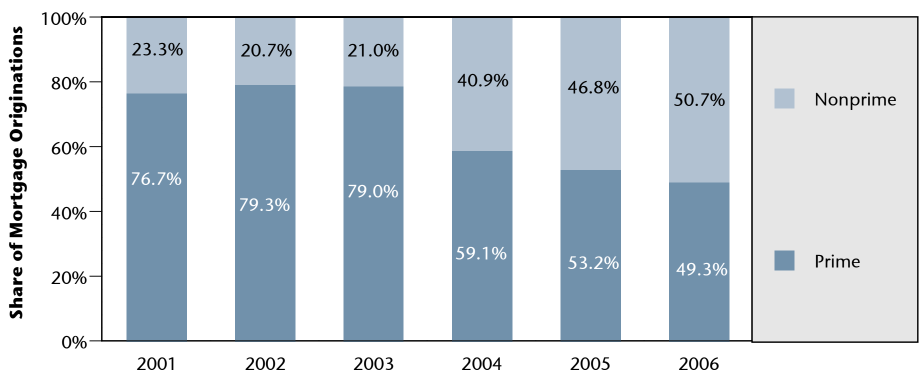
Estimates of the size of the national subprime market vary between 13 to 20 percent of all mortgages. Holden Lewis, who writes for CNNMoney.com and Bankrate.com, estimates that the subprime market made up about 17 percent of the mortgage volume in 2006. This is based on Standard & Poors' estimate of subprime loan originations and the Mortgage Bankers Associations' estimate of total loan originations during the year. The number of subprime borrowers could be higher than 17 percent if the average amount of a subprime loan is lower than non-subprime loans. In Indiana, about 13 percent of all 2006 mortgage loan transactions for owner-occupied properties were subprime.

The subprime market in the United States grew dramatically during the current decade. The share of mortgage originations that had subprime rates in 2001 was less than 10 percent; by 2006, this had grown to 20 percent. This was coupled with growth of other nonprime products, such as "Alt-A" loans (somewhere between prime and subprime) and home improvement products. Exhibit II-5 shows the growth in these non-prime products—and the movement away from conventional, prime products.

Exhibit II-5. Share of Mortgage Originations by Product, 2001 to 2006

Note:

Harvard Joint Center for Housing Studies and Inside Mortgage Finance, 2007 Mortgage Market Statistical Annual, adjusted for inflation by the CPI-UX for all Items.



Not all subprime loans are predatory loans (discussed below), but many predatory loans are subprime. A study released by the University of North Carolina, Kenan-Flagler Business School in 2005,[1] discussed how predatory loan terms increase the risk of subprime mortgage foreclosure. The study reported in the fourth quarter of 2003, 2.13 percent of all subprime loans across the country entered foreclosure, which was more than ten times higher than the rate for all prime loans.

Subprime lending has fallen under increased scrutiny with the increase in foreclosures and the decline in the housing market. Some argue that because minorities are more likely to get subprime loans than white or Asian borrowers, and since subprime loans have a greater risk of going into foreclosure, minorities are disproportionately harmed by subprime lending.

Subprime lending has implications under the Fair Housing Act when the loans are made in a discriminatory and/or predatory fashion. This might include charging minorities higher interest rates than what their creditworthiness would suggest and what similar non-minorities are charged; charging minorities higher fees than non-minorities; targeting subprime lending in minority-dominated neighborhoods; adding predatory terms to the loan; and including clauses in the loan of

[1] Roberto G. Quercia, Michael A. Stegman and Walter R. Davis, "The Impact of Predatory Loan Terms on Subprime Foreclosures: The Special Case of Prepayment Penalties and Balloon Payments," *Center for Community Capitalism, Kenan Institute for Private Enterprise, University of North Carolina at Chapel Hill*, January 25, 2005.

which the borrower is unaware (this is mostly likely to occur when English is a second language to the borrower).

Predatory lending. There is no one definition that sums up the various activities that comprise predatory lending. In general, predatory loans are those in which borrowers are faced with payment structures and/or penalties that are excessive and which set up the borrowers to fail in making their required payments. Subprime loans could be considered as predatory if they do not accurately reflect a risk inherent in a particular borrower.

Although there is not a consistent definition of "predatory loans," there is significant consensus as to the common loan terms that characterize predatory lending. There is also the likelihood that these loan features may not be predatory alone. It is more common that predatory loans contain a combination of the features described below.

Most legislation addressing predatory lending seeks to curb one or more of the following practices:

- Excessive fees;
- Prepayment penalties;
- Balloon payments;
- Debt packaging;
- Yield spread premiums;
- Unnecessary products; and/or
- Mandatory arbitration clause.

It is difficult to identify and measure the amount of predatory lending activity in a market, largely because much of the industry is unregulated and the information is unavailable. For example, HMDA data do not contain information about loan terms. In addition, predatory activity is difficult to uncover until a borrower seeks help and/or recognizes a problem in their loan. As such, much of the existing information about predatory lending is anecdotal.

UNC Study. A recent study by the Center for Community Capitalism at the University of North Carolina (UNC) at Chapel Hill linked predatory loan terms, specifically prepayment penalties and balloon payments, to increased mortgage foreclosures. The foreclosure rate in the subprime mortgage market was over 10 times higher than in the prime market. The study also provide supplemental tables that reported 31.2 percent of Indiana's subprime first-lien refinance mortgage loans had been in foreclosure at least once. This is the second highest rate of all states (South Dakota was the highest with 34.8 percent) and over 10 percentage points higher than the national rate of 20.7 percent.

Conclusions. A number of recent studies have analyzed the reasons for the increasing foreclosure rate nationally and in Indiana and subprime and predatory lending activities. Although a more comprehensive analysis of data over time is required to identify the particular causes of the State's foreclosures and the link to the subprime lending market, these studies point out a number of issues relevant to fair lending activities:

- Largely because of their loan terms, subprime loans have a higher probability of foreclosure than conventional loans.
- At 13 percent, subprime loans make a small, but growing proportion of mortgage lending in Indiana.
- Subprime lenders serve the State's minorities at disproportionate rates.
- Other factors—high homeownership rates, use of government guaranteed loans, high loan to value (LTV) ratios and low housing price appreciation—have likely contributed to the State's increase in foreclosures.

Indiana Legislature—mortgage lending and home loan foreclosures. In 2007, the Indiana Legislation established the Interim Study Committee on Mortgage Lending Practices and Home Loan Foreclosures to study mortgage lending practices and home loan foreclosures in Indiana, and to devise solutions to the problem. The Committee received information, heard testimony, and reviewed proposed bills concerning foreclosures and mortgage lending in Indiana.

Foreclosures. The testimony heard indicated that 2.98 percent of all loans in Indiana are in foreclosure, compared to a national foreclosure rate of 1.28 percent. This statistic places Indiana second in the nation (behind Ohio) among states with the highest foreclosure rates.

In addition, a Senior Policy Analyst at the Center for Urban Policy and the Environments presented a study he conducted on statewide patterns of foreclosures. According to the study, the data showed that areas with higher concentrations of foreclosures had higher percentages of low income residents. It was also reported that areas with high concentrations of foreclosures also tend to occur in neighborhoods in which:

- The housing supply outstrips demand;
- Home prices range from $80,000 to $120,000;
- Home prices are declining or appreciating at a slower rate; or
- There is a high rate of property abandonments.

An attorney for the Indiana Mortgage Bankers Association pointed out that in Indiana, the high foreclosure rate is not as highly correlated with the subprime market as it is in other states. Rather, Indiana's 2.98 percent foreclosure rate is largely connected with a loss of manufacturing jobs, low home price appreciation rate, and a loan mix that consists of a high percentage of low-down payment loans.

Other testimony from the Indiana Association of Realtors discussed a study suggesting that the five key factors to the widening gap of the Indiana foreclosure rate versus the national foreclosure rate include:

- Job losses in Indiana;
- The number of first-time homebuyers in Indiana;
- Loans with high LTV ratios;
- The state's slow rate of home price appreciation; and
- Certain lending practices.

Mortgage fraud. Testimony included an estimate of the percentage of foreclosures that involve mortgage fraud ranges from 5 percent to 13 percent. Mortgage fraud cases were described as being very complex and that 10 to 20 people are typically charged in connection with a scheme, including brokers, appraisers and title agents. It was also noted that mortgage fraud cases can take over four years to prosecute and that the investigation phase alone can take up to two years.

Community Reinvestment Act (CRA) review. The Federal Financial Institutions Examination Council (FFIEC)[2] is responsible to facilitate public access to data that depository institutions must disclose under the Home Mortgage Disclosure Act of 1975 (HMDA) and the aggregation of annual HMDA data, by census tract, for each metropolitan statistical area (MSA). Community Reinvestment Act (CRA) ratings and HMDA data are commonly used in AIs to examine fair lending practices within a jurisdiction or county. Used in conjunction, these data can identify potential or existing lending discrimination or community disinvestment. Each dataset is reviewed in turn below.

The Federal CRA requires that financial institutions progressively seek to enhance community development within the area they serve. On a regular basis, financial institutions submit information about mortgage loan applications as well as materials documenting their community development activity. The records are reviewed as part of CRA examinations to determine if the institution satisfied CRA requirements. The assessment includes a review of records related to the following:

- Commitment to evaluating and servicing community credit needs;
- Offering and marketing various credit programs;
- Record of opening and closing of offices;
- Discrimination and other illegal credit practices; and
- Community development initiatives.

[2] The Council is a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS) and to make recommendation to promote uniformity in the supervision of financial institutions.

The data are evaluated and a rating for each institution is determined. Ratings for institutions range from substantial noncompliance in meeting credit to an outstanding record of meeting a community's credit needs. The following exhibit shows the CRA ratings for 1,414 examinations completed from 1990 through 2007 in Indiana for which CRA exam data were reported.

Exhibit II-6.
CRA Ratings, Indiana, 1990 through 2007

	1990-1995		1996-2001		2002-2007		All Examinations (1990-2007)	
	Number	*Percent*	*Number*	*Percent*	*Number*	*Percent*	*Number*	*Percent*
Outstanding	111	15%	87	20%	12	5%	**210**	**15%**
Satisfactory	573	80%	336	78%	250	94%	**1,159**	**82%**
Needs to Improve	31	4%	7	2%	4	2%	**42**	**3%**
Substantial Noncompliance	3	0%	0	0%	0	0%	**3**	**0%**
Total	**718**	**100%**	**430**	**100%**	**266**	**100%**	**1,414**	**100%**
Percent of All Examinations	**51%**		**30%**		**19%**		**100%**	

Note: Some banks have been examined more that once. Examinations took place from 1990 to 2007. All CRA files made public December 31, 2007

Source: FFEIC Interagency CRA Rating, March 2008.

As shown in the exhibit, 82 percent of the examinations conducted between 1990 and 2007 were satisfactory and 15 percent were outstanding. The exhibit also shows that only 19 percent of the examinations have occurred in the last 6 years, from 2002 to 2007, when over half of the examinations occurred in the first six years, from 1990 to 1995.

In recent years, the significance of CRA ratings in measuring community investment has been questioned by many involved in local community development. As the financial condition of banks has improved, audits have become less frequent, so CRA ratings are not always a recent measure of community investment performance. Furthermore, with the expansion of online lending and bank mergers, measures of local lending have less importance in understanding local access to credit. Therefore, it is important to examine other lending data along with the CRA data when considering the performance of lending institutions.

Home Mortgage Disclosure Act (HMDA) Data analysis. The National Fair Housing Alliance reported that in 2003, mortgage lending discrimination was the second largest form of discrimination reported to private fair housing groups throughout the United States.[3] The best source of analysis of mortgage lending discrimination is HMDA data. HMDA data consists of information about mortgage loan applications for financial institutions, savings and loans, savings banks, credit unions and some mortgage companies.[4] The data contain information about the location, dollar amount, and types of loans made, as well as racial and ethnic information, income, and credit characteristics of

[3] *2004 Fair Housing Trends Report,* National Fair Housing Alliance, April 7, 2004.

[4] Financial institutions are required to report HMDA data if they have assets of more than $32 million, have a branch office in a metropolitan area, and originated at least one home purchase or refinance loan in the reporting calendar year. Mortgage companies are required to report HMDA if they are for-profit institutions, had home purchase loan originations exceeding 10 percent of all loan obligations in the past year, are located in an MSA (or originated five or more home purchase loans in an MSA) and either had more than $10 million in assets or made at least 100 home purchase or refinance loans in the calendar year.

all loan applicants. The data are available for home purchases, loan refinances, and home improvement loans.

HMDA data can provide a picture of how different applicant types fare in the mortgage lending process. These data can be used to identify areas of potential concern that may warrant further investigations. For example, by comparing loan approval rates of minority applicants with non-minorities that have similar income and credit characteristics, areas of potential discrimination may be detected.

The Federal Reserve is the primary regulator of compliance with fair lending regulations. When federal regulators examine financial institutions, they use HMDA data to determine if applicants of a certain gender, race or ethnicity are rejected at statistically significant higher rates than applicants with other characteristics. The Federal Reserve uses a combination of sophisticated statistical modeling and loan file sampling and review to detect lending discrimination.

The HMDA data tables in this section present summary HMDA data for the entire State of Indiana and the areas outside of Indiana's 16 metropolitan statistical areas (MSA). This will be referred to as rural Indiana in the report.

The HMDA data used in this study included more than 534,000 mortgage loan applications made by Indiana borrowers in 2006. The applications were limited to the following:

- Owner-occupied homes, i.e., those homes intended for use as a borrower's principal dwelling (not as a second home or investment property).
- Originated loans, loans that were denied, withdrawn, closed, purchased by another institution and approved but not accepted were included. Loans purchased by the institution and preapproval requests are excluded.
- Loans made for home purchases, refinances and home improvements are all included.

Types of loan applications made. An analysis of the loan application records included in the HMDA data for Indiana showed that the vast majority of loan applications (94 percent) were for conventional loan products and the remaining 6 percent were for government guaranteed loan products. Rural Indiana had a similar distribution, with 95 percent conventional loans and 5 percent government guaranteed loan applications.

Most of the loan applications in Indiana were for refinancing existing home loans; these represented 54 percent of the applications. Thirty-seven percent were for home purchases and 10 percent were for home improvement loans. Rural Indiana experienced similar results, with 58 percent of the loan applications for refinancing; 32 percent for home purchase; and 10 percent for home improvements.

Disposition of loans. The following exhibit shows the number and percent of the action taken on the loan applications for Indiana and rural Indiana in 2006. Forty-eight percent of the State's loan applications were originated (approved) and 44 percent of rural Indiana's applications were originated.

Exhibit II-7.
Action Taken on Loan Applications, Indiana and Rural Indiana, 2006

	Indiana		Rural Indiana	
	Number	*Percent*	*Number*	*Percent*
Loan originated	216,173	48%	38,318	44%
Application approved but not accepted	33,950	8%	6,337	7%
Application denied by financial institution	123,309	27%	26,626	30%
Application withdrawn by applicant	59,885	13%	12,406	14%
File closed for incompleteness	18,877	4%	4,036	5%
Total Loan Applications	**452,194**	**100%**	**87,723**	**100%**

Note: Rural Indiana includes areas outside of the 16 MSAs in Indiana.

Source: FFEIC HMDA Raw Data 2006 and BBC Research & Consulting.

The map on the following page shows the percent of loan applications that were denied by county for the state of Indiana. The counties shaded blue have a higher percentage of loan applications denied than the State's overall denial rate of 27 percent. As shown in the map, rural areas and several metropolitan core counties tend to have higher rates of denial.

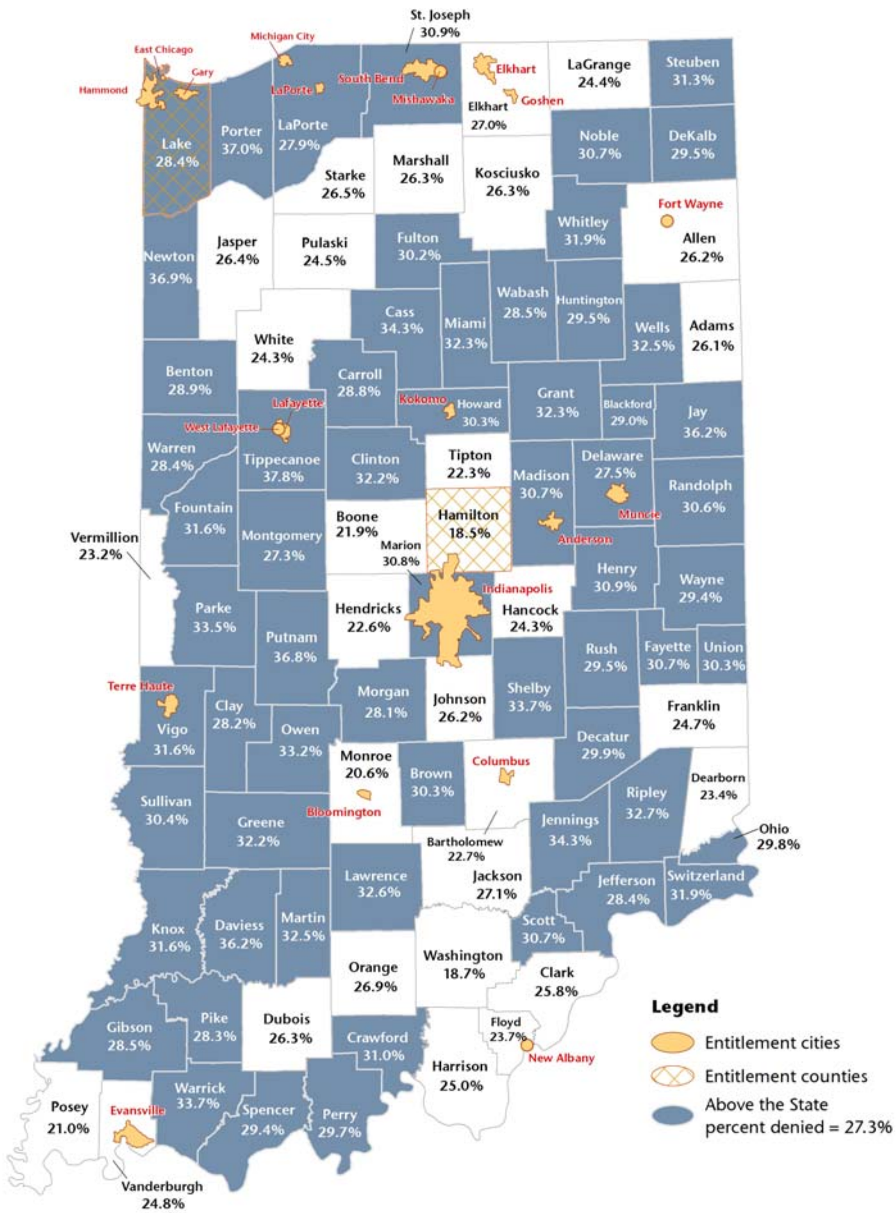
Exhibit II-8. Counties Whose Percent of Loan Applications Denied Is Above the State Average of Denials, 2006

Note:
In 2006, 27.3 percent of the State's loan applications were denied.

The shaded counties have a higher percentage of their loan applications denied than the State overall.

Source:

FFEIC HMDA Raw Data 2006 and BBC Research & Consulting.



Race/ethnicity of loan applicants. Over three fourths of the Indiana loan applications (about 350,500 applications) were from applicants who reported their primary race to be White. Rural Indiana had a higher percentage of applicants who reported their primary race to be White, 85 percent or about 75,000 applications. Three percent of State applicants were Hispanic or Latino and two percent of rural applicants were also Hispanic or Latino.

Disposition of loans. For the primary applicants of rural Indiana, Whites had the highest origination rate at 48 percent. Asians and Hispanics had the next highest origination rates, both at 46 percent. This compares to 36 percent of African Americans, Indiana's largest racial minority. Asian and Whites also had the lowest denial rates at 28 percent and 29 percent, respectively.

The entire State had slightly higher origination rates with 55 percent of Asian applicants loans originated followed by 53 percent of White applicants and 49 percent of Hispanic applicants loans being originated. Exhibit II-9 compares the percentage of loan applications by disposition type (approved, denied, withdrawn, etc.) by race and ethnicity for the entire state of Indiana and rural Indiana.

Exhibit II-9
Action Taken on Loan Applications by
Race and Ethnicity for Indiana and Rural Indiana, 2006

	Loan originated	Application approved but not accepted	Application denied by financial institution	Application withdrawn by applicant	File closed for incompleteness	Total applications
Total Indiana Loan Applications	**48%**	**8%**	**27%**	**13%**	**4%**	**452,194**
American Indian or Alaskan Native	35%	8%	**39%**	13%	4%	1,868
Asian	**55%**	**9%**	21%	12%	3%	4,285
Black or African American	36%	8%	**38%**	13%	4%	34,519
Native Hawaiian or other Pacific Islander	46%	8%	28%	**15%**	4%	827
White	**53%**	7%	25%	11%	3%	350,428
NA/Unknown	25%	8%	35%	**24%**	**8%**	60,267
Hispanic or Latino	49%	8%	28%	11%	4%	15,707
Not Hispanic or Latino	51%	7%	26%	12%	4%	377,523
Total Rural Indiana Loan Applications	**44%**	**7%**	**30%**	**14%**	**5%**	**87,723**
American Indian or Alaskan Native	32%	7%	**45%**	13%	3%	377
Asian	**46%**	8%	28%	15%	3%	255
Black or African American	30%	**9%**	**40%**	16%	**6%**	811
Native Hawaiian or other Pacific Islander	31%	7%	38%	**19%**	5%	112
White	**48%**	7%	29%	13%	4%	74,749
NA/Unknown	20%	8%	37%	**25%**	**11%**	11,419
Hispanic or Latino	**46%**	8%	32%	10%	5%	1,797
Not Hispanic or Latino	47%	7%	29%	13%	4%	74,694

Source: FFEIC HMDA Raw Data 2006 and BBC Research & Consulting.

Where are the disparities greatest? The following exhibit shows the disparities of loan denials by race and ethnicity—the number of times more likely minority borrowers are to receive subprime loans than white borrowers. For example, loans applied for by African American borrowers in Indiana were 1.53 times more likely to be denied than a white borrower. The differences in denials are much lower for Non-Hispanics and Hispanics.

Exhibit II-10.
Disparities in Loan Application Denial Rates for Indiana and Rural Indiana, 2006

Source:

FFEIC HMDA Raw Data 2006 and BBC Research & Consulting.

Application denied by financial institution	Indiana	Rural Indiana
American Indian or Alaskan Native	1.58	1.54
Asian	0.84	0.97
Black or African American	1.53	1.37
Native Hawaiian or other Pacific Islander	1.12	1.29
White	NA	NA
NA/Unknown	1.39	1.26
Hispanic or Latino	1.08	1.09
Not Hispanic or Latino	NA	NA

Reasons for denial. The HMDA data include information from lenders on why they turned down an application. Institutions are allowed to cite up to three reasons (from a list of nine) that an application was turned down. This denial data can also be examined by type of loan and applicant characteristics, which can help explain some of the variation in approval rates among applicants. Exhibits II-11 shows the reasons for denials of 2006 loan applications for Indiana and rural Indiana.

Exhibit II-11.
Reasons for Loan Application Denials for Indiana and Rural Indiana, 2006

Note:

Insufficient cash may include cash for the downpayment and closing costs. Multiple denial reasons were allowed for each application.

Source:

FFEIC HMDA Raw Data 2006 and BBC Research & Consulting.

	Indiana		Rural Indiana	
	Number	*Percent*	*Number*	*Percent*
Debt-to-income ratio	12,449	14%	2,298	12%
Employment history	1,358	1%	290	2%
Credit history	**31,051**	**34%**	**6,599**	**36%**
Collateral	16,426	18%	3,465	19%
Insufficient cash	1,766	2%	369	2%
Unverifiable information	2,701	3%	433	2%
Credit application incomplete	6,403	7%	1,100	6%
Mortgage insurance denied	112	0%	41	0%
Other	18,614	20%	3,963	21%
Total Denial Reasons	**90,880**	**100%**	**18,558**	**100%**

For loan applications in Indiana and rural Indiana that were denied, the primary reason was poor or no credit history, 34 percent and 36 percent, respectively. Other top reasons cited for credit denials involved a catch-all category in the HMDA data labeled "other," issues related to collateral and excessive debt-to-income ratios.

There was little difference between the reasons for denial among minorities and Whites.

Identification of "subprime." Lenders are required to disclose the interest rate on loans when the annual percentage rate (APR) on the loan exceeds the yield on Treasury securities of comparable maturity by 3 percentage points for first liens and 5 percentage points for junior liens.

The federal requirement to report the interest rates on high-cost loans was directly linked to the growth in the subprime loan market and concerns about discrimination in pricing. The objective of the Federal Reserve Board in requiring pricing disclosure requirements was that pricing on most subprime loans *would be* reported and pricing on most prime loans *would not.*[5]

For the purposes of this section, we define "subprime" as a loan with an APR of more than 3 percentage points above comparable Treasuries for first liens, and 5 percentage points for second liens. This is consistent with the intent of the Federal Reserve.

Of the 452,194 mortgage loan applications originated in Indiana in 2006, 60,686 (13 percent) were considered subprime by our definition (i.e., these loans met or surpassed the pricing reporting threshold required by HMDA data).

The following exhibit shows similar rates of subprime loans for Indiana and rural Indiana.

Exhibit II-12.
Subprime and Non-Subprime Loans, Indiana and Rural Indiana, 2006

Source:

FFEIC HMDA Raw Data 2006 and BBC Research & Consulting.

	Indiana		Rural Indiana	
	Number	*Percent*	*Number*	*Percent*
Not Subprime Loans	391,508	87%	75,871	86%
Subprime Loans	60,686	13%	11,852	14%
Total Loans Originated	**452,194**	**100%**	**87,723**	**100%**

The map on the following page shows the percentage of subprime loans by county in 2006.

[5] The reported APR on an adjustable rate mortgages (ARMs) considers both the initial "teaser" rate and the adjustment rate, assuming that Treasury interest rate to which the loan is indexed stays fixed.

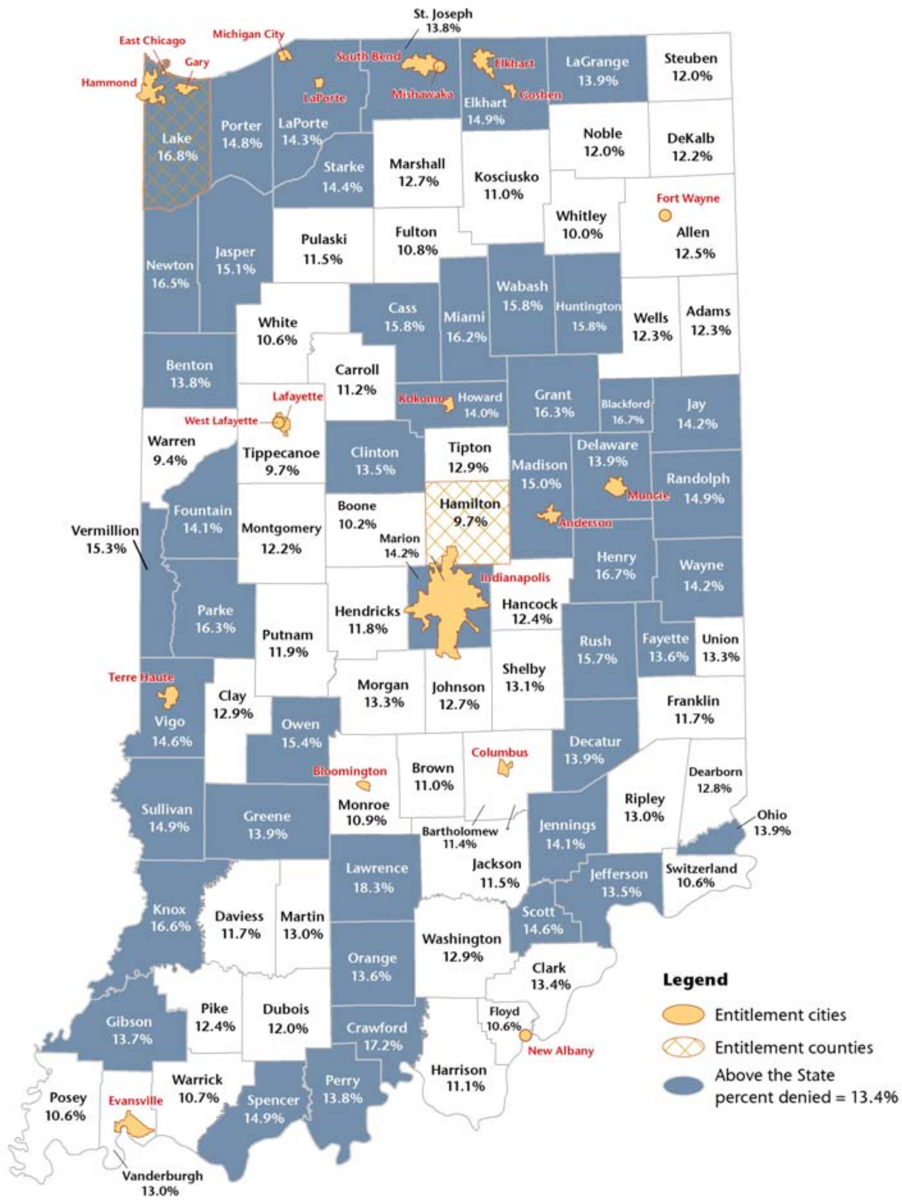
Exhibit II-13. Counties Whose Percent of Loan Originations that are Subprime Is Above the State Average of Subprime Loans, 2006

Note:
In 2006, 13.4 percent of the State's loan originations were subprime loans.

The shaded counties have a higher percentage of their loans that are subprime than the State overall.

Source:

FFEIC HMDA Raw Data 2006 and BBC Research & Consulting.



Race/ethnicity of subprime borrowers. Of the 60,686 subprime loans that were originated to Indiana borrowers in 2006, 48,143 (79 percent) were made to borrowers who are White; 6,584 (11 percent) to African American borrowers; and 3,323 (5 percent) to Hispanic borrowers.

Whites and Asian borrowers typically have higher origination rates than other minority households. The reasons for disparities are the subject of much debate. This analysis of the HMDA data from 2006 found only slight disparities in the percentage of borrowers who receive subprime loans by race and ethnicity. Exhibit II-14 shows the percentage of borrowers in 2006, by race and ethnicity, who received subprime loans. The column on the far right gives the percentage of all loans made to each racial and ethnic group that were subprime. For example, 21 percent of loans to Hispanic borrowers for the entire state of Indiana were subprime loans.

Exhibit II-14.
All Loans and Subprime Loans by Race and Ethnicity for Indiana and Rural Indiana, 2006

	All Loans		Subprime Loans		Percent Subprime
	Loans	*Percent*	*Loans*	*Percent*	
Indiana Loans	**452,194**	**100%**	**60,686**	**100%**	**13%**
American Indian or Alaskan Native	1,868	0%	249	0%	13%
Asian	4,285	1%	436	1%	10%
Black or African American	34,519	8%	6,584	11%	19%
Native Hawaiian or other Pacific Islander	827	0%	99	0%	12%
White	350,428	77%	48,143	79%	14%
NA/Unknown	60,267	13%	5,175	9%	9%
Hispanic or Latino	15,707	3%	3,323	5%	21%
Not Hispanic or Latino	377,515	83%	52,568	87%	14%
Rural Indiana Loans	**87,723**	**100%**	**11,852**	**100%**	**14%**
American Indian or Alaskan Native	377	0%	38	0%	10%
Asian	255	0%	23	0%	9%
Black or African American	811	1%	122	1%	15%
Native Hawaiian or other Pacific Islander	112	0%	14	0%	13%
White	74,749	85%	10,788	91%	14%
NA/Unknown	11,419	13%	867	7%	8%
Hispanic or Latino	1,797	2%	321	3%	18%
Not Hispanic or Latino	74,686	85%	10,694	90%	14%

Source: FFEIC HMDA Raw Data 2006 and BBC Research & Consulting

The following exhibit shows the disparities of subprime origination by race and ethnicity—the number of times more likely minority borrowers are to receive subprime loans than White borrowers. For example, loans applied for by African American borrowers in Indiana were 1.39 times more likely to get a subprime loan than a White borrower. Disparities in the other race categories did not exist. The differences in subprime disparities are higher for Non-Hispanics and Hispanics. Hispanics were about one and one half times more likely to get a subprime loan than a non-Hispanic borrower.

Exhibit II-15.
Subprime Origination Disparities by Race and Ethnicity for Indiana and Rural Indiana, 2006

Source:
FFEIC HMDA Raw Data 2006 and BBC Research & Consulting

	Indiana	Rural Indiana
American Indian or Alaskan Native	0.97	0.70
Asian	0.74	0.62
Black or African American	1.39	1.04
Native Hawaiian or other Pacific Islander	0.87	0.87
White	NA	NA
NA/Unknown	0.63	0.53
Hispanic or Latino	1.52	1.25
Not Hispanic or Latino	NA	NA

What do the data suggest? There are many reasons that loan approval rates may vary for applicants—credit ratings, net worth, and income to debt ratios play a large role in the decision to deny or approve a loan. Disparities in approval rates between racial and ethnic groups or genders are not definitive proof of housing discrimination; rather, the presence of disparities suggests the need for further inquiry. The data are also useful in determining what government sponsored programs might be needed to fill the gaps between what the private market is willing to provide and what is needed. In addition, the HMDA data do not capture the effects of protected classes being intimidated by or unknowledgeable about the loan application process (and therefore not even attempting to get a loan).

The HMDA data highlight areas where state, county and city governments can work to improve access to credit for citizens. As shown in Exhibit II-11, a poor credit history was the top reason that credit is denied to applicants in Indiana. The data also show that African American and American Indian/Alaskan Natives populations have higher denial rates than Whites for loans for the state overall and in rural Indiana. Therefore, the State should continue to invest in credit and homebuyer counseling programs to improve citizens' understanding of how to manage personal debt.

Barriers to Affordable Housing

The State of Indiana traditionally has followed the philosophy that local leaders should have control over local issues. As such, most of the laws affecting housing and zoning have been created at the urging of local jurisdictions and implemented at local discretion. Indiana is a "home rule" State, meaning that local jurisdictions may enact ordinances that are not expressly prohibited by or reserved to the State.

Tax policies. In Indiana, property taxes are based on a formula that assesses replacement value of the structure within its use classification. Single family homes are assessed as residential; multi family property is assessed as commercial. Condition, depreciation and neighborhood are factored into the tax assessment. Commercial rates are higher than residential rates; however, real estate taxes are a deductible business expense.

The state government also collects a very small part of the property tax, at a rate of one cent per $100 assessed value. The property tax is administered on the state level by the Indiana Department of Local Government Finance, and on the local level by the county and township assessors, the county auditor and the county treasurer.

Property tax reform. The Indiana General Assembly passed a property tax package during the 2008 session, which will cut property taxes sharply, by 30 percent on average this year, and in the future. The legislation also addresses the concerns of local governments and schools, with more transition money, local referendums on spending and additional money put away in the rainy day fund for school tuition.

The property tax reform includes immediate relief, permanent protection, assessment reform and local spending control. Immediate relief will come in the form of cuts in this year's bills, 30 percent on average, starting with the May bills and continuing in November. Additionally, $870 million in additional homestead credits will be added this year. Permanent protection will be delivered in a constitutional amendment that caps homeowners' property tax bills at 1 percent of the home's assessed value. Assessment reform will occur when township assessors with less than 15,000 parcels will be eliminated—taking the number of township assessors from 1,008 to 44 and virtually eliminating an outdated system of township government.

Finally, local spending control will benefit Hoosiers by repealing excess levy appeals. And now, any non-elected board, such as a solid waste district, must have their budget approved by their local county council. State government will also assume the costs for child welfare, the school general fund and juvenile incarceration, health care for the indigent and police and fire pension funds. All of these levies will be removed from all classes of taxpayers.

Zoning ordinances and land use controls. There is no State level land use planning in Indiana. State enabling legislation allows jurisdictions to control land use on a local level. Cities or counties must first establish a planning commission and adopt a comprehensive plan before enacting a zoning ordinance. A study completed by the Indiana Chapter of the American Planning Association identified that roughly 200 cities and counties have planning commissions in place.

The Indiana Land Resources Council, repopulated in September 2006, is created in state law (I.C. 15-7-9) to assist local and state decision-makers with land use tools and policies. The Indiana Land Resources Council is composed of representatives from county and municipal governments, home building and land development, business, environmental interests, soil and water conservation districts, and forestry, as well as a land use expert and a farmer. The Council's mission is to evaluate all types of land use, not just agricultural land use. Their first agenda item has been developing model ordinances for agricultural zoning and other tools for counties and municipalities. The Indiana Land Resources Council will not consider a farmland preservation program or environmental regulations.

On March 23, 2007, the Indiana Land Resources Council made final recommendations on model agricultural zoning concepts. The Indiana State Department of Agriculture and ILRC believe these ordinances will be valuable to counties across the state as they make proactive decisions about land use. There are many different strategies to accommodate the land use needs of a community, and the best approach for each county is to tailor solutions to its unique characteristics.

In the 8 months since the ILRC finalized recommendations for model agricultural zoning ordinances, several local governments have implemented these concepts. As the ILRC had hoped, these tools enable local government leaders to adapt the recommendations to their community needs.

In addition to local land use controls, certain federal and State environmental mandates exist. For instance, residential units may not be constructed in a designated flood plain. The Indiana Department of Environmental Management directs most of the Environmental Protection Agency regulations for the State.

Certain neighborhoods have been designated historic districts by local communities. In these areas, exterior appearance is usually controlled by a board of review, which is largely made up of area residents. As with zoning, there is an appeals process for review of adverse decisions. These types of land use controls should not preclude development of low income housing; they simply regulate the development so that it does not adversely affect the existing neighborhood.

Some developments impose their own site design controls. Such controls are limited to a specific geographic area, enforced through deed covenants, and designed to maintain property value and quality of life. For example, apartment complexes may be required to provide sufficient "green space" to allow for children's play areas.

Many local zoning codes require an exception or variance for the placement of manufactured housing. This could make it more difficult to utilize manufactured housing as an affordable housing alternative. In 2008, bills were passed to allow flexibility within land use regulations to preserve manufactured housing communities and protect modular housing.

The Indiana Code (IC 36-7-4-1326) provides local governments the ability to remove a possible barrier to affordable housing. The code states that an impact fee ordinance may provide for a reduction in an impact fee for housing development that provides sale or rental housing, or both, at a price that is affordable to an individual earning less than 80 percent of the median income for the county in which the housing development is located.

Subdivision standards. The State of Indiana authorizes jurisdictions to develop local subdivision control ordinances. Legislation describes the types of features local governments can regulate and provides a framework for local subdivision review and approval. Subdivision ordinances can drive up the costs of housing depending on the subdivision regulations. For example, large lot development, extensive infrastructure improvements such as sidewalks or tree lawns can add to development costs and force up housing prices. The State encourages local communities to review local subdivision requirements to be sure they do not impede the development of affordable housing.

In some previous interviews conducted for the AI, stakeholders mentioned that *lack of* subdivision standards can impede development. Because standards do not exist, homeowners pass restrictive covenants that create fair housing barriers.

Building codes. The State has adopted a statewide uniform building code based on a recognized national code. These minimum building construction standards are designed solely to protect the health and welfare of the community and the occupants. Planners point out that it is not uncommon for builders to exceed the minimum building code.

The updated State building code includes a provision aimed at ensuring compliance with the accessibility standards established under the federal Americans with Disabilities Act (ADA).

Permits and fees. Local building permits, filing and recording fees, fees for debris removal, and fees for weed removal are the most common fees and charges applicable to housing development. All appear to be nominal amounts and not sufficient to deter construction or rehabilitation of low- and moderate-income housing. Some exceptions may apply to the provision of manufactured housing.

Growth limits. Few communities within Indiana are facing insurmountable growth pressures. Some communities have been forced to slow growth so that municipal services and infrastructure can be expanded to support new growth areas. However, these measures address temporary gaps in service and do not reflect long-term policies.

Excessive exclusionary, discriminatory or duplicative policies. In developing this housing strategy, the State has not been able to identify any excessive exclusionary, discriminatory or duplicative local policies that are permitted by State laws and policies.

Ameliorating negative effects of policies, rules or regulations. Over the next few years, Indiana expects to see further consolidation of housing programs at the State level and concurrently, maturation of the associated programs and policies, as well as further decentralization of service provision. Interviews and survey results did not surface many concerns regarding State and local policies as deterrent to the production of affordable housing.

Indiana's efforts to increase the affordable housing supply. Although the state of Indiana enjoys a high rate of homeownership, housing affordability is an ongoing issue, and the focus of many state government efforts. March 2008 HUD's Regulatory Barriers newsletter, Barriers, published an article discussing legislation adopted by Indiana to increase homeownership and promote housing affordability by protecting manufactured housing communities, increasing the availability of housing finances, and establishing property tax deductions. The following highlights their findings.

Protecting Manufactured and Modular Housing. Senate Bills 0306 and 0334 became effective in 2005 and 2007, respectively, to allow flexibility within land use regulations to preserve manufactured housing communities and protect modular housing, both of which are significant sources of affordable housing. Senate Bill 0306 recognizes manufactured housing as suitable and necessary dwelling units in Indiana. Many local ordinances may not permit a nonconforming manufactured housing community to retain its existing status upon undergoing modifications. The bill allows manufactured housing communities to be expanded or modified without losing their status under the local ordinance, even when a community is categorized as nonconforming. Senate Bill 0334 expands protections for modular homes by stating that modular homes may not be restricted from being assembled or installed on a property, unless the restrictive covenants or deeds apply to all residential structures in a subdivision.

Funding for Affordable Housing. Article 20, Title 5 of the Indiana Code includes provisions to lower the costs of financing homeownership, stimulate construction of new housing, improve existing housing, and promote economic integration. One such provision is the Indiana Housing and Community Development Authority (IHCDA), created by the Indiana General Assembly in 1978 to promote safe, sanitary, and affordable housing for low-income families. To accomplish its missions, the IHCDA issues state bonds, makes loans, acquires property, provides technical and advisory services, and contracts with other agencies that develop affordable housing. In addition, the IHCDA administers the Affordable Housing and Community Development Fund (AHCDF), which was established in 1989 to provide loans and grants for a broad range of programs that involve construction, preservation, and rehabilitation of affordable housing.

The programs funded by AHCDF must support housing for low-income families earning up to 80 percent of the area median income, with at least half of the beneficiaries living at or below 50 percent of the area median income. Rental housing must be available to low- and very low-income families for a minimum of 15 years. Since its inception, the housing fund has executed close to $20 million in loans and $1.5 million in grants, enabling the development of over 1,400 affordable housing units.

Property Tax Deductions. Title 6, Article 1.1, Chapter 12 of the Indiana Code includes provisions to reduce the property tax impact on homeowners. This legislation offers tax relief to homeowners for the rehabilitation of property in the form of deductions based on the increased value of a rehabilitated home or residential structure. Rehabilitation includes any remodeling, repair, enlargement, or extension of a property. Deductions can be taken annually for a maximum of five years and amount to 50 percent of the increased assessed value resulting from rehabilitation, provided the cost of the rehabilitation on a property is upwards of $10,000. Deductions are capped at $124,800 for single-family homes and at $300,000 for other housing types.

The state also provides tax deductions on rehabilitated properties located in designated residentially distressed areas. To be designated as a residentially distressed area, a region has to meet certain requirements as defined in Indiana Code 6-1.1-12.1. For a single-family dwelling, the amount of the deduction is equal to the assessed value of improvements made to the property after rehabilitation, capped at $74,880. These tax deductions are meant to renew interest in existing and older housing stock to help maintain the supply of affordable housing throughout the state.

To further the state's goal of increasing housing affordability, Governor Mitchell E. Daniels, Jr. signed legislation on March 19, 2008 that will provide property tax relief and protection to homeowners. Homeowners will see an immediate property tax cut of more than 30 percent. Starting in 2010, property taxes will be capped at one percent of the assessed value for single-family homes and at two percent of the assessed value for apartments. Assessing different classes of property at different rates is expected to help maintain the affordability of different housing types. The tax cuts will be funded in part with a one percent increase in the state sales tax.

Conclusion. Indiana has adopted legislation designed to meet a wide spectrum of the state's housing needs. By offering tax deductions on rehabilitated properties and allowing flexibility in regulations for manufactured housing communities, the state is ensuring the present and future affordability of the existing housing stock. Provisions within the state housing funds help low-income families find affordable homes and attain the goal of homeownership.

Indiana Legislation

The recent legislative session passed several bills that pertain to housing and community development issues and include:

Foreclosure and mortgage lending:

- ***HEA1359***. Highlights include: mortgage fraud, loan broker, appraiser and mortgage lender regulations, short-sale guidelines and new Department of Insurance requirements.

Property taxes:

- ***HEA1001***. Highlights include immediate tax relief for homeowners, senior citizen caps, income tax assistance and the elimination of some county assessors.
- ***SJR0001***. Permanent caps for homeowners' property tax bills.
- ***HEA1164***. Property tax deduction to builders/developers on model homes.

Mortgage revenue bond and rental housing tax credit programs:

- ***HEA1359***. Changes to guidelines in IHCDA's multi-family residential housing.

Homelessness:

- ***HEA1165***. This bill requires several major steps towards eliminating homelessness in Indiana.

Asset development:

- ***HEA1359***. Gives civil penalties collected from closing agents and title companies to the Home Owner Education Account, which is administered by IHCDA.

Landlord/Tenant law:

- ***HEA1061***. This bill closes a loophole in regards to rent-to-own leases in landlord-tenant statutes.

Neighborhood revitalization:

- ***HEA1145***. Lead-based paint and landlord regulations.

Other legislation includes:

- Senior housing services—SEA315
- Human services—HEA1159
- Green building—HEA1280
- Non-profit corporations—HEA1187

Indiana Foreclosure Prevention Network (IFPN). HEA 1753 (2007) authorized IHCDA to establish a program to provide free mortgage foreclosure counseling to homeowners. IFPN was launched in the fall of 2007, and is a partnership of community-based organizations, government agencies, lenders, realtors, and trade associations that has devised a multi-tiered solution to Indiana's foreclosure problem. This statewide initiative includes a targeted public awareness campaign, a telephone helpline, an educational website, and a network of local trusted advisors.

Information is available online and a toll free hotline (877-GET-HOPE) is also available to Hoosiers facing foreclosure. Services include budgeting help, a written financial plan or assistance in contacting lenders. Whenever possible, counselors assist homeowners over the phone. If more extensive assistance is needed, the counselor refers the homeowner to a certified foreclosure intervention specialist.

Stakeholder Interviews

In 2007 and 2008, Engaging Solutions and Briljent conducted interviews with individuals who are knowledgeable about housing and community development, including fair housing, in Indiana during March 2007 and February 2008. These individuals represented local government officials, housing and real estate professionals, social service providers, and representatives of community and professional organizations. Their comments are summarized below. A list of the key people interviewed appears in Section I of this report.

2007 and 2008 impediments. The impediments mentioned by the interviewees in 2007 and 2008 included the following:

- There is not enough affordable housing in many communities. Many landlords do not want to serve low-income households. There is a stigma about affordable housing in many rural areas.
- Affordable housing needs to be of good quality and integrated into the community.
- Property taxes are high for landlords, which raises rents and reduces affordability.
- Lack of zoning and large lots/minimum square footage in some communities can prevent needed affordable development.
- Older housing stock needs repairs, and funding is not available for such repairs.
- There is a need for senior housing.
- There is a need for mental health services in rural areas.
- There is a need for foreclosure prevention and assistance.
- Youth aging out of the foster care system were mentioned as being disadvantaged and often overlooked.

In general, most the interviewees could not identify *public policies* that create barriers to fair housing. Very few interviewed believe exclusionary zoning has been an issue in developing affordable housing. Only one person surveyed, who thinks there are restrictions, believes that certain zoning regulations are old and were created reactively. The most common barrier mentioned overall was lack of affordable housing.

Fair Housing Forum

Fair housing forum. On Wednesday, February 9, 2005, the Indiana Civil Rights Commission hosted a Fair Housing Open Forum. The purpose of the forum was to assess impediments to Fair Housing in Indiana, and develop strategies to ensure that all Hoosiers are afforded fair housing choice. At the time of the forums, the Indiana Housing Finance Authority (IHFA, now IHCDA) assisted in identifying groups and individuals who were targeted as potential contributors so that they might also receive an invitation. Altogether, 100 people pre-registered to attend with a total of 89 in attendance. The attendees included individuals representing 60 agencies and organizations and six interested citizens, as shown in the following exhibit.

Exhibit II-16.
Fair Housing Forum Agency or Organization Representatives

Agency or Organization Representatives	Agency or Organization Representatives
Adult & Children Mental Health Center	Indiana Protection /Advocacy Services
Affordable Housing Corporation	Indianapolis Division EEOC
Bloomington Housing Authority	Indianapolis Resource Center for Independent Living
BOSMA Industries	IRL Development Corporation
Brothers Uplifting Brothers	Knox County Housing Authority
Carpenter Realtors	Manchester Village Apartments
Community Action Program	Marion County Center for Housing Opportunity
Crawford Manor Apartments	Mayor's Advisory Council for People with Disabilities
Crawfordsville Housing Authority	Mexican Civic Association
Custom Mortgage	National City Corporation
Division of Family Resources Housing/Community Services	New Albany Community Housing
Edward Rose Properties	Norstar Mortgage Group
Family Services of Central Indiana	Northwest Indiana Aliveness Project
Fifth Freedom	NWI Open Housing Center
FSSA Consumer/Family Affairs	Park Regency Apartments
FSSA Division on Disability, Aging, Rehabilitative Services	Path Finder Services
FSSA Family/Children	Policy, Planning, Regional Services
Future Choices	Positive Link
Governor's Council for People With Disabilities	Project Renew
Great Lakes Capital Fund	Richmond Housing Authority
Homeless Initiative Program	Rural Housing Finance Corporation
Hope of Evansville	Rural Rental Housing
Indiana Association of Community and Economic Development	Salvation Army Harbor Light
Indiana Civil Rights Commission	South Bend Housing Authority
Indiana Coalition on Housing and Homeless Issues	Southern Indiana Center for Independent Living
Indiana Housing Finance Authority	St. Jude House
Indiana Institute on Disability and Community	Therapeutic Solutions
Indiana Legal Services	Unique Ministries Awareness
Indiana Manufactured Housing Association	Villas Apartments

Source: Fair Housing Forum, February 2005.

Many of the attendees were directors and managers that had personal experience with clients who had been discriminated against. The position of those attending ranged from top executives to citizens who elected to attend because of their experience with some form of discrimination. As illustrated in the job titles below, it is evident that the forum included a wide range of individuals who were informed about fair housing issues.

Exhibit II-17.
Job Titles of Participants

Job Titles	Job Titles
Allocation Analyst	Finance and Grants Manager
Case Manager	Housing Coordinator, Specialist and Counselor
Clinical Services Director	Loan Officer
Community Organizing Specialist	Occupancy Director
Compliance Manager/Monitor	Outreach Specialist
Director Compliance/Homeless Initiative Program	Program Director/Manager
Disability Advocate	Property Manager
Education/Training Director	Real Estate Attorney
Families Counselor	Referral Specialist
Fair Housing Specialist	Resident Manager/Services Coordinator/initiatives Specialist
Family Self Sufficiency / Home Training Coordinator	Section 8 Specialist

Source: Fair Housing Forum, February 2005.

Those attending also represented a range of cities and counties throughout the State; from as far north as South Bend and Crown Point and as far south as New Albany and Evansville. Cities represented included:

Exhibit II-18.
Cities Represented by Participants

Source:

Fair Housing Forum, February 2005.

Cities	Cities
Bedford	Greencastle
Bicknell	Huntington
Bloomington	Indianapolis
Columbus	Marion
Crawfordsville	Merrillville
Crown Point	Muncie
Evansville	New Albany
Ft. Wayne	Richmond
Gary	South Bend

The list of attendees provides evidence that the forum incorporated varying opinions and experiences from citizens located throughout the State—an indication that the results provide a comprehensive picture of the impediments to fair housing from the views of the stakeholders.

Forum process. The session began with brief introductions of those attending the forum and a summary of the meeting's purpose. The forum was facilitated by Dr. Linda Keys who provided an overview of the process and assisted the participant with the activities throughout the forum. During the session, participants were asked to form groups of 7 to 9 people and list the top ten impediments to fair housing. The group was asked to determine as a group the top ten impediments and to prioritize them.

The rules for the group process were to respect the opinions of all members and to make sure that the document submitted reflected all opinions of the group. To ensure that all were on task with this requirement, group members were asked to sign the exercise before submission. In addition, if a participant felt that the outcome did not reflect their opinion, they were instructed to tell the facilitator to provide them with an exercise or comment sheet for their own completion.

Forum results. Participants had little difficulty coming up with impediments to fair housing exhibited by the protective classes, although some groups did find it hard to condense the list down to ten and most groups did not prioritize the list. The following exhibit shows the barriers organized by the number of times a group listed the barrier, from most to least.

Exhibit II-19.
Top Ten Barriers to Fair Housing

Top Ten Barriers	
Racial prejudice/stereotyping	*Identified the most*
Family size	
Disability/Individuals (both Mental and Physical)	
Income (financial status)	
Financial literacy	
Regulatory barriers/zoning	
Lack of information about Fair Housing Rights and Regulations	
Limited Enforcement of Housing Compliance	
Conflict between Fair Housing Laws & HUD Regulations	
Lack of Affordable Housing/Affordability	
Age	
Lack of coordinated comprehensive planning	
Lack of public education and information about Fair Housing Regulations and Individual Rights	
Lack of Accessible Housing	
Credit history	
Language	
Transportation	
Sex/gender	
Religion	
Ethnicity	
Predatory lending/Redlining	
Surnames/National origin	
Geography, location	
NIMBYism/Fear of Low Income Housing	
Losing Housing for Substance Abuse	
Homelessness	
Lack of Supportive Services	*Identified the least*

Source: Fair Housing Forum, February 2005.

In addition, the most common remark recorded during the forum was that the Fair Housing Task Force was an important factor in the education of stakeholders and the reduction of barriers to fair housing throughout the State. Consequently, participants felt that funds should be allocated for an administrator to manage the Task Force, to support Task Force activities and to assist representatives with associated attendance costs.

Citizen Surveys

Citizen input for the 2005 AI. A citizen telephone survey was conducted in October 2004 of 300 residents living within nonentitlement areas in the State of Indiana. The households selected for the survey were chosen through a random digit dial process. Davis Research, a telephone survey firm in California, fielded the survey. The survey included enough households to ensure statistical significance—that is, the survey was representative of the experiences and opinions of the State's households overall who live in nonentitlement areas.

A second, almost identical, survey was conducted by mail. The survey was sent to targeted housing and social service organizations in the State, including public housing authorities. The organizations were asked to have five of their clients complete the surveys. The survey respondents could complete the surveys on a hard copy or through an Internet web page; all elected to complete the hard copy. The reason for this survey was to receive input from people who are low income, may have special needs and who are typically underrepresented in public outreach efforts.

The surveys included questions about residents' current housing situation, the needs of their neighborhoods, if they had ever been homeless and if they had experienced housing discrimination. Telephone surveys were completed with approximately 190 cities/towns or counties throughout the State of Indiana and mail/Internet surveys were completed in 29 different cities/towns.

Citizen input for the 2006 AI. In February and March 2006, the Consolidated Plan Coordinating Committee and housing and community development stakeholders distributed a survey to citizens to collect information about their housing needs, and the housing and community development needs in their communities. A total of 802 surveys were received from citizens in nonentitlement areas. Results from this survey are included with the 2005 citizen survey results.

Citizen input for the 2007 AI. In 2007, the State conducted extensive interviews with people representing citizens needing affordable housing, social services and community development. These interviews updated the AI by providing current information about the current barriers to fair housing faced in communities across the State.

Citizen input for the 2008 AI. In 2008, housing and community development stakeholders assisted with distributing a survey to citizens to collect information about their housing needs, and the housing and community development needs in their communities. The survey was also available to complete on IHCDA's website. A total of 243 respondents answered the fair housing questions. Results from this survey are included with the 2005 citizen survey results.

The State also conducted extensive interviews with people representing citizens needing affordable housing, social services and community development. These interviews updated the AI by providing current information about the current barriers to fair housing faced in communities across the State.

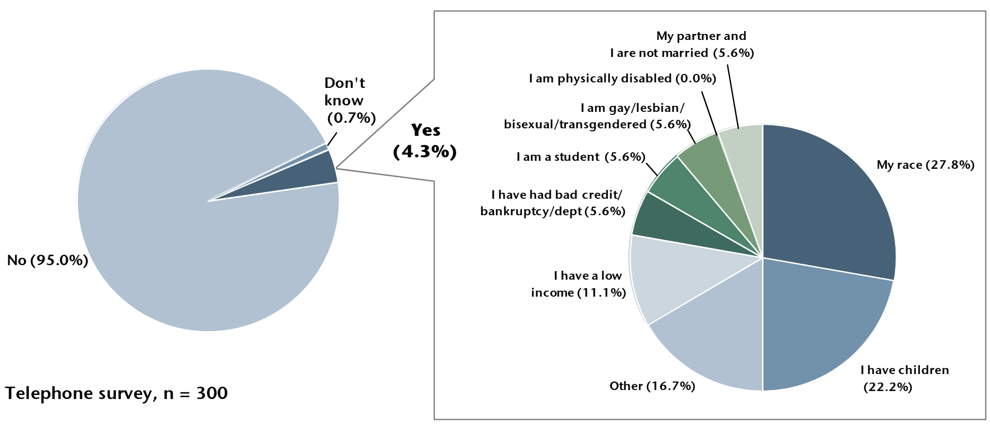
Experience with housing discrimination. The telephone and mail surveys conducted for the 2005 Consolidated Plan and AI asked respondents a number of questions about their experience with housing discrimination. 4.3 percent (13 respondents) of the telephone survey respondents and 5.9 percent (4 respondents) of the mail/Internet survey respondents said they had experienced housing discrimination. It is interesting that, despite different sampling methods, these percentages are so close. In 2006, 13 percent of respondents said they had experienced housing discrimination and in 2008, 11 percent responded they too had experienced housing discrimination.

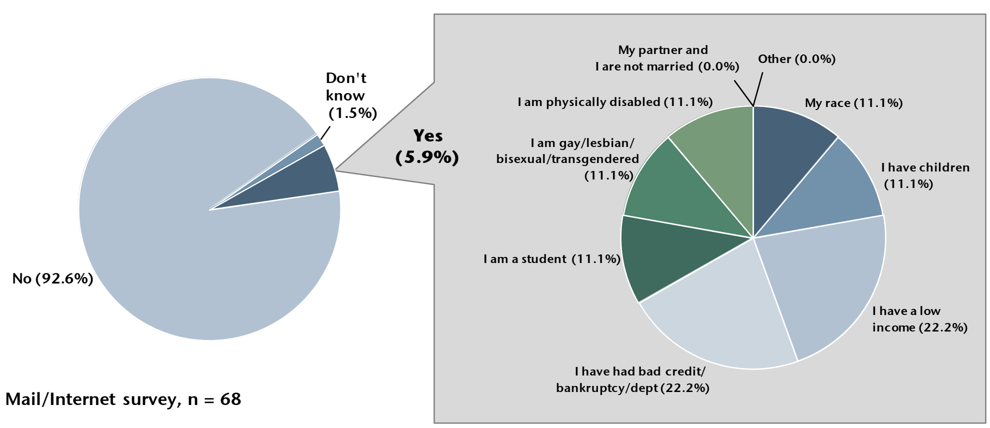
The survey respondents who had experienced discrimination were asked about the reasons why they believed they were discriminated against. The most common reason for the telephone respondents was discrimination based on race, followed by discrimination based on familial status. The mail/Internet survey population said they were discriminated against for different reasons—because they had low incomes and they had bad credit/bankruptcy/debts. (It should be noted that, in the absence of other factors, discrimination based on income or credit/bankruptcy is legal).

Exhibit II-20 below shows the results of why survey respondents believe they were discriminated against.

Exhibit II-20.
Survey Respondents' Experience with Housing Discrimination

Have you ever experienced housing discrimination?





Note: "Have you ever experienced housing discrimination?" Telephone survey, n=300 and mail/Internet survey, n=68.
"What was the reason you were discriminated against?" Telephone survey, n=13 and mail/Internet survey, n=4

Source: 2005 Indiana Consolidated Plan Citizen Survey, telephone and mail/Internet.

The four most common reasons the 2006 citizen survey respondents said they were discriminated against due to: being low-income (20 percent); their race (15 percent); having children (13 percent); and having bad credit, one or multiple bankruptcies or were heavily in debt (11 percent).

The 2008 resident survey's most common response (23 percent) to why respondents felt they were discriminated against was they had children. The following most common responses (each at 9 percent) included (in no particular order); race, may partner and I are not married, I have a low income, and I have bad credit/bankruptcy/debts.

A demographic review of the 13 telephone respondents from the 2005 survey who said they had experienced housing discrimination showed the following:

- Four said it was because they have children. Three of these households are made up of four people and one respondent had seven people in their household.
- Tenure (renter/owner status) was not correlated with having experienced housing discrimination.
- There was not a significant correlation between experiencing housing discrimination and having a disability.
- Persons earning less than $50,000 were more likely to say they had experienced housing discrimination than persons earning $50,000 or more.
- The breakdown of race/ethnicity of those respondents who said they had experienced racial discrimination included: White—40 percent or two respondents, Multi-racial—40 percent or two respondents and Hispanic/Latino—20 percent or one respondent.

A demographic review of the four mail/Internet 2005 survey respondents who said they had experienced housing discrimination showed the following:

- Three persons earning less than $35,000 said they had experienced housing discrimination due to having low incomes. These same 3 respondents also said they were discriminated against because they had either bad credit, bankruptcy and/or debts
- Tenure (renter/owner status) was not correlated with having experienced housing discrimination.
- Two respondents said they have a disability and one of these responded they were discriminated against because of their disability.

Exhibit II-21 shows the cities where the telephone and mail/Internet 2005 survey respondents said they experienced housing discrimination.

Exhibit II-21. Places Where Housing Discrimination is Believed to Have Occurred

Source:

2005 Indiana Consolidated Plan Citizen Survey, telephone and mail/Internet,

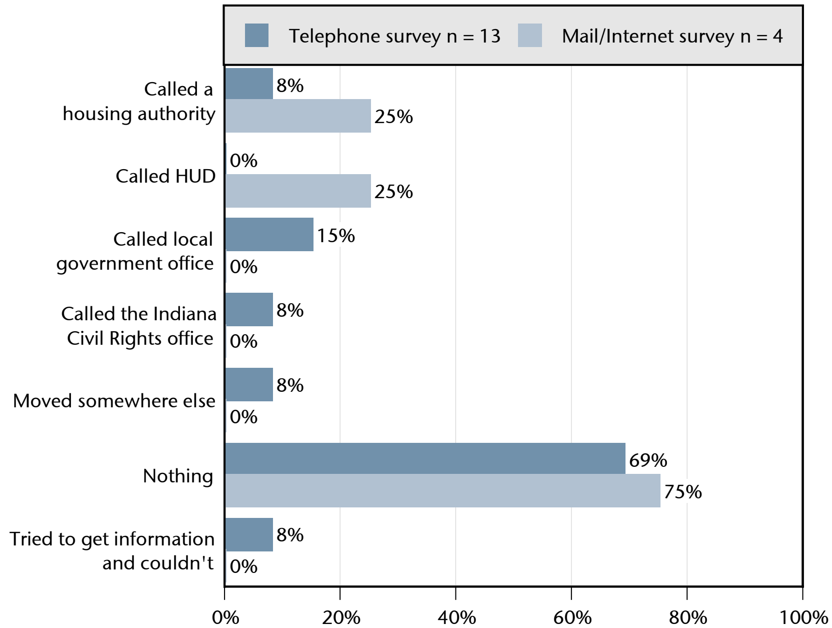
Response to discrimination. Survey respondents were asked a series of questions to identify how they would respond if they encountered housing discrimination.

None of the 2005 telephone and mail/Internet survey respondents who experienced housing discrimination filed a complaint. In fact, most did nothing in response to being discriminated against, as shown in Exhibit II-22.

Exhibit II-22.
What Did You Do About the Discrimination?

Source:

2005 Indiana Consolidated Plan Citizen Survey, telephone and mail/Internet,



When the 2006 citizen survey respondents were asked what they did about the discrimination, almost 40 percent responded they did nothing, 9 percent tried to get information and couldn't, another 9 percent called a housing authority, 7 percent called HUD, and another 7 percent filed a complaint.

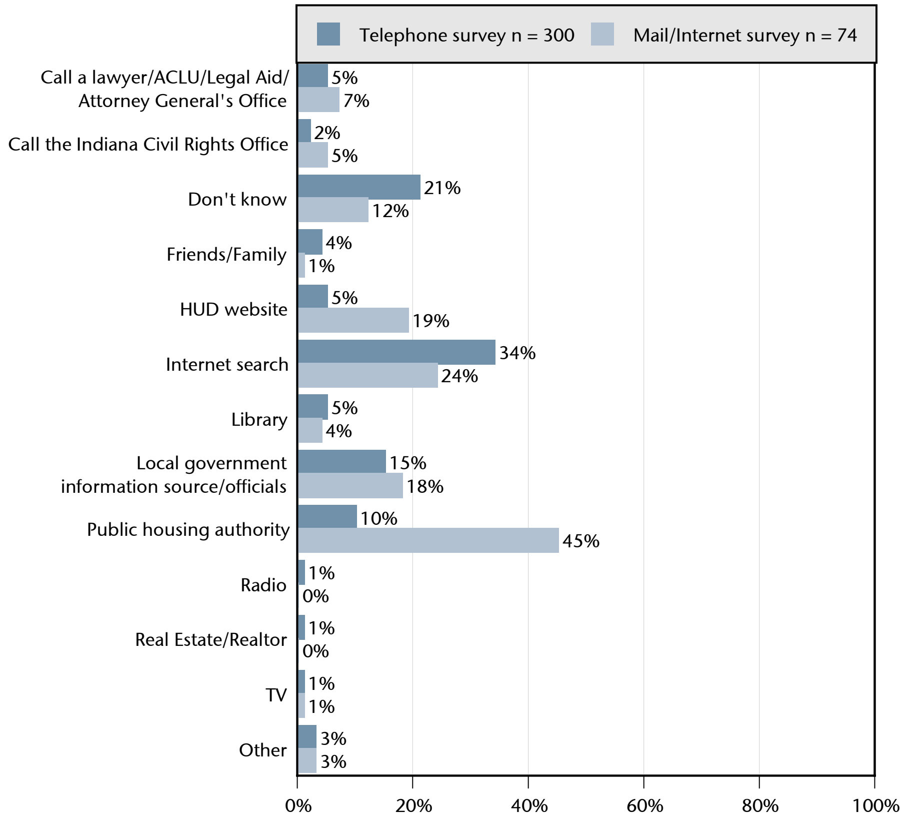
The 2008 survey respondents were also asked what they did about discrimination, well over half (62 percent) did nothing, two respondents talked to a Lawyer/Legal Aid/ACLU/Attorney General's office and 2 respondents filed a complaint.

When 2005 survey respondents were asked how they would get information about their fair housing rights, the top responses for telephone respondents were to do an Internet search or that they did not know where to go. Mail/Internet survey respondent's top responses were to contact the local public housing authority and to do an Internet search. These responses are shown in Exhibit II-23 on the following page.

Exhibit II-23.
How Would You Get Information To Know More About Your Fair Housing Rights?

Source:

2005 Indiana Consolidated Plan Citizen Survey, telephone and mail/Internet.



Responses in the "other" category on how they would get information about fair housing included the following:

- "Better Business Bureau."
- "Call around to see who I could get in touch with."
- "Generations, which is a local agency, either out of Washington, Indiana or Vincennes, Indiana."
- "Other housing agencies La Casa, Elkhart Housing Partnership."
- "I work in a bank, so I could ask there and they could help me."
- "I'd write to Pueblo."
- "Look in the Yellow Pages."
- "Phone the Council on Aging."
- "Write my Congressman."
- "Family."
- "Call ATTIC."

When the 2008 resident survey respondents were asked how they would get information if they wanted to know more about your fair housing rights; the top response was to do an internet search, followed by search on the HUD website, and contact local government information sources/officials.

A demographic review of the 2005 telephone respondents who answered the question about how to learn more about fair housing rights are as follows.

- Persons with higher incomes were more likely to consult the Internet to find information to this question; persons with the lowest incomes were more likely not to know where to get information.
- Respondents who had attended trade/vocational school or had some college and above were more likely to search the Internet and contact local government information sources/officials; they were also less likely to answer, "I don't know" to this question.
- Persons who were White were more likely to conduct an Internet search. Persons of Hispanic descent were likely to do an Internet search, contact the local government or go to the library to get their information.

A demographic review of the mail/Internet survey respondents who answered the question about how to learn more about fair housing rights are as follows.

- Persons with lower incomes were more likely to consult the local public housing authority to find information to this question.
- Persons who were White were more likely to consult with the local public housing authority, to do an Internet search, or look at the HUD website. Persons who were African American were likely to contact a housing authority, look on the HUD website, or to call the Indiana Civil Rights office.

Key Person Survey

In October 2004, approximately 1,600 surveys were distributed to local government officials, community leaders, housing providers, economic development professionals, social service organizations and others. The surveys asked respondents a number of questions about housing and community development needs, including fair housing, in their communities. A total of 214 surveys were returned, for a response rate of 14 percent.[6]

Discrimination occurring in communities. The fair housing questions included on the survey asked respondents about the prevalence of discrimination in their communities and the existing barriers to fair housing.

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[6] This rate accounts for surveys that were returned due to bad addresses.

Compared to 2002, 2003, 2004 and 2005, a larger percentage of respondents in 2005 identified discrimination based on family sizes as occurring in their communities. Discrimination based on family size became the number one concern in 2005 at 31 percent, up from 26 percent in 2004. All other categories either remained at the same rate or decreased or increased minimally. Discrimination based on disability and race/ethnicity followed as the second and third most common response for 2005. Exhibit II-24 compares the survey results for this question from 2002 through 2005.

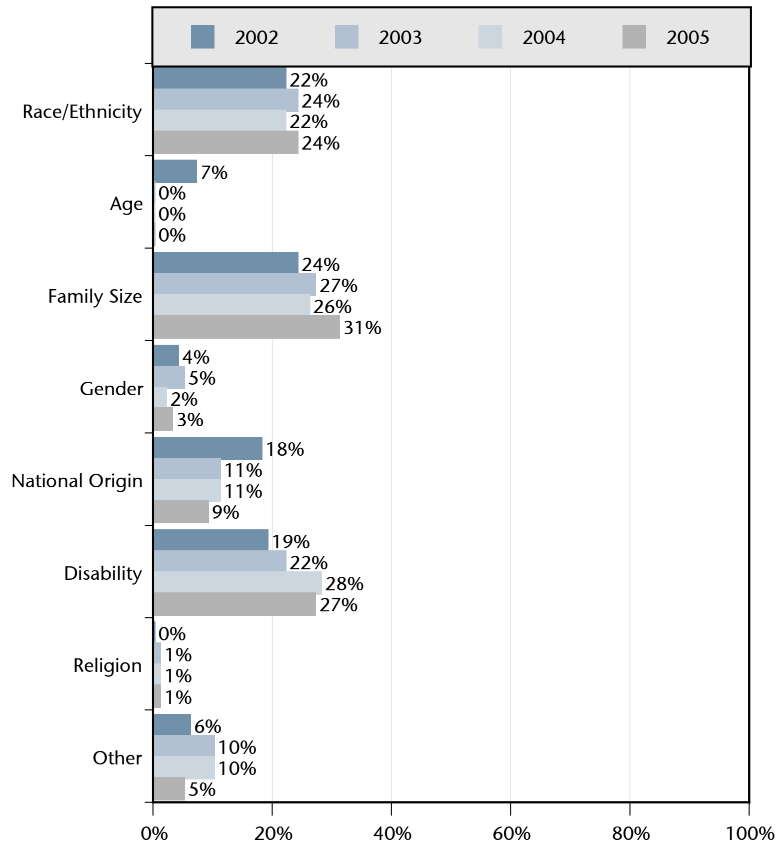
Exhibit II-24. Comparison of Types of Housing Discrimination, 2002, 2003, 2004 and 2005

Note:

Zero percent indicates that the category was not given as an option.

Source:

Community Surveys, Indiana Consolidated Plan, 2001-2005.



In addition, respondents were asked whether certain groups in the community could obtain desirable housing. Forty-two percent of the 2005 respondents felt that persons with disabilities could not obtain desirable housing. The disagreement rates were similar for the other groups at 40 percent for large families, 27 percent for the elderly, and 30 percent for minorities. In 2004 the disagreement rates were slightly lower or the same for all of the groups. In 2003, the survey combined all the groups into one question. Twenty-six percent of respondents felt that minorities, large families, the elderly, and persons with disabilities could not obtain the housing they desire in their communities.

Barriers to housing choice. Respondents were also asked about the types of barriers to housing choice that exist in their communities. Respondents said that the cost of housing was the largest barrier to housing choice, followed by public transportation and distance to employment. Exhibit II-25 shows the perceived barriers to housing choice for 2001, 2002, 2003, 2004 and 2005. The 2004 and 2005 surveys added two additional barrier categories. Even with the addition of these categories, the top barriers were similar across the five years.

Exhibit II-25. Barriers to Housing Choice

Source:

Community Survey, Indiana Consolidated Plan, 2001-2005.

	2001	2002	2003	2004	2005
Cost of housing	34%	34%	37%	28%	28%
Public transportation	24%	19%	23%	21%	20%
Distance to employment	21%	19%	19%	13%	15%
Lack of knowledge among residents	NA	NA	NA	9%	11%
Lack of knowledge among landlords	NA	NA	NA	10%	10%
Lack of accessibility requirement	14%	14%	10%	11%	9%
Housing discrimination	7%	7%	6%	4%	4%
Age restricted housing	NA	7%	5%	4%	4%

Lending issues. In addition to the above barriers, respondents were asked about the ability of people in their community to access mortgages and refinance their homes at competitive interest rates. Fifteen percent of respondents believed that people are *not* able to refinance their homes at competitive interest rates in 2004 and in 2005. This was a 27 percentage point decrease from 2003, where 42 percent of respondents disagreed with the statement. In 2002, 38 percent of respondents agreed with this statement. The significant decrease in disagreement rate in 2004 is most likely related to a rephrasing of the question. The question in the 2002 and 2003 survey specifically asked about low-income families, whereas the 2004 and 2005 survey question asked about the community as a whole. The decrease may also be related to increasingly low interest rates.

The 2004 survey added a question about problematic lending activities in the community. Exhibit II-26 summarizes the findings. Respondents indicated that the primary concern was lenders charging high rates followed closely by a concern for lenders charging high transaction fees.

Exhibit II-26. Are the following lending activities a problem in your community?

Source: Community Survey, Indiana Consolidated Plant, 2005.

Percent Agreeing	2004	2005
Lenders charging high rates	28%	28%
Lenders charging high transaction fees	30%	27%
Lenders linking unncessary products	16%	17%
Lenders selling sub-prime products to prime borrowers	14%	15%
Lenders charging prepayment penalties	12%	14%
Total	**100%**	**100%**

Zoning/land use issues. Respondents were also asked about the zoning ordinances and housing policies that prohibit fair housing choice. In 2005, 9 percent of respondents agreed that there are zoning or land use laws in their communities that create barriers to fair housing choice and encourage fair housing segregation. In 2004, 11 percent of the respondents agreed and in 2002 and 2003, 10 percent of the respondents agreed with this statement.

In 2005, 59 percent of respondents felt that members of their community are aware that discrimination is prohibited in housing mortgage lending and advertising, compared with 61 percent in 2003. Twenty-four percent of survey respondents, which was the same in 2004, indicated that people in their community know whom to contact to report housing discrimination. Finally, only 23 percent of respondents agreed that the housing enforcement agency in their community has sufficient resources to handle the amount of discrimination that may occur; this compares with 23 percent in 2004 and 22 percent in 2003.

Fair housing policies. In the 2005 survey, respondents were asked a number of questions specifically about their community's fair housing policies. In 2003 and 2004, approximately half of the respondents indicated that their community has joined forces with another organization to promote fair housing, while the percent responding positively to this questions dropped to 43 percent in 2005.

Seventy-five percent of survey respondents—about the same percentage as in 2004 and 2003—said that their community has access to a civil rights commission/office. Exhibit II-27 shows which counties in the State have civil rights offices, as reported by survey respondents.

Exhibit II-27.
Access to a Civil Rights Office, by County, 2005

County	Yes	No
Adams	✓	✓
Allen	✓	
Bartholomew	✓	
Benton	✓	
Boone	✓	
Brown		✓
Carroll		✓
DeKalb	✓	
Daviess		✓
Dearborn	✓	
Decatur	✓	
Delaware	✓	
Dubois	✓	
Elkhart	✓	
Floyd	✓	
Fountain	✓	
Fulton		✓
Gibson		✓
Grant	✓	
Greene		✓
Hamilton	✓	✓
Hancock	✓	
Harrison	✓	
Hendricks	✓	
Henry		✓
Howard	✓	
Huntington		✓
Jackson	✓	
Jasper		✓
Jefferson		✓
Johnson	✓	✓
Knox	✓	✓
Kosciusko	✓	
LaGrange	✓	
LaPorte	✓	
Lake	✓	
Lawrence	✓	✓
Madison	✓	
Marion	✓	
Miami	✓	✓
Monroe	✓	✓
Monroe	✓	
Montgomery	✓	
Morgan	✓	✓
Noble		✓
Owen	✓	✓
Parke	✓	
Perry		✓
Porter	✓	✓
Pulaski	✓	
Putnam	✓	
Ripley		✓
Rush	✓	
Shelby	✓	
Spencer	✓	✓
St. Joseph	✓	
Starke	✓	
Sullivan	✓	✓
Vanderburgh	✓	✓
Vermillion	✓	
Warren	✓	
Washington		✓
Wayne	✓	
Wells		✓
White		✓
Whitley		✓
Wornick	✓	

Note: Where both boxes are checked the surveys indicated different responses.

Source: Community Survey, Indiana Consolidated Plan, 2005.

Five percent of respondents indicated that there had been housing complaints filed against their organization in the past five years. Of the nine respondents who explained the complaints filed, four of the claims were either thrown out, dismissed or resolved, one dealt with mental illness, another concerned race and familial status and another complaint addressed the lack of vouchers and available homes.

The survey also inquired about various fair housing policy ordinances. Seventy-two percent of respondents said that their community has a fair housing resolution/ordinance, and 65 percent indicated they have an affirmative action plan. Seventy-five percent of respondents said they had an equal opportunity ordinance. Sixty-four percent of respondents indicated that their community's resolution/ordinance had been approved by the State.

PHA Survey

A mail survey of Public Housing Authorities (PHAs) in nonentitlement areas in the State was conducted as part of the 2005 Consolidated Plan process. The survey collected information on Section 8 Housing Choice voucher usage between January and September 2004 and included two questions pertaining to fair housing issues, by individual PHA. Forty-three surveys were mailed, and 28 responses were received, for a response rate of 65 percent.

Of the 15 PHAs who responded to the question asking if they permit applicants to reject public housing and remain on the waiting lists, 80 percent do permit applicants to reject public housing units and remain on the waiting lists and 20 percent said they do not.

Five of the 19 respondents to the questions asking if they have a policy of evicting tenants the first time they violate resident rules responded they did have such a policy.

PHAs were also asked if it is difficult for individuals or households with certain characteristics to find a unit that accepts vouchers. Seven respondents said it was difficult for large families (typically 4 person households) to find units and 3 responded it was difficult for persons who are disabled to find an accessible unit.

SECTION III.
Identification of Impediments to Fair Housing Choice and Fair Housing Action Plan

SECTION III.
Identification of Impediments to Fair Housing Choice and Fair Housing Action Plan

This section summarizes the impediments to fair housing choice identified in the research conducted for the AI and recommends an Action Plan for the State's nonentitlement areas.

Summary of Impediments to Fair Housing Choice

Section II presented the research and public outreach processes conducted as part of Indiana's AI, focusing on the State's nonentitlement areas. The section examined data from a variety of sources including two citizen surveys; a key person/organization survey; a public housing authority survey; a public forum; key person interviews; and reviews and analyses of data on fair housing complaints, legal cases, and mortgage lending and foreclosure data, as well as State barriers to affordable housing.

The following barriers to fair housing were identified through this research:

Impediments in the Private Sector

- **Predatory lending and access to credit.** Lending issues – predatory lending, appropriate use of subprime loans and lack of credit/poor credit histories – appear to be the fastest growing fair housing issues in the State. There are little data about how prevalent predatory lending practices are or how significant they are in creating fair housing barriers, although most studies suggest that elderly and minorities are disproportionately likely to be victims.

Impediments in the Public and Private Sectors

- **Lack of awareness about fair housing.** The majority of Indiana residents who believe they have been victims of discrimination did not do anything about the incidence. About one-fifth of Hoosiers are unsure of how they would obtain information about their fair housing rights. Some complaints are apparently received by housing and social service organizations, but these organizations do not have the authority to investigate them and do not track complaints.

- **Housing discrimination.** Between 4 and 6 percent of residents in Indiana believe they have experienced some type of discrimination related to housing. According to a citizen survey and ICRC complaint data, the most common types of housing discrimination in the State are based on race/national origin, disability and familial status.

- **Lack of affordable housing and services.** Lack of quality, affordable housing was a common theme of the stakeholders interviewed for the 2007 and 2008 AI update. Many landlords reportedly do not want to serve low-income households. There is a stigma about affordable housing in many rural areas. Stakeholders also reported a lack of senior housing and services for persons who are disabled and have mental illnesses.

Impediments in the Public Sector

In addition, ICRC is the primary organization that receives and investigates complaints in the State's nonentitlement areas. The numerous nonentitlement areas and size of the State, as well as the limited resources of ICRC, make it difficult to ensure that residents in all areas of the State are aware of fair housing issues and know how to file a complaint when they feel they have been discriminated against.

2008 Fair Housing Action Plan

To address the impediments identified above, the State of Indiana will undertake the following fair housing activities during 2008.

1. All grantees of CDBG, HOME, ESG, and HOPWA funds will continue to be required to: 1) Have an up-to-date Affirmative Marketing Plan; 2) Display a Fair Housing poster in a prominent place; and 3) Include the Fair Housing logo on all print materials and project signage. All grantees of HOME, ESG, and HOPWA are still required to provide beneficiaries with information on what constitutes a protected class and instructions on how to file a complaint.

2. All grantees of CDBG, HOME, ESG, and HOPWA funds will continue to be monitored for compliance with the aforementioned requirements as well as other Fair Housing standards (e.g., marketing materials, lease agreements, etc.). As part of the monitoring process, OCRA and IHCDA staff will ensure that appropriate action (e.g., referral to HUD or appropriate investigative agency) is taken on all fair housing complaints at federally funded projects.

3. OCRA requires all CDBG projects to be submitted by an accredited grant administrator. Civil rights training, including fair housing compliance, will continue to be a required part of the accreditation process. IHCDA will continue to incorporate fair housing requirements in its grant implementation training for CSBG, HOME, ESG, and HOPWA grantees.

4. IHCDA will serve on the Indianapolis Partnership for Accessible Shelters and, through this Task Force, will educate shelters about Fair Housing and accessibility issues, and help identify way to make properties more accessible. Also, IHCDA will target ESG and HOPWA funds for accessibility rehabilitation activities. These fair housing activities will be evaluated in 2008 and extended into future program years if they are found to be beneficial and the need for shelter education and funds for accessibility rehabilitation continues to exist.

5. IHCDA will work with ICRC to have testers sent to IHCDA funded rental properties to ensure they are in compliance with the Fair Housing Act. The goal for the number of properties tested per year is 4 per year (equates to 10 percent of federally-assisted rental portfolio over the remaining period).

6. IHCDA will also ensure that the properties it has funded are compliant with uniform federal accessibility standards during on-going physical inspections, as part of the regular inspections that occur. The goal for the number of properties inspected per year for fair housing compliance is 100 per year.

7. IHCDA will expand its Fair Housing outreach activities by 1) Posting ICRC information and complaint filing links on IHCDA website, and 2) enhancing fair housing month (April) as a major emphasis in the education of Indiana residents on their rights and requirements under Fair Housing.

8. IHCDA will work with regional Mortgage Fraud and Prevention Task Forces to educate consumers about how to avoid predatory lending. IHCDA will also partner with National City Bank, IACED, and IAR to provide three trainings on foreclosure prevention and predatory lending. IHCDA established the Indiana Foreclosure Prevention Network (IFPN), a program to provide free mortgage foreclosure counseling to homeowners. IFPN was launched in the fall of 2007, and is a partnership of community-based organizations, government agencies, lenders, realtors, and trade associations that has devised a multi-tiered solution to Indiana's foreclosure problem. This statewide initiative includes a targeted public awareness campaign, a telephone helpline, an educational website, and a network of local trusted advisors.

9. IHCDA will receive regular reports from ICRC regarding complaints filed against IHCDA properties and within 60 days ensure an action plan is devised to remedy future issues or violations.

Fair Housing Action Plan, Goals and Accomplishments for 2006 to 2009

The matrix below summarizes the State's Fair Housing Action Plan and reports the activities that were accomplished in 2006 to minimize impediments.

Exhibit III-1.
Fair Housing Action Plan Matrix

Task Description	Impediments Addressed	Activities	Goals 2006	Goals 2007	Goals 2008	Goals 2009	Accomplishments 2006	Accomplishments 2007	Accomplishments 2008	Accomplishments 2009
1. Fair housing outreach and education.	▪ Discrimination faced by Indiana residents. Lack of awareness.	▪ Grantees will be required to:								
		1) Have an up-to-date affirmative marketing plan;	X	X	X	X	X			
		2) Display a fair housing poster;	X	X	X	X	X			
		3) Include the fair housing logo on all print materials.	X	X	X	X	X			
2. Fair housing compliance and monitoring.	▪ Discrimination faced by Indiana residents.	▪ Monitor HUD funds for compliance (grantees).	40-50	40-50	40-50	40-50	45			
		▪ IHCDA will refer compliance issues to HUD (as needed).	X	X	X	X	0			
3. Fair housing training.	▪ Discrimination faced by Indiana residents. Lack of awareness.	▪ CDBG grant administrators will be trained in fair housing.	X	X	X	X	X			
		▪ New IHCDA grantees will receive fair housing training.	X	X	X	X	X			
4. Increase accessible housing.	▪ Lack of affordable housing for special needs populations.	▪ Fund renovations to special needs housing (shelters).	X	X			5			
		▪ IHCDA will serve on the Indianapolis Partnership for Accessible Shelters	X	X	X	X	X			
5. Fair housing testing.	▪ Discrimination faced by Indiana residents. Lack of quality, affordable housing.	▪ Work with ICRC to test IHCDA funded rental properties (properties).	4	4	4	4	0			
6. ADA inspections.	▪ Lack of affordable housing for special needs populations.	▪ Inspect IHCDA funded properties for ADA compliance (properties).	100	100	100	100	85			
7. Public outreach and education.	▪ Lack of awareness of fair housing.	▪ Expanding fair housing information on IHCDA website.								
		1) Post ICRC information/complaint filing links;	X	X	X	X	X			
		2) Promote fair housing month (April) and residents fair housing rights.		X	X	X				
8. Reduce predatory lending and education.	▪ Predatory lending and foreclosures.	▪ Provide foreclosure prevention and predatory lending education (trainings).	2-5	2-5	2-5	2-5	3			
		▪ Strengthen legislation to prevent predatory activities.	X	X			X			
		▪ IHCDA will oversee the Indiana Foreclosure Prevention Network.		X	X	X				
9. Prevent discrimination.	▪ Discrimination faced by Indiana residents. Lack of quality, affordable housing.	▪ Receive reports of complaints filed against property owners funded by IHCDA.		X	X	X				

Source: Indiana Housing and Community Development Authority.

Program year 2006 fair housing accomplishments. During program year 2006, the State of Indiana completed the following actions to affirmatively further fair housing:

- IHDA staff monitored 45 grantees for compliance with CDBG, HOME, ESG and HOPWA requirements as well as other Fair Housing standards (e.g., marketing materials, lease agreements, etc.). As necessary, IHCDA referred compliance issues to HUD or the appropriate investigative agency to ensure action is taken on all fair housing complaints at federally funded projects.

- OCRA requires all CDBG projects to be submitted by an accredited grant administrator. Civil rights training, including fair housing compliance, was required during program year 2006 and will continue to be a required part of the accreditation process.

- IHCDA continued to incorporate fair housing requirements in its grant implementation training for CSBG, HOME, ESG, and HOPWA grantees. During PY 2006, IHCDA provided comprehensive grant implementation training for nascent grantees as well as customized one-on-one trainings for more seasoned developers.

- During Program Year 2006, IHCDA served on the Indianapolis Partnership for Accessible Shelters. Information from that task force was disseminated to shelters regarding Fair Housing and property accessibility issues.

- In addition, during Program Year 2006, IHCDA targeted ESG funds for accessibility rehabilitation activities. Agencies were offered up to $15,000 to replace, or renovate areas of the shelter that are not accessible to disabled clients. Only seven out of 88 eligible agencies responded to the RFP. Five awards were. Given the low participation rate, staff is reconsidering how ESG funds are targeted. No HOPWA awards for accessibility were made during the program year given that an overwhelming majority of these facilities are already accessible.

- During Program Years 2006-2009, IHCDA will work with ICRC to have testers sent to IHCDA funded rental properties to ensure they are in compliance with the Fair Housing Act. Given the transition in department staff, this objective was not achieved during PY 2006. IHCDA expects ICRC will test its rental properties by the end of the current program year (2007).

- During PY 2006, IHCDA completed 85 physical inspections to ensure that the properties it has funded are compliant with uniform federal accessibility standards. These inspections also included fair housing compliance.

- IHCDA expanded its Fair Housing outreach activities by posting ICRC information and complaint filing links on its website. IHCDA has begun planning for Fair Housing Month in April 2007 to bring even greater emphasis on the rights and requirements under Fair Housing law.

- During PY 2006, IHCDA partnered with National City Bank, IACED, and IAR to provide three regional trainings on foreclosure prevention and predatory lending to over 75 participants.

- IHCDA also work with the Mortgage Fraud and Prevention Task Force to identify strategies to help consumers avoid predatory lending and foreclosure. The recommendations from this series of meetings with industry leaders, advocates, government agencies and elected officials resulted in the passage of HEA 1793 empowering IHCDA to develop a public awareness campaign, provide access to free telephone and web-based counseling, and refer homeowners to a network of trusted advisors including foreclosure prevention specialists, realtors, and attorneys. An integral part of the network is identifying fraudulent and predatory loans that are then disclosed to the Attorney General's office.

- During Program Years 2006-2009, IHCDA will receive regular reports from ICRC regarding complaints filed against IHCDA properties and within 60 days ensure an action plan is devised to remedy future issues or violations. Given the transition in department staff, this objective was not achieved during PY 2006. IHCDA expects to have a systematic reporting process in place by the end of the current program year.

SECTION IV.
Self-Assessment

SECTION IV.
Self-Assessment

This section summarizes the oversight responsibilities of the fair housing activities and the monitoring of the progress in carrying out each action and evaluating its effectiveness.

Oversight Responsibilities

The completion of this AI was overseen by the Indiana Office of Community and Rural Affairs (OCRA) and the Indiana Housing and Community Development Authority (IHCDA).

IHCDA will oversee the implementation of the following activities of the Fair Housing Action Plan.

- IHCDA will work with the Indiana Civil Rights Commission (ICRC) to have testers sent to IHCDA funded rental properties to ensure they are in compliance with the Fair Housing act.
- IHCDA will ensure that the properties it has funded are compliant with uniform federal accessibility standards during on-going physical inspections.
- IHCDA will serve on the Indianapolis Partnership for Accessible Shelters and, through this Task Force, will educate shelters about Fair Housing and accessibility issues, and help identify ways to make properties more accessible.
- IHCDA will target ESG and HOPWA funds for accessibility rehabilitation activities. These fair housing activities will be evaluated in 2008 and extended into future program years if they are found to be beneficial and the need for shelter education and funds for accessibility rehabilitation continues to exist.
- IHCDA will receive regular reports from ICRC regarding complaints filed against IHCDA properties and within 60 days ensure an action plan is devised to remedy future issues or violations.
- IHCDA will expand its Fair Housing outreach activities by 1) Posting ICRC information and complaint filing links on IHCDA website, and 2) enhancing fair housing month (April) as a major emphasis in the education of Indiana residents on their rights and requirements under Fair Housing.
- IHCDA will work with regional Mortgage Fraud and Prevention Task Forces to educate consumers about how to avoid predatory lending. IHCDA will also partner with National City Bank, IACED, and IAR to provide three trainings on foreclosure prevention and predatory lending.
- IHCDA will oversee the Indiana Foreclosure Prevention Network (IFPN), a program to provide free mortgage foreclosure counseling to homeowners.

OCRA and IHCDA will be responsible for overseeing the following activities:

- All grantees of CDBG, HOME, ESG, and HOPWA funds will continue to be required to: 1) Have an up-to-date Affirmative Marketing Plan; 2) Display a Fair Housing poster in a prominent place; and 3) Include the Fair Housing logo on all print materials and project signage. All grantees of HOME, ESG, and HOPWA are still required to provide beneficiaries with information on what constitutes a protected class and instructions on how to file a complaint.

- All grantees of CDBG, HOME, ESG, and HOPWA funds will continue to be monitored for compliance with the aforementioned requirements as well as other Fair Housing standards (e.g., marketing materials, lease agreements, etc.). As part of the monitoring process, OCRA and IHCDA staff will ensure that appropriate action (e.g., referral to HUD or appropriate investigative agency) is taken on all fair housing complaints at federally funded projects.

- OCRA will require all CDBG projects to be submitted by an accredited grant administrator. Civil rights training, including fair housing compliance, will continue to be a required part of the accreditation process.

- IHCDA will continue to incorporate fair housing requirements in its grant implementation training for CSBG, HOME, ESG, and HOPWA grantees.

Monitoring

OCRA and IHCDA will be ultimately responsible for carrying out the Fair Housing Action Plan. To ensure that each activity is carried out, IHCDA and OCRA will conduct an evaluation of each activity during each program year and identify additional areas that require study or analysis and how to address the additional areas. IHCDA will also require from the ICRC bi-monthly reports regarding the complaints filed against IHCDA properties as part of its monitoring efforts.

As part of the monitoring process, IHCDA and OCRA will keep records that:

1. Document the number of properties tested for discriminating each year, any findings of discrimination activity and the resolution.

2. Document the ongoing physical inspections of properties IHCDA has funded to ensure compliancy with uniform federal accessibility standards.

3. Document the complaints from ICRC that were filed against IHCDA properties along with the action plan that was devised to remedy future issues or violations.

4. Document the ICRC information IHCDA has posted on their Web site.

5. Document the work done with regional Mortgage Fraud and Prevention Task Forces along with the trainings performed on foreclosure prevention and predatory lending.

6. Document that all CDBG, HOME, ESG and HOPWA grantees have an up-to-date Affirmative Action Plan; display a Fair Housing poster displayed; and include the Fair Housing logo on all print materials and project signage. Continue to require all grantees to provide beneficiaries with information on what constitutes a protected class and instructions on how to file a complaint.

7. Continue to document that the appropriate action was taken on all fair housing complaints at federally funded projects.

8. Continue to require and document that all CDBG projects be submitted by an accredited grant administrator, that civil rights training, including fair housing compliance, is a part of the accreditation process.

9. Continue to require and document that fair housing requirements be incorporated in the grant implementation training for CSBG, HOME, ESG and HOPWA grantees.

10. Document and review ESG and HOPWA accessibility rehabilitation activities at the end of the 2008 Program Year, and extend into future program years if they are found to be beneficial and the need for shelter education and funds for accessibility rehabilitation continues to exist.

Maintenance of Records

Per Section 2.14 in HUD's Fair Housing Planning Guide, OCRA and IHCDA will maintain the following data and information as documentation of the county's Fair Housing Plan:

- A copy of the AI and any updates.

- A list of actions taken each year as part of the Fair Housing Plan to eliminate the impediments identified in the AI.

At the end of each program year, OCRA and IHCDA will submit information to HUD about the actions taken to fulfill the Fair Housing Plan and an analysis of their impact.

APPENDIX
Section III. Socioeconomic and Housing Analysis

SECTION III.
Socioeconomic and Housing Analysis

Section III discusses the socioeconomic and housing characteristics of the State of Indiana, which includes changes in population, household characteristics, employment, education, housing prices and affordability.

Population Growth

Indiana's 2007 population was estimated to be 6,345,289. Despite an increase from 2000 (6,080,485) and last year's estimate of 6,313,520, the state's population growth has slowed. Between 1990 and 2000, the state grew at average annual rate of 1.0 percent per year. Between 2000 and 2007, the state grew at an average annual growth rate of 0.6 percent.

From a regional perspective, Indiana grew most similarly to Kentucky. Indiana's population increased 4.4 percent between 2000 and 2007, compared to Kentucky's population increase of 4.9 percent. Ohio's population increase of 1.0 percent during 2000 to 2007 made it the slowest growing of Indiana's neighboring states.

City and County growth rates. Many of Indiana's top twenty growth cities were located in the nine-counties that comprise the Indianapolis region, indicating that suburban metropolitan communities are absorbing much of Indiana's new growth. The fastest declining cities in Indiana, based on numeric population losses, were Evansville, Gary, Hammond, and South Bend, respectively[1]. Many of Indiana's smaller communities also experienced declines in population. Four of the five largest population losses, on a percentage basis, were located in Grant County[2].

Exhibit III-1 depicts county-specific growth patterns between 2000 and 2006. The entitlement counties of Lake and Hamilton experienced population growth overall; however, as can be seen in Exhibit III-2, fourteen of the twenty-one entitlement cities in Indiana experienced population declines. Counties near large metropolitan areas grew at rates faster than Indiana as a whole, while counties with declining populations were seen east and north of the Indianapolis MSA and along the western border shared with Illinois.

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[1] Rachel Justis, Indiana Business Research Center, Kelley School of Business, Indiana University, "Population Change in Indiana Cities and Towns, 2000 to 2006," *Indiana Business Research Center, Kelley School of Business, Indiana University*, August 2007.

[2] *Ibid.*

Exhibit III-1. Population Change of Indiana Counties, 2000 to 2006

Note:

Indiana's population change was 3.8 percent from 2000 to 2006.

Source:

U.S. Census Bureau's 2000 Census and 2006 Population Estimates, and BBC Research & Consulting.

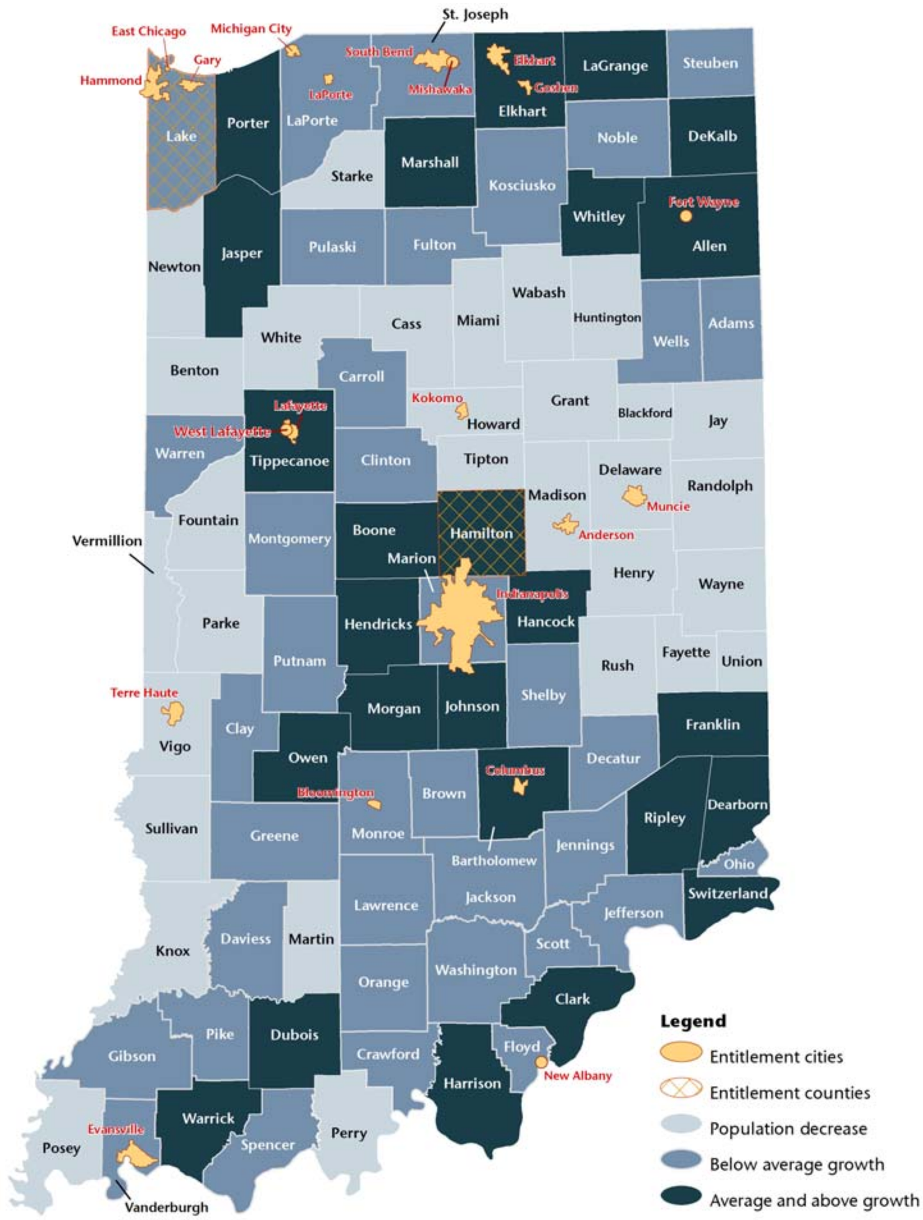


Exhibit III-2 shows population growth from 2000 to 2006 in Community Development Block Grant (CDBG) entitlement and non-entitlement areas. As of 2006, 58 percent of Indiana's total population resides outside of CDBG entitlement areas. Higher growth was seen in non-entitlement areas (4.9 percent) from 2000-2006 compared to entitlement area growth (2.4 percent) during the same period.

Exhibit III-2.
2000 to 2006 Population Growth

	2000		2006		Percent Change
	Number	*Percent*	*Number*	*Percent*	2000 - 2006
Indiana	**6,080,485**	**100%**	**6,313,520**	**100%**	**3.8%**
Non-Entitlement	**3,493,149**	**57%**	**3,664,467**	**58%**	**4.9%**
CDBG Entitlement	**2,587,336**	**43%**	**2,649,053**	**42%**	**2.4%**
CDBG Entitlement Areas:					
Hamilton County	**185,422**		**250,979**		**35.4%**
Lake County	**484,687**		**494,202**		**2.0%**
East Chicago	32,340		30,594		-5.4%
Gary	102,301		97,497		-4.7%
Hammond	82,850		78,292		-5.5%
Balance of Lake County	267,196		287,819		7.7%
Cities					
Anderson	59,693		57,496		-3.7%
Bloomington	71,599		69,247		-3.3%
Columbus	39,179		39,690		1.3%
Elkhart	52,538		52,748		0.4%
Evansville	121,156		115,738		-4.5%
Ft. Wayne	250,153		248,637		-0.6%
Goshen	**29,687**		**31,882**		7.4%
Indianapolis (balance)	781,837		785,597		0.5%
Kokomo	46,568		45,923		-1.4%
Lafayette	61,161		61,244		0.1%
LaPorte	21,609		21,231		-1.7%
Michigan City	32,884		32,116		-2.3%
Mishawaka	46,980		48,912		4.1%
Muncie	67,922		65,287		-3.9%
New Albany	37,839		36,963		-2.3%
South Bend	108,241		104,905		-3.1%
Terre Haute	59,506		57,259		-3.8%
West Lafayette	**28,675**		**28,997**		**1.1%**

Note: Columbus, Michigan City, LaPorte and Hamilton County are included as entitlement areas. The cities of Beech Grove, Lawrence, Speedway, Southport and the part of the Town of Cumberland located within Hancock County are not considered part of the Indianapolis entitlement community. Applicants that serve these areas would be eligible for CHDO Works funding. HOME entitlement areas include: Bloomington, Each Chicago, Evansville, Fort Wayne, Gary, Hammond, Indianapolis, Lake County, St. Joseph County Consortium, Terre Haute, Tippecanoe County Consortium.

Source: U.S. Census Bureau's 2000 Census and 2006 Population Estimates.

Components of population change. Exhibit III-3 shows the components of the population change for 2001 through 2007. Population growth from 2000 to 2007 has primarily been attributed to natural increase. However, the State saw an increase in net migration in 2005 and 2006 from previous years. Net migration decreased in 2007.

Exhibit III-3. Components of Population Change in Indiana, 2001 to 2007

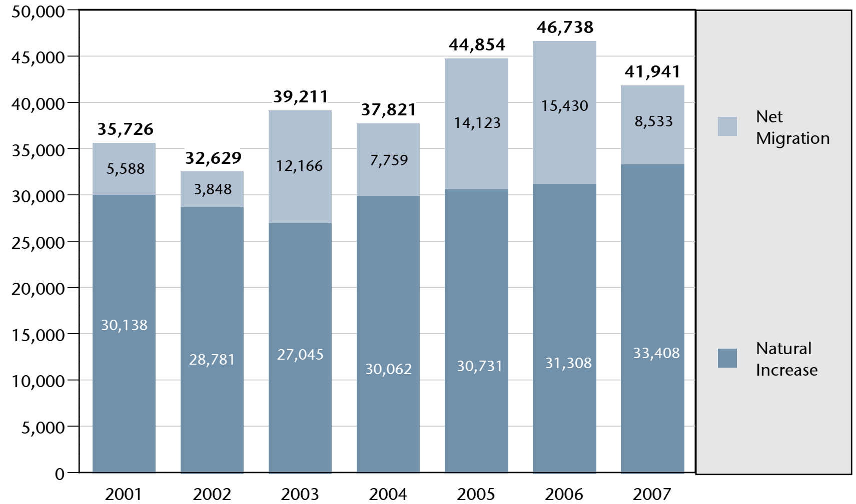
Note:

Population changes for each year are from July 1 to July 1 of the next year. The 2000 population change is not included because it is from April 1 to July 1 of 2000.

Natural increase is births minus deaths.

Source:

U.S. Census Bureau's Population Estimates.



Future growth. The Indiana Business Research Center (IBRC) projects a State population of 6,417,198 in 2010. This equates to an average annual growth rate of less than 0.5 percent from 2007 to 2010, which is less than half of the average annual growth rate experienced in the prior decade and from 2000 through 2007. Thus, growth in Indiana is slowing.

Population Characteristics

In 2006, Indiana's median age was estimated to be 36.3, compared to 35.2 in 2000 and 35.9 in 2005. In 2006, approximately 63 percent of the State's population was between the ages of 18 and 64 years. Overall, 12 percent of Indiana's population was age 65 years and over in 2006.

Seventy-two of Indiana's 92 counties had a higher percentage of residents aged 65 and older than the total state average. Exhibit III-4 shows which counties have a large proportion of residents aged 65 years and older.

**Exhibit III-4.
Counties Where Population 65 Years and Over is Higher than State Average, 2006**

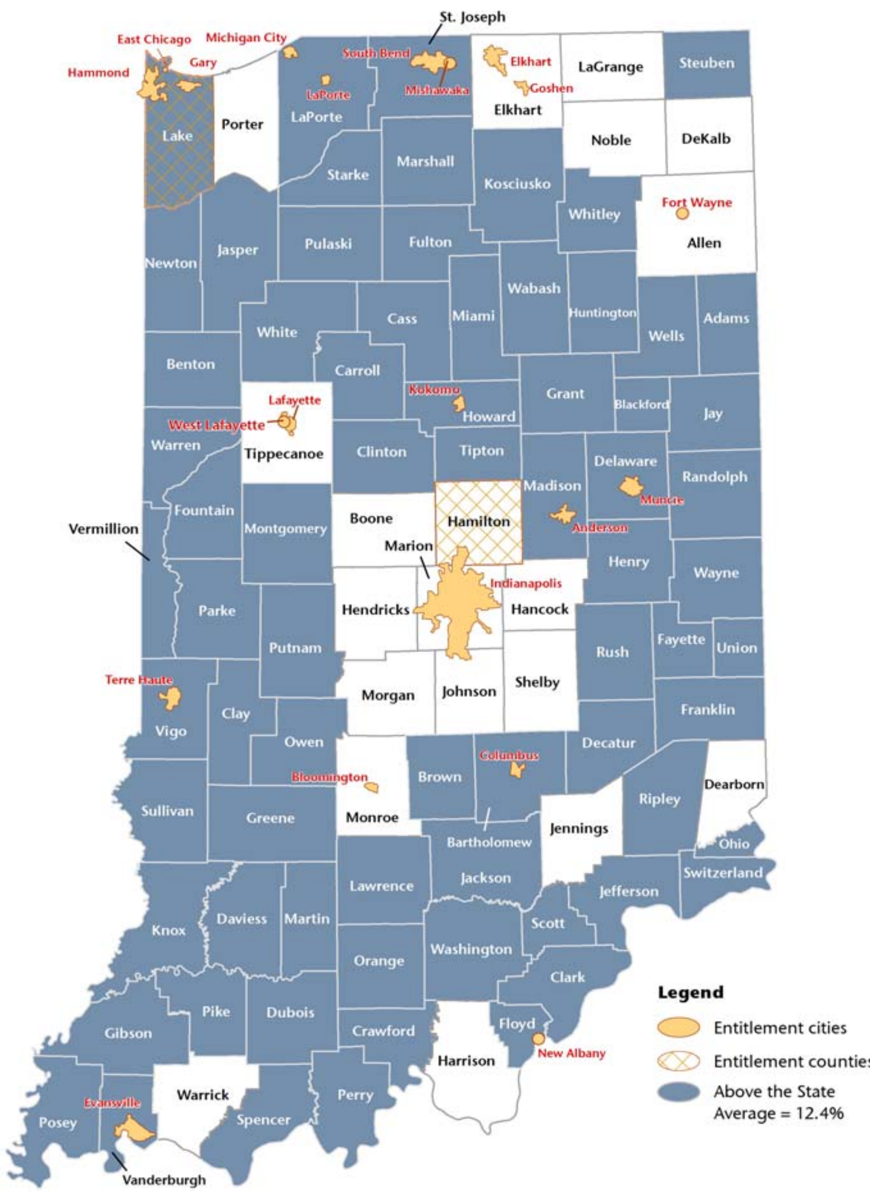
Note:

In 2006, 12.4 percent of the State's population was 65 years and over.

The shaded counties have a higher percentage of their population that is 65 years and over than the State overall.

Source:

U.S. Census Bureau's Population Estimates and BBC Research & Consulting.



Racial/ethnic diversity. Indiana's racial composition changed very little between 2000 and 2006. Individuals defining themselves as White comprised 89 percent of the population in 2000 and 88 percent in 2006. The state did experience an increase in Asian residents and Black or African American residents. Although these groups still make up a small percentage of the overall population, their presence is increasing.

The U.S. Census defines ethnicity as persons who do or do not identify themselves as being Hispanic/Latino and treats ethnicity as a separate category from race. Persons of Hispanic/Latino descent represented 3.6 percent of the State's population in 2000, and grew to 4.8 percent by 2006. Exhibit III-5 shows the breakdown by race and ethnicity of Indiana's 2000 and 2006 populations.

Exhibit III-5.
Indiana Population by Race and Ethnicity, 2000 and 2006

	2000		2006		Percent Change 00-06
	Number	*Percent*	*Number*	*Percent*	
Total Population	**6,091,955**	**100%**	**6,313,520**	**100%**	**3.6%**
American Indian and Alaska Native Alone	15,834	0.3%	18,603	0.3%	17.5%
Asian Alone	60,638	1.0%	83,583	1.3%	37.8%
Black or African American Alone	518,077	8.5%	563,037	8.9%	8.7%
Native Hawaiian/Other Pacific Islander Alone	2,332	0.0%	2,850	0.0%	22.2%
White Alone	5,439,298	89.3%	5,575,402	88.3%	2.5%
Two or More Races	55,776	0.9%	70,045	1.1%	25.6%
Hispanic or Latino (of any race)	216,919	3.6%	300,857	4.8%	38.7%

Source: U.S. Census Bureau's Population Estimates.

Concentration of race/ethnicity. The State's population of African Americans and persons of Hispanic/Latino descent are highly concentrated in counties with urban areas, most of which contain entitlement areas. Exhibits III-6 and III-7 show the counties that contain the majority of these population groups.

Exhibit III-6 displays the counties that have a larger percentage of African Americans in their population than the State average. Indiana's African American population is highly concentrated in the State's urban counties. Lake, LaPorte, St. Joseph, Marion, and Allen counties contain 78 percent of the African Americans in the State. Please note these data do not include racial classifications of Two or More Races, which include individuals who classify themselves as African American along with some other race.

Exhibit III-6. Counties Whose African American Population is Greater than the State Average, 2006

Note:

In 2006, African Americans made up 8.9 percent of the State's population.

The shaded counties have a higher percentage of their population that is African American than the State overall.

Source:

U.S. Census Bureau's Population Estimates and BBC Research & Consulting.

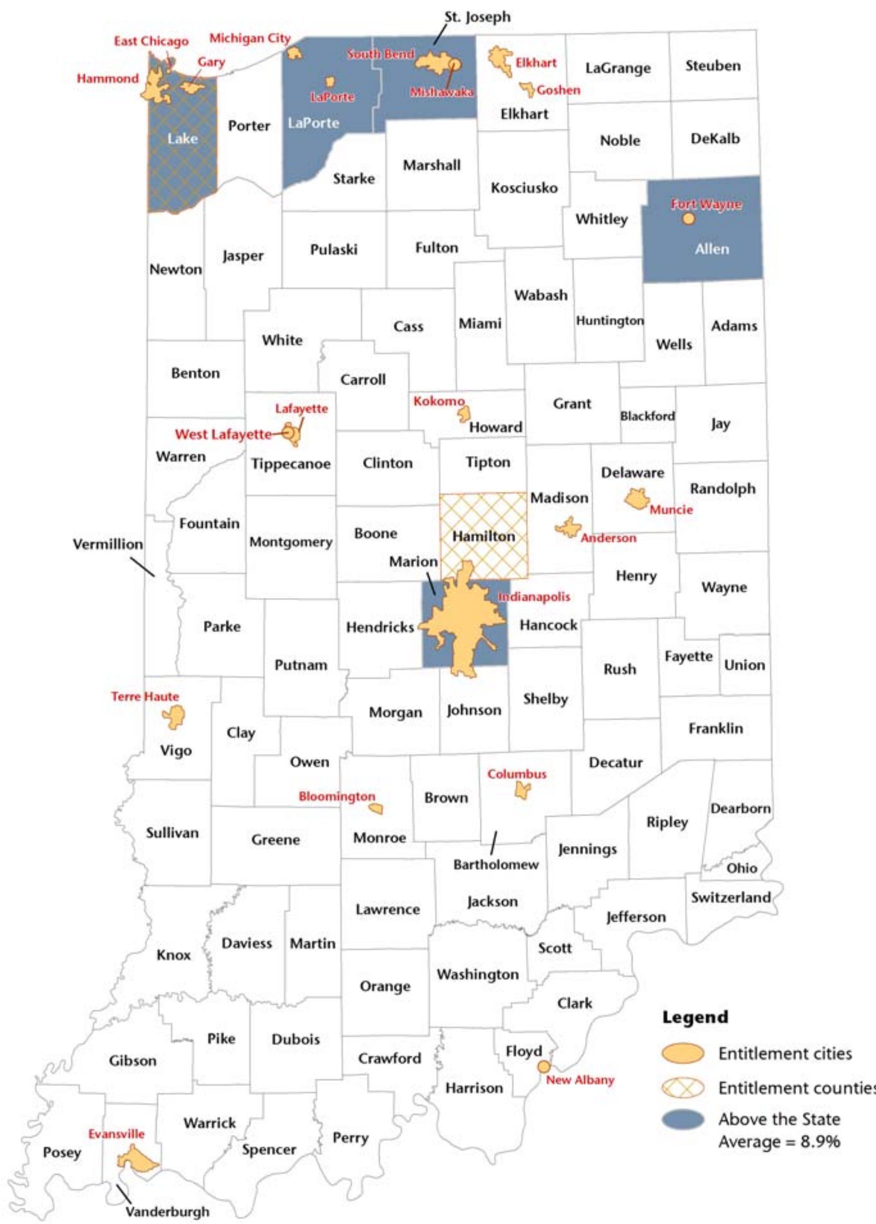


Exhibit III-7 shows the 13 counties whose population had a greater concentration of the Hispanic/Latino population than the 2006 State average of 4.8 percent.

Exhibit III-7. Counties Whose Hispanic/Latino Population is Greater than the State Average, 2006

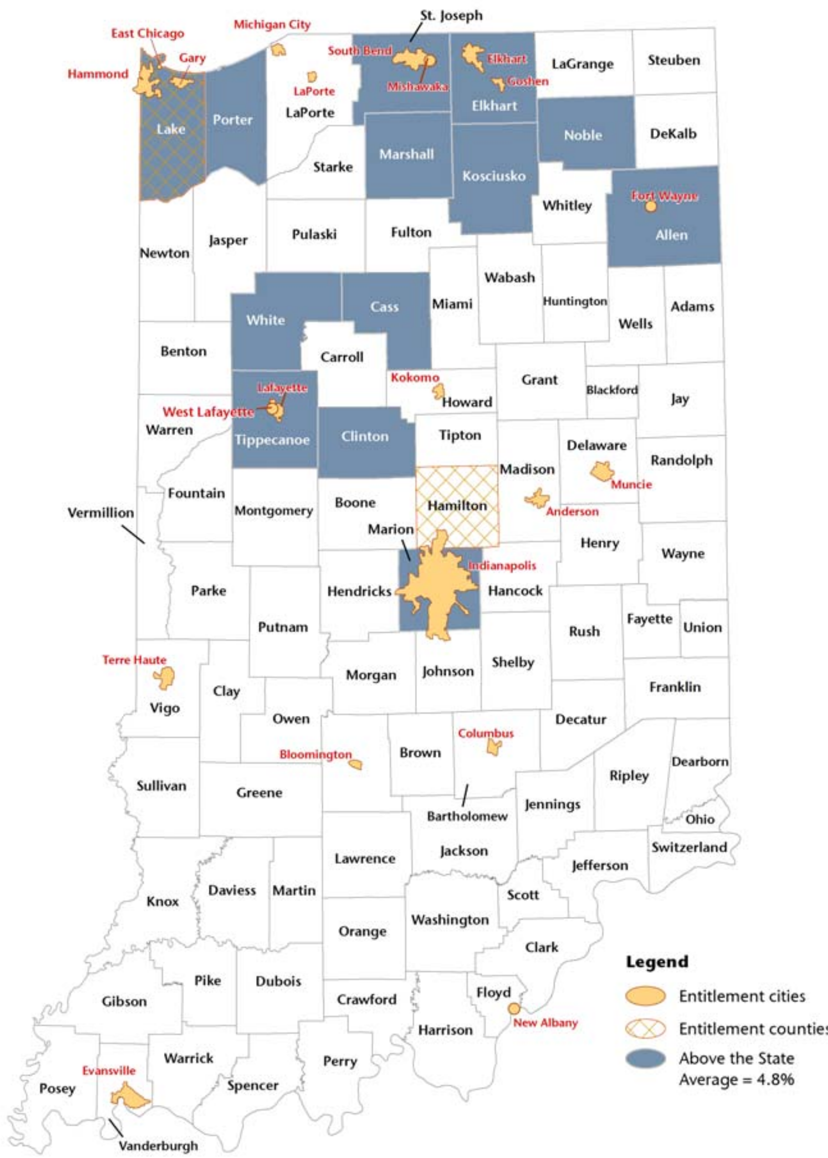
Note:

In 2006, 4.8 percent of the State's population was Hispanic/Latino.

The shaded counties have a higher percentage of persons of Hispanic/Latino ethnicity than the State overall.

Source:

U.S. Census Bureau's Population Estimates and BBC Research & Consulting.



Linguistically isolated households and language spoken at home. The Census defines linguistically challenged households as households with no household members 14 years and older that speak English only or speak English "very well." In 2000, 29,358 households (or 1.3 percent of total households) in Indiana were reported to be linguistically isolated. Of these households, 15,468 spoke Spanish; 13,820 spoke an Asian or Pacific Islander language; 7,960 spoke another Indo-European language; and the remainder spoke other languages. By 2006, 1.8 percent of households were linguistically isolated.

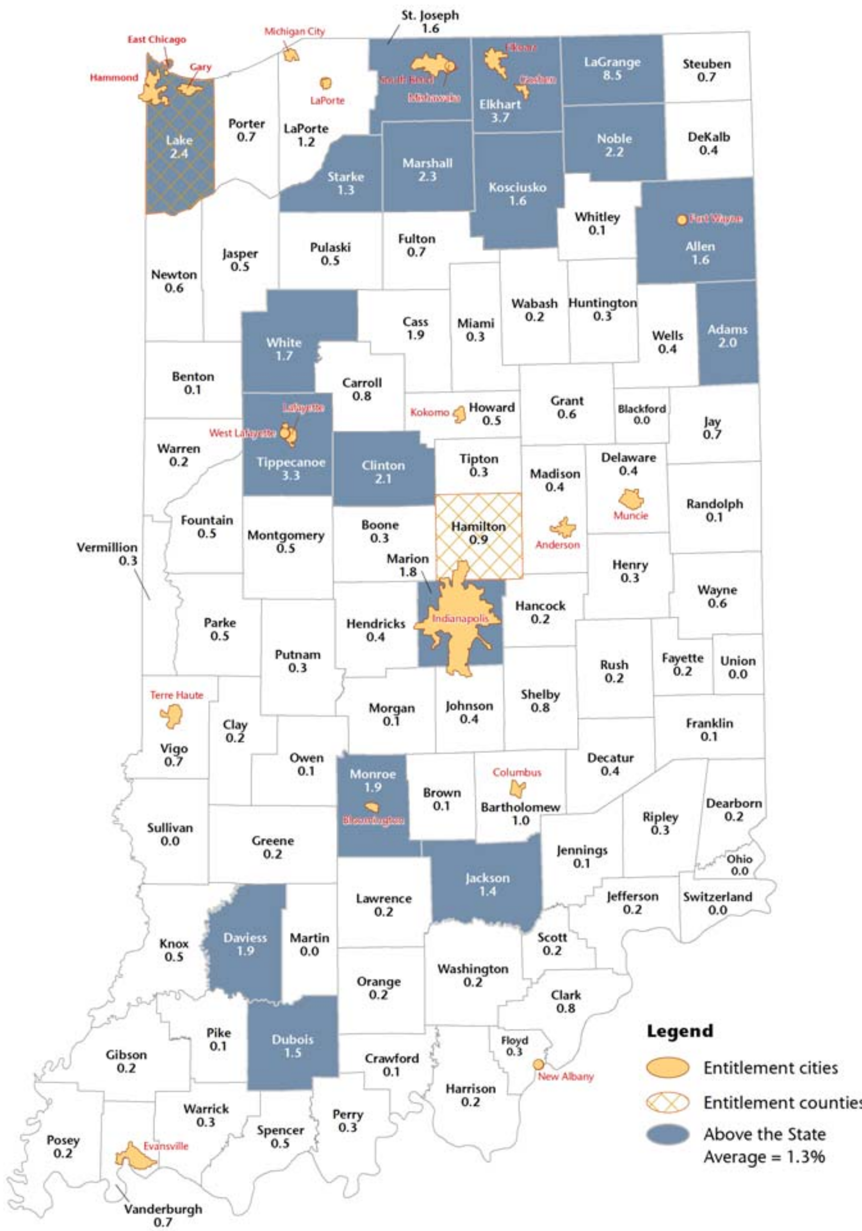
Exhibit III-8 shows the percentage of households that were reported to be linguistically isolated in 2000 by county, with the shaded areas representing counties with a higher percentage than the State overall.

Exhibit III-8. Counties Whose Linguistically Isolated Population is Greater than the State Average, 2000

Note:
In 2000, 1.3 percent of total households in Indiana were reported to be linguistically isolated.

The shaded counties have a higher percent of their population that is linguistically isolated than the State overall.

Source:
U.S. Census Bureau's 2000 Census.

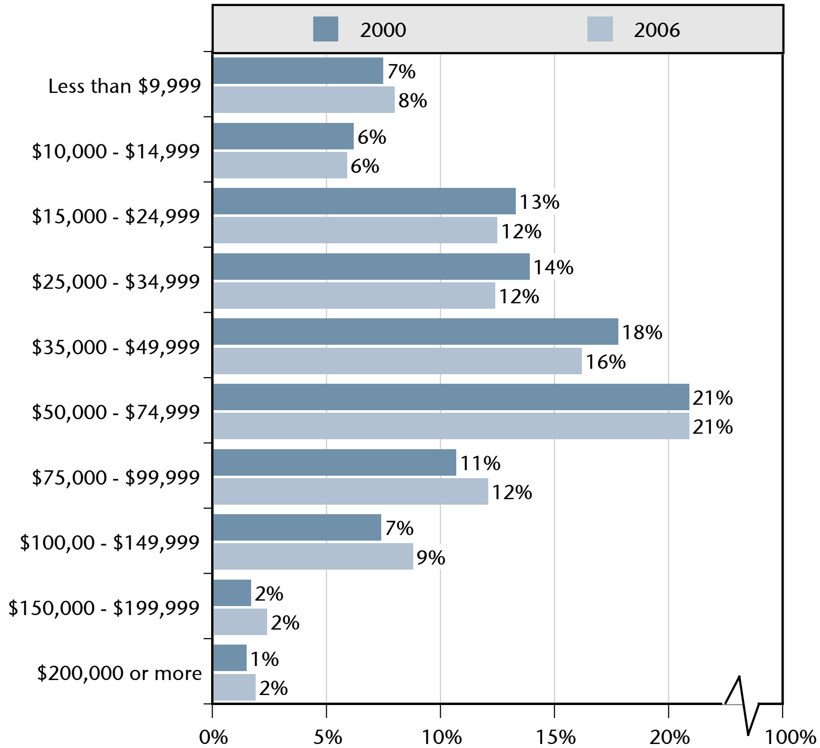


Income growth. Indiana's median household income in 2006 was $45,394, compared to $41,567 in 2000. Exhibit III-9 shows the distribution of income in the State in 2000 compared to 2006 in inflation-adjusted dollars. The percentage of residents in the higher income brackets has risen since 2000. Nearly 13 percent of Indiana households earned more than $100,000 in 2006.

Exhibit III-9.
Percent of Households by Income Bracket, State of Indiana, 2000 and 2006

Note:
Data are adjusted for inflation.

Source:
U.S. Census Bureau's 2000 Census and 2006 American Community Survey.



Poverty. In 2006, the U.S. Census Bureau reported that 12.7 percent of Indiana residents were living below the poverty level. This included 18 percent (276,950) of persons aged under 18 and 8 percent (57,392) of those aged 65 and older. Almost 40 percent of female-headed households with children present were living in poverty in 2006. Exhibit III-10 below displays poverty statistics for Indiana from 2006.

Exhibit III-10.
Residents Living Below the Poverty Level, State of Indiana, 2006

Source:
U.S. Census Bureau's 2006 American Community Survey.

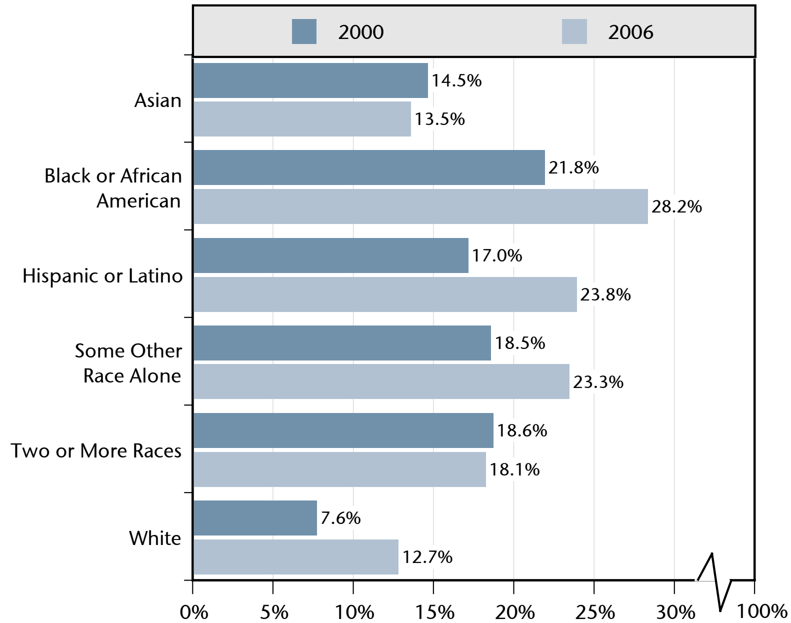
Indiana Resident	Percentage of Population in Poverty
All Residents	13%
Persons under age 18	18%
Persons age 18 to 64	12%
Persons age 65 and over	8%
Households with related children under 18 years	15%
Female head of household with children present	38%

Exhibit III-11 compares the percentage of persons living in poverty for each race and ethnicity in 2000 and 2006. Indiana residents who were White had the lowest poverty rate; African Americans, Hispanics/Latinos and those of Two or More Races had the highest rates of poverty in the State.

Exhibit III-11. Percentage of Population Living Below the Poverty Level by Race and Ethnicity, State of Indiana, 2000 and 2006

Source:

U.S. Census Bureau's 2000 Census and 2006 American Community Survey.



Of the State of Indiana's total population of persons living in poverty in 2006, 73 percent were White, 19 percent were Black/African American, 9 percent were Hispanic/Latino and 2 percent were Two or More Races. This compares to the general population distribution of 88 percent White, 9 percent Black/African American, 5 percent Hispanic/Latino and 1 percent Two or More Races. Therefore, the State's Black/African American and Hispanic/Latino populations are disproportionately more likely to be living in poverty.

In addition, 20.5 percent of persons with disabilities, or 182,460 persons, lived below the poverty level in 2006.

Employment and Education

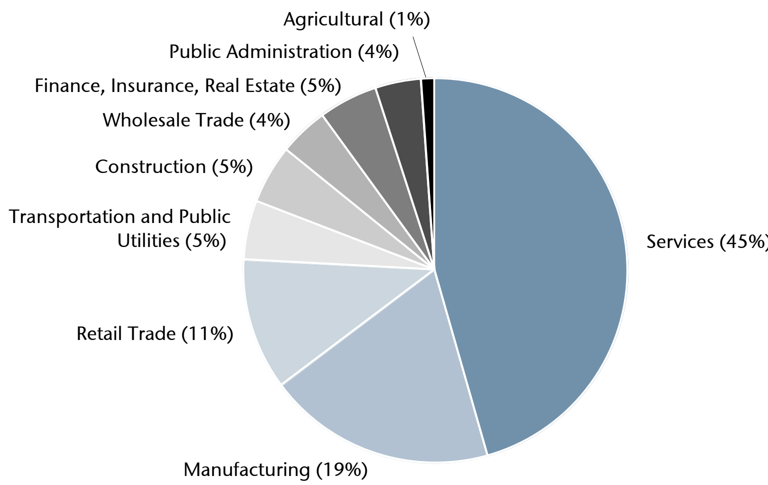
This section addresses the State's economy in terms of employment and workforce education.

Manufacturing continues to play a large role in Indiana's job market, providing more than 19 percent of the State's jobs in the second quarter of 2007 (the most recent data available), however this was down slightly from 22 percent in 2006. The retail trade industry employed 11 percent of the State's workforce, and services—which includes management, educational and healthcare services—employed the largest share at 45 percent. Exhibit III-12 shows the distribution of jobs by industry for the second quarter of 2007.

Exhibit III-12.
Employment by Industry, State of Indiana, Second Quarter 2007

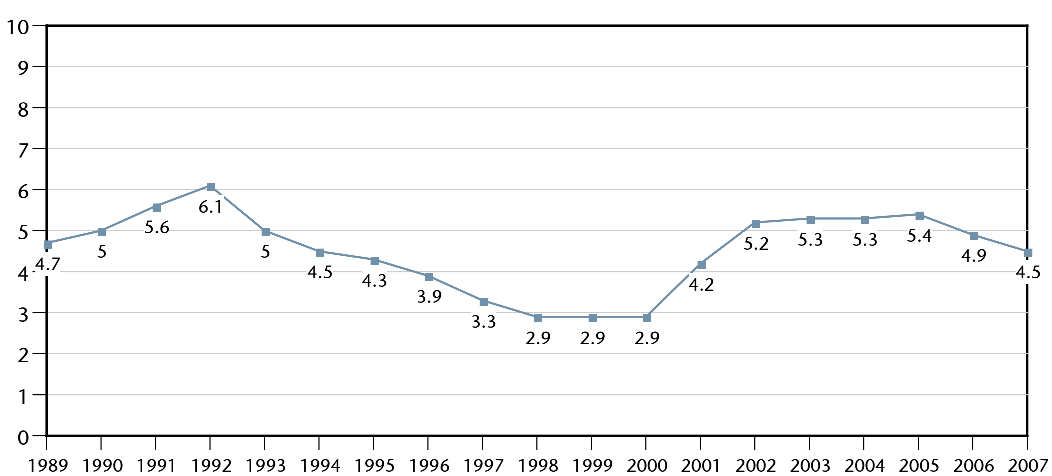
Source:

Indiana Business Research Center, IU Kelley School of Business.



Unemployment. As of 2007, the average unemployment rate in Indiana was 4.5 percent. This compares to 4.9 percent in 2006 and 5.4 percent in 2005. Unemployment rates are stabilizing after having risen significantly from 2000 to 2002. Exhibit III-13 displays the broad trend in unemployment rates since 1989.

Exhibit III-13.
Indiana's Average Annual Unemployment Rate from 1989 to 2007



Source: Indiana Department of Workforce Development, Bureau of Labor Statistics and Indiana Business Research Center, IU Kelley School of Business.

County unemployment rates ranged from a low of 2.9 percent in Hamilton County to a high of 7.2 percent in Fayette County. Exhibit III-14 shows the 2007 average annual unemployment rates by county, as reported by the Indiana Department of Workforce Development. The shaded counties have an average unemployment rate equal to or higher than the statewide average.

Exhibit III-14.
Average Annual Unemployment Rates by County, 2007

Note:

Indiana's unemployment rate was 4.5 percent in 2007.

Shaded counties have rates equal to or higher than the State's average unemployment rate overall.

Source:

Indiana Department of Workforce Development, Bureau of Labor Statistics and Indiana Business Research Center, IU Kelley School of Business.

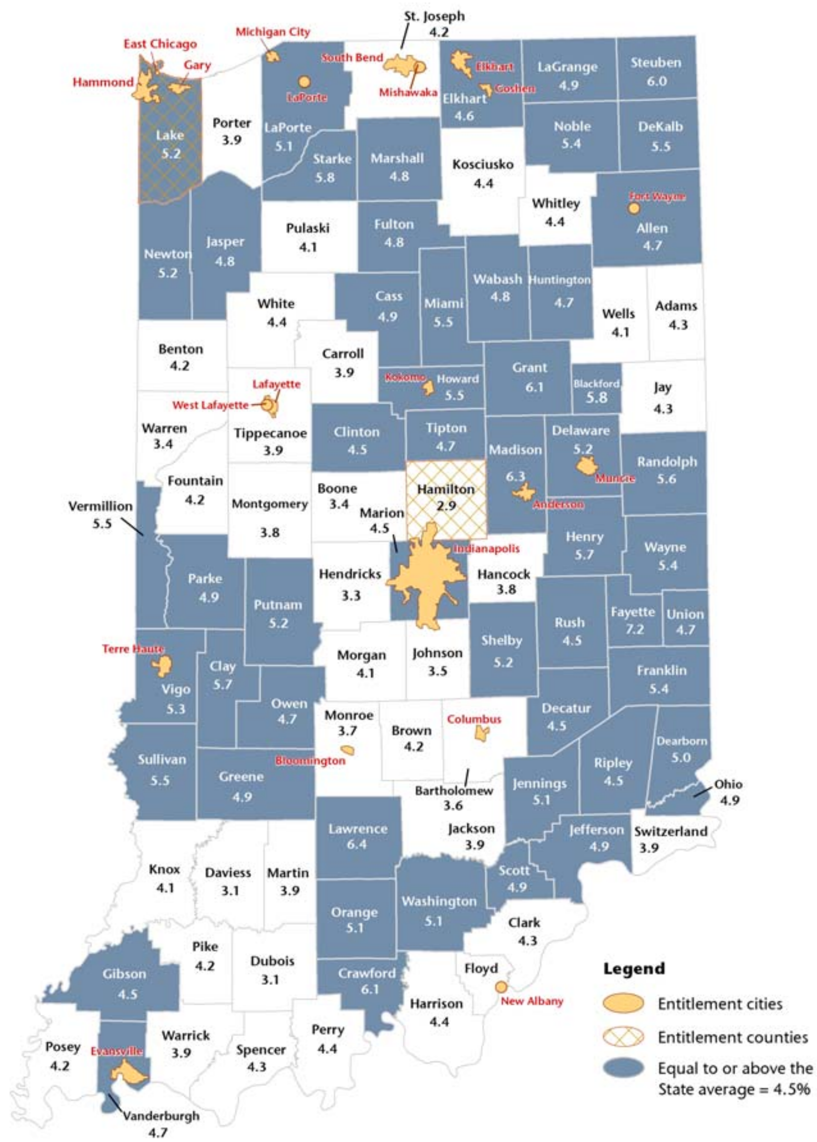


Exhibit III-15 shows the 2nd quarter 2007 average weekly wage by employment industry for Indiana. The highest wage industries are "Management of Companies and Industries" and "Utilities". The lowest wage industries include "Accommodation and Food Services" followed by "Retail Trade."

Exhibit III-15.
Average Weekly Wage by Industry, State of Indiana, Second Quarter 2007

Source:
Indiana Business Research Center (based on ES202 data).

	Average Weekly Wages
Total	**$ 702**
Management of Companies and Enterprises	$ 1,271
Utilities	1,216
Mining	1,054
Finance and Insurance	966
Manufacturing	953
Professional, Scientific, and Technical Services	949
Wholesale Trade	941
Construction	833
Information	792
Transportation & Warehousing	749
Public Administration	722
Health Care and Social Services	716
Educational Services	681
Real Estate and Rental and Leasing	597
Agriculture, Forestry, Fishing and Hunting	523
Admin. & Support & Waste Mgt. & Rem. Services	471
Arts, Entertainment, and Recreation	471
Unallocated	471
Other Services(Except Public Administration)	469
Retail Trade	432
Accommodation and Food Services	236

Exhibit III-16 on the following page maps the average weekly wage by county. Indiana's highest average weekly wages are in Martin County ($1,051). Martin County's employment composition is comprised mostly of Professional, Scientific, and Technical Services, and Public Administration jobs (54 percent). Brown County possesses the lowest average weekly wage in Indiana ($421). Over 38 percent of Brown County jobs are in Accommodation and Food Services and Retail, which are typically low-waged jobs.

Exhibit III-16. Average Weekly Wage by County, Second Quarter, 2007

Note:

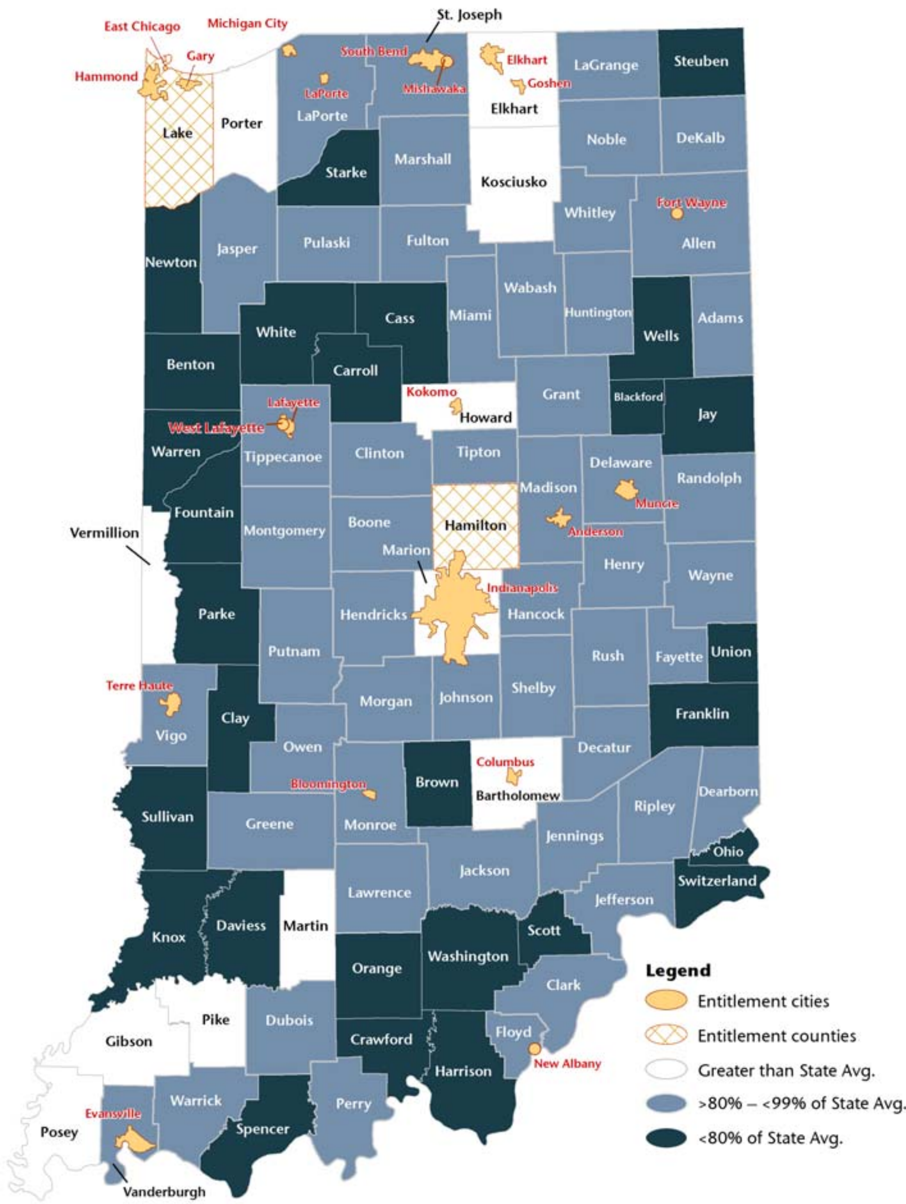
In 2007, the average weekly wage for the State was $702.

The lighter shaded counties indicate an average weekly wage below the State overall.

The darker shaded counties indicate counties whose average weekly wage is less than $561, or 80 percent of the State's overall average.

Source:

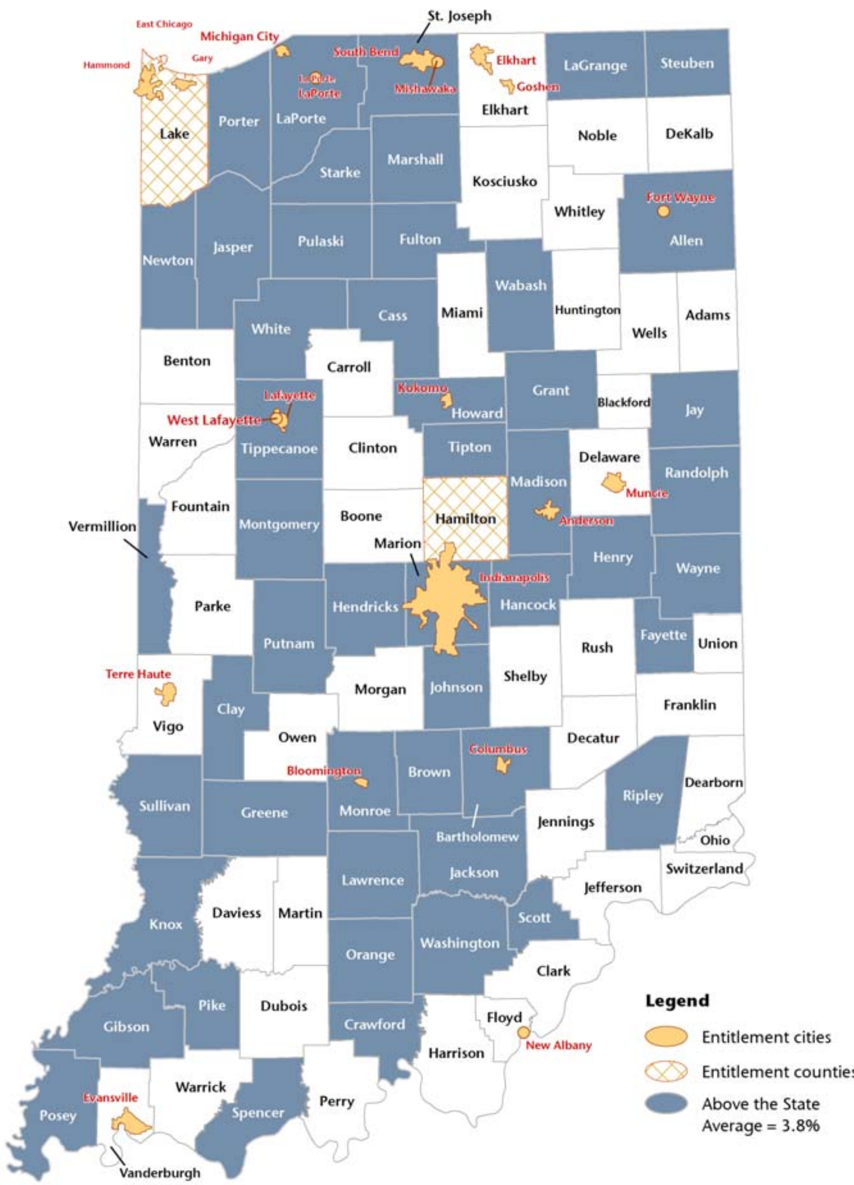
STATS Indiana, Indiana Business Research Center based on ES202 data, IU Kelley School of Business, BBC Research & Consulting.



Educational attainment. The percent of college-educated Indiana residents increased moderately between 2000 (19 percent) and 2006 (22 percent). Indiana trails the U.S. average of 27 percent in higher education attainment. In general, Indiana has a less educated population than the U.S. as a whole.

Exhibit III-17 maps all counties with a higher percent increase in high school dropouts from 2000 to 2006 than the overall population percent increase of 3.8 percent. The increase in high school dropout rates is widespread in Indiana, and is pervasive in rural as well as urban areas.

Exhibit III-17. High School Dropouts, Percent Increase Greater Than That of Population, 2000-2006



Note:

The data do not include students who do not participate in public schools.

The shaded counties have a higher percent increase in high school dropouts from 2000 to 2006 than the overall State population percent increase of 3.8 percent

Source:

STATS Indiana, Indiana Business Research Center at Indiana University's Kelley School of Business.

Housing and Affordability

Data from the 2006 ACS indicates that Indiana's housing stock is primarily comprised of single-family, detached homes (74 percent). Over 80 percent of Indiana's housing stock were structures with two or fewer units. Fourteen percent of homes were structures with 3 units or more and 5 percent of homes were mobile or other types of housing.

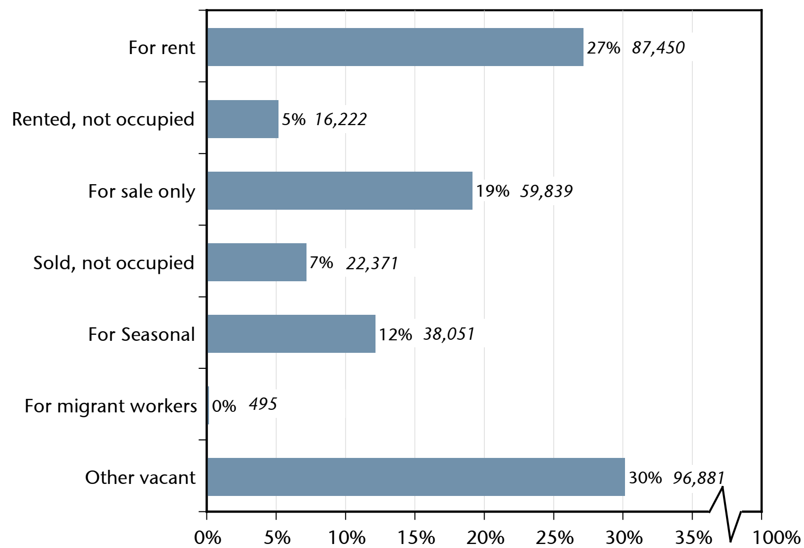
Vacant units. The 2006 statewide homeownership vacancy rate was estimated by the Census Bureau's ACS to be 3.3 percent. The 2006 rental vacancy rate was estimated at 11.2 percent. In 2006, over half of all vacant units in Indiana (58 percent) consisted of owner or renter units that were unoccupied and for sale or rent. Twelve percent of vacant units were considered seasonal units, while 30 percent of units were reported as "other vacant." Other vacant units included caretaker housing, units owners choose to keep vacant for individual reasons and other units that did not fit into the other categories.

Exhibit III-18 shows the vacant units in the State by type.

Exhibit III-18. Vacant Units by Type in Indiana, 2006

Source:

U.S. Census Bureau's 2006 American Community Survey.



Housing to buy. The ACS estimated the median value of an owner occupied home in Indiana as $120,700 in 2006, which is slightly higher than the 2006 median value of $114,400. This is substantially lower than the U.S. median home price of $185,200. Regionally, Indiana trails Illinois and Michigan in median home prices, as shown in Exhibit III-19.

Exhibit III-19. Regional Median Owner Occupied Home Values, 2006

Note:

The home values are in inflation-adjusted dollars for specified owner-occupied units.

Source:

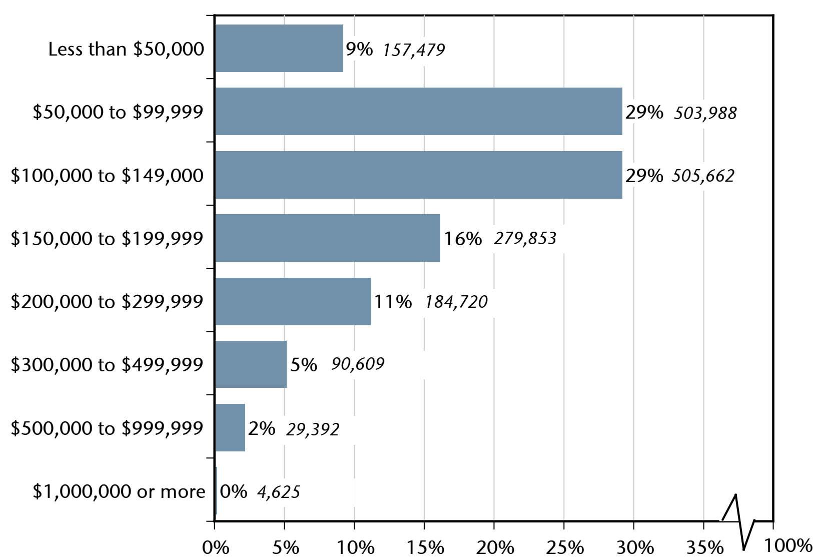
U.S. Census Bureau's 2006 American Community Survey.

In Indiana, 38 percent of owner occupied units had values less than $100,000, and about 67 percent were valued less than $150,000. Exhibit III-20 presents the price distribution of owner occupied homes in the State.

Exhibit III-20. Owner Occupied Home Values, State of Indiana, 2006

Source:

U.S. Census Bureau's 2006 American Community Survey.



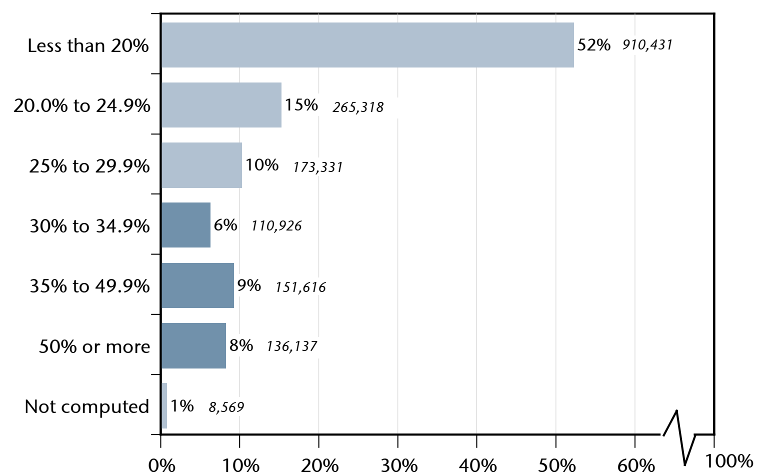
Although housing values in Indiana are still affordable relative to national standards, many Indiana households have difficulty paying for housing. Housing affordability is typically evaluated by assessing the share of household income spent on housing costs. For owners, these costs include mortgages, real estate taxes, insurance, utilities, fuels, and, where appropriate, fees such as condominium fees or monthly mobile home costs. Households paying over 30 percent of their income for housing are often categorized as cost burdened.

In 2006, 23 percent of all homeowners (about 399,000 households) in the State were paying 30 percent or more of their household income for housing, and 8 percent (136,000 households) were paying 50 percent or more. Exhibit III-21 presents these data.

Exhibit III-21. Owners' Housing Costs as Percent of Household Income, State of Indiana, 2006

Source:

U.S. Census Bureau's 2006 American Community Survey.



Among homeowners with mortgages, approximately 27 percent were reported as cost burdened. However, only 13 percent of homeowners without mortgages reported being cost burdened.

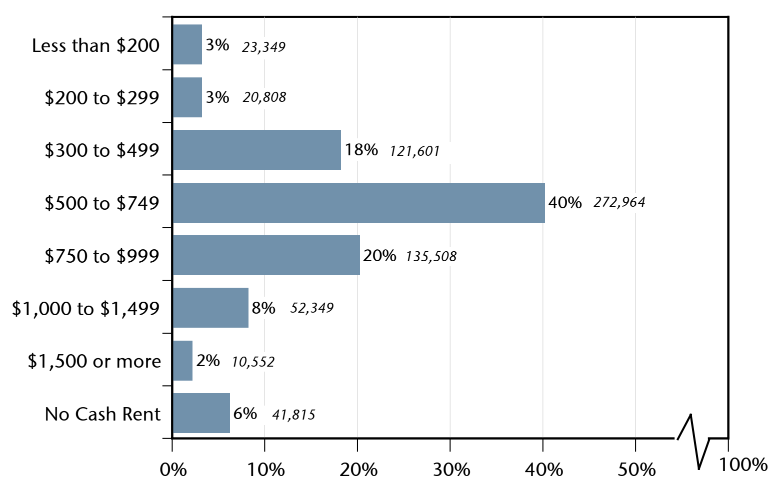
Housing to rent. The Census Bureau reported that the median gross rent in Indiana was $638 per month in 2006. Gross rent includes contract rent and utilities.[3] About 24 percent of all units statewide were estimated to rent for less than $499 in 2006, while another 40 percent were estimated to rent for $500 to $749. The distribution of statewide gross rents is presented in Exhibit III-22.

Exhibit III-22. Distribution of Statewide Gross Rents, State of Indiana, 2006

Note: "No Cash Rent" represents units that are owned by friends or family where no rent is charged and/or units that are provided for caretakers, tenant farmers, etc.

Source:

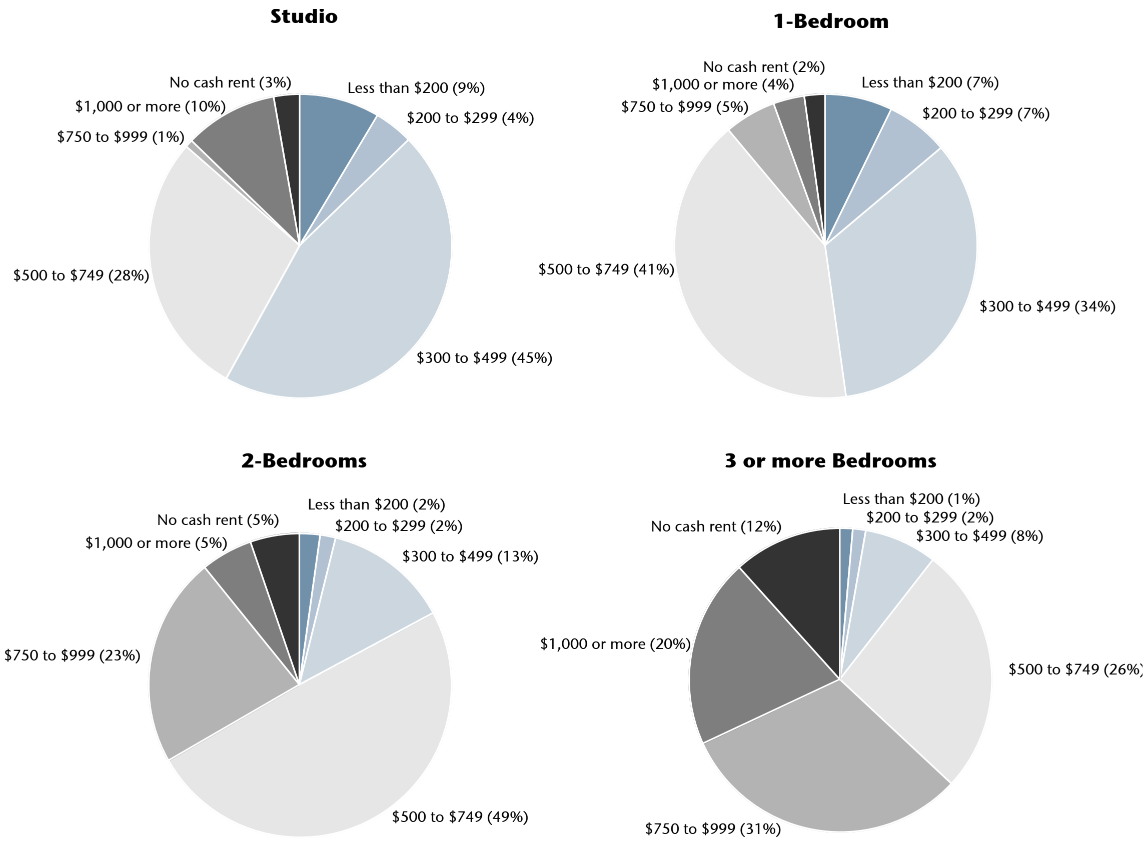
U.S. Census Bureau's 2006 American Community Survey.



[3] According to the U.S. Census, 82 percent of rental units do not include utilities in the rent price.

Exhibit III-23 shows the distribution of rent costs by size of housing unit.

Exhibit III-23.
Distribution of Rents by Size of Unit, State of Indiana, 2006



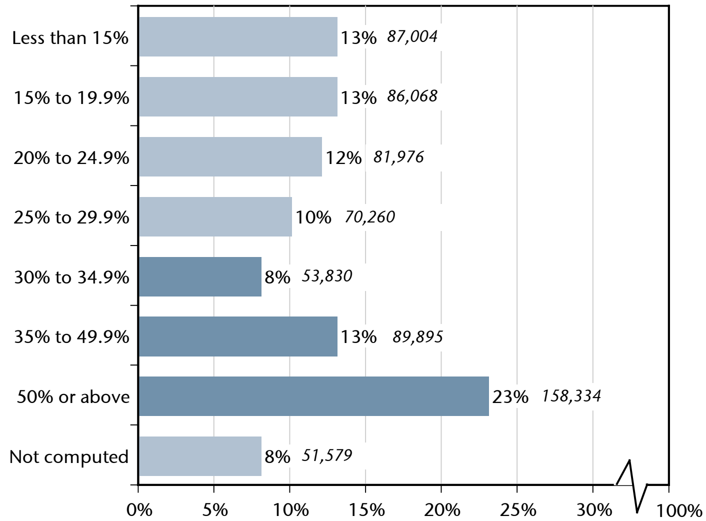
Source: U.S. Census Bureau's 2006 American Community Survey.

Rent burdens can be evaluated by comparing rent costs to household incomes. The 2006 ACS estimates that 44 percent of Indiana renters – or 302,000 – paid more than 30 percent of household income for gross rent, with over half of these (23 percent of renters, or 158,000) renters paying more than 50 percent of their incomes. Rentals constituted only 28 percent of the State's occupied housing units in 2006; however, there were almost as many cost-burdened renter households (302,000) as cost-burdened owner households (399,000). Exhibit III-24 on the following page presents the share of income paid by Indiana renters for housing.

Exhibit III-24. Renters' Housing Costs as Percent of Household Income, State of Indiana, 2006

Source:

U.S. Census Bureau's 2006 American Community Survey.



Mortgage Lending and Home Loan Foreclosure

The following section contains a review of recent studies that examined subprime lending and predatory lending activity in Indiana. A complete lending analysis is provided in Section II of the 2008 Analysis of Impediments to Fair Housing Choice.

Indiana Legislature. In 2007, the Indiana Legislation established the Interim Study Committee on Mortgage Lending Practices and Home Loan Foreclosures to study mortgage lending practices and home loan foreclosures in Indiana, and to devise solutions to the problem. The Committee received information, heard testimony, and reviewed proposed bills concerning foreclosures and mortgage lending in Indiana.

Foreclosures. The testimony heard indicated that 2.98 percent of all loans in Indiana are in foreclosure, compared to a national foreclosure rate of 1.28 percent. This statistic places Indiana second in the nation (behind Ohio) among states with the highest foreclosure rates.

In addition, a Senior Policy Analyst at the Center for Urban Policy and the Environments presented a study he conducted on statewide patterns of foreclosures. According to the study, the data showed that areas with higher concentrations of foreclosures had higher percentages of low income residents. It was also reported that areas with high concentrations of foreclosures also tend to occur in neighborhoods in which:

- The housing supply outstrips demand;
- Home prices range from $80,000 to $120,000;
- Home prices are declining or appreciating at a slower rate; or
- There is a high rate of property abandonments.

An attorney for the Indiana Mortgage Bankers Association pointed out that in Indiana, the high foreclosure rate is not as highly correlated with the subprime market as it is in other states. Rather, Indiana's 2.98 percent foreclosure rate is largely connected with a loss of manufacturing jobs, low home price appreciation rate, and a loan mix that consists of a high percentage of low-down payment loans.

Other testimony from the Indiana Association of Realtors discussed a study suggesting that the five key factors to the widening gap of the Indiana foreclosure rate versus the national foreclosure rate include:

- Job losses in Indiana;
- The number of first-time homebuyers in Indiana;
- Loans with high LTV ratios;
- The state's slow rate of home price appreciation; and
- Certain lending practices.

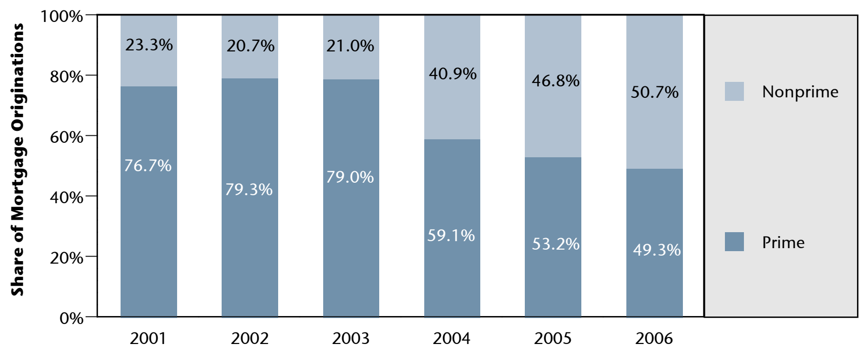
Mortgage fraud. Testimony included an estimate of the percentage of foreclosures that involve mortgage fraud ranges from 5 percent to 13 percent. Mortgage fraud cases were described as being very complex and that 10 to 20 people are typically charged in connection with a scheme, including brokers, appraisers and title agents. It was also noted that mortgage fraud cases can take over four years to prosecute and that the investigation phase alone can take up to two years.

Subprime loans. Subprime loans are—as the name would suggest—mortgage loans that carry higher interest rates than those priced for "prime," or less risky, borrowers. Initially, subprime loans were marketed and sold to customers with blemished or limited credit histories who would not typically qualify for prime loans. In theory, the higher rate of interest charged for each subprime loan reflects increased credit risk of the borrower.

Estimates of the size of the national subprime market vary between 13 to 20 percent of all mortgages. Holden Lewis, who writes for CNNMoney.com and Bankrate.com, estimates that the subprime market made up about 17 percent of the mortgage volume in 2006. This is based on Standard & Poors' estimate of subprime loan originations and the Mortgage Bankers Associations' estimate of total loan originations during the year. The number of subprime borrowers could be higher than 17 percent if the average amount of a subprime loan is lower than non-subprime loans. In Indiana, about 13 percent of all 2006 mortgage loan transactions for owner-occupied properties were subprime.

The subprime market in the United States grew dramatically during the current decade. The share of mortgage originations that had subprime rates in 2001 was less than 10 percent; by 2006, this had grown to 20 percent. This was coupled with growth of other nonprime products, such as "Alt-A" loans (somewhere between prime and subprime) and home improvement products. Exhibit III-25 shows the growth in these non-prime products—and the movement away from conventional, prime products.

Exhibit III-25. Share of Mortgage Originations by Product, 2001 to 2006



Note:

Harvard Joint Center for Housing Studies and Inside Mortgage Finance, 2007 Mortgage Market Statistical Annual, adjusted for inflation by the CPI-UX for all Items.

Not all subprime loans are predatory loans (discussed below), but many predatory loans are subprime. A study released by the University of North Carolina, Kenan-Flagler Business School in 2005,[4] discussed how predatory loan terms increase the risk of subprime mortgage foreclosure. The study reported in the fourth quarter of 2003, 2.13 percent of all subprime loans across the country entered foreclosure, which was more than ten times higher than the rate for all prime loans.

Subprime lending has fallen under increased scrutiny with the increase in foreclosures and the decline in the housing market. Some argue that because minorities are more likely to get subprime loans than white or Asian borrowers, and since subprime loans have a greater risk of going into foreclosure, minorities are disproportionately harmed by subprime lending.

Subprime lending has implications under the Fair Housing Act when the loans are made in a discriminatory and/or predatory fashion. This might include charging minorities higher interest rates than what their creditworthiness would suggest and what similar non-minorities are charged; charging minorities higher fees than non-minorities; targeting subprime lending in minority-dominated neighborhoods; adding predatory terms to the loan; and including clauses in the loan of which the borrower is unaware (this is mostly likely to occur when English is a second language to the borrower).

Predatory lending. There is no one definition that sums up the various activities that comprise predatory lending. In general, predatory loans are those in which borrowers are faced with payment structures and/or penalties that are excessive and which set up the borrowers to fail in making their required payments. Subprime loans could be considered as predatory if they do not accurately reflect a risk inherent in a particular borrower.

Although there is not a consistent definition of "predatory loans," there is significant consensus as to the common loan terms that characterize predatory lending. There is also the likelihood that these loan features may not be predatory alone. It is more common that predatory loans contain a combination of the features described below.

Most legislation addressing predatory lending seeks to curb one or more of the following practices:

- Excessive fees;
- Prepayment penalties;
- Balloon payments;
- Debt packaging;
- Yield spread premiums;
- Unnecessary products; and/or
- Mandatory arbitration clause.

[4] Roberto G. Quercia, Michael A. Stegman and Walter R. Davis, "The Impact of Predatory Loan Terms on Subprime Foreclosures: The Special Case of Prepayment Penalties and Balloon Payments," *Center for Community Capitalism, Kenan Institute for Private Enterprise, University of North Carolina at Chapel Hill*, January 25, 2005.

It is difficult to identify and measure the amount of predatory lending activity in a market, largely because much of the industry is unregulated and the information is unavailable. For example, HMDA data do not contain information about loan terms. In addition, predatory activity is difficult to uncover until a borrower seeks help and/or recognizes a problem in their loan. As such, much of the existing information about predatory lending is anecdotal.

UNC Study. A recent study by the Center for Community Capitalism at the University of North Carolina (UNC) at Chapel Hill linked predatory loan terms, specifically prepayment penalties and balloon payments, to increased mortgage foreclosures. The foreclosure rate in the subprime mortgage market was over 10 times higher than in the prime market. The study also provide supplemental tables that reported 31.2 percent of Indiana's subprime first-lien refinance mortgage loans had been in foreclosure at least once. This is the second highest rate of all states (South Dakota was the highest with 34.8 percent) and over 10 percentage points higher than the national rate of 20.7 percent.

Conclusions. A number of recent studies have analyzed the reasons for the increasing foreclosure rate nationally and in Indiana and subprime and predatory lending activities. Although a more comprehensive analysis of data over time is required to identify the particular causes of the State's foreclosures and the link to the subprime lending market, these studies point out a number of issues relevant to fair lending activities:

- Largely because of their loan terms, subprime loans have a higher probability of foreclosure than conventional loans.
- At 13 percent, subprime loans make a small, but growing proportion of mortgage lending in Indiana.
- Subprime lenders serve the State's minorities at disproportionate rates.
- Other factors—high homeownership rates, use of government guaranteed loans, high loan to value (LTV) ratios and low housing price appreciation—have likely contributed to the State's increase in foreclosures.

Special Needs Population and Housing Statistics

Due to lower incomes and the need for supportive services, special needs groups are more likely than the general population to encounter difficulties finding and paying for adequate housing and often require enhanced community services. The groups discussed in this section include:

- Youth;
- The elderly;
- Persons experiencing homelessness;
- Persons with developmental disabilities;
- Persons with HIV/AIDS;
- Persons with physical disabilities;
- Persons with mental illnesses and/or substance abuse problems; and
- Migrant agricultural workers.

Exhibit III-26 displays summary population and housing statistics by special needs group. Special needs data is often difficult to obtain and update. Thus, these statistics incorporate the most current data available to estimate the specified living arrangements, unmet housing needs and homeless numbers by special needs population.

Exhibit III-26.
Special Needs Groups in Indiana

Special Needs Group			Number
Youth	*Population*	**Total aging out of foster care each year**	**787**
	Housing	Youth shelters (17 years and under)	6 shelters
		Sheltered homeless youth (point-in-time)	726
		Former foster youth in 4 or more foster homes	315
		Former foster youth ending up homeless	315
Elderly	*Population*	**Total population over 65 (2006)**	**780,992**
	Housing	Group quarters population (2000)	50,034
		Cost burdened owners	96,763
		Cost burdened renters	44,233
		Nursing facilities	484 units/53,000 beds
		Living in substandard housing (nonentitlement areas)	27,000
		Living in units with condition problems:	
		Renters	48,599
		Owners	83,255
Persons Experiencing Homelessness	*Population*	**Total:**	**18,811**
		Individuals	6,600
		Persons in families with children	12,211
		Balance of Indiana:	15,932
		Individuals	4,591
		Persons in families with children	11,341
	Housing (Balance of Indiana, excluding metro areas)	Emergency beds	2,080
		Transitional housing	1,859
		Permanent supportive housing	1,449
		Chronically homeless	2,777
		Unmet need, literally homeless	5,963
Persons with Developmental Disabilities	*Population*	**Total**	**70,787**
		DD population receiving services from state or non-state agencies (2003)	10,097
	Housing	Facilities for DD (2002)	2,039
		Persons in congregate care	4,729
		Persons in host home/foster home	782
		Living in own home	4,586
		Living with family member and receiving supportive services	4,587
		Unmet housing need	7,000

Source: BBC Research & Consulting.

Exhibit III-26. (Continued)
Special Needs Groups in Indiana

Special Needs Group			Number
Persons with HIV/AIDS	*Population*	**Total living with HIV/AIDS (2003)**	**7,588**
	Housing	Units for persons with HIV/AIDS	143
		Tenant-based rental assistance units	144
		Short term rent/mortgage and/or utility assistance	239
		Sheltered homeless with HIV/AIDS (point-in time)	633
		Housing need	2,086
		Homeless or at-risk of experiencing homelessness	2,276 - 3,797
Persons with Physical Disabilities	*Population*	**Total (2000)**	**1,054,757**
	Housing	Living in poverty (rural areas)	71,000
Persons with Mental Illness	*Population*	**Total**	**236,831**
		Target population for State services	68,311
		SMI population served by DMHA (SFY 2002)	48,018
	Housing	Living in rural areas	11,999
		Living in urban areas	36,019
		Beds reported by CMHCs (2001)	1,900
		Sheltered homeless with SMI (point-in-time)	3,510
Persons with Chronic Substance Abuse	*Population*	**Total**	**87,946**
		Chronically addicted population served by DMHA (SFY 2002)	24,295
	Housing	Beds for substance abuse treatment	5,662
		Homeless with substance dependencies (1-year period)	30,000 - 71,000
		Sheltered homeless with chronic substance abuse (point-in-time)	4,176
Migrant Farmworkers	*Population*	**Total**	**8,000**
	Housing	State licensed camps (2003)	52
		Living in substandard housing	1,760
		Living in crowded conditions	4,160
		Substandard, cost burdened and crowded conditions	480

Source: BBC Research & Consulting.

Housing Affordability. Housing affordability issues span across various sections of the population. A recent study by the National Low-Income Housing Coalition found that extremely low-income households (earning $17,609, which is 30 percent of the AMI of $58,695) in Indiana can afford a monthly rent of no more than $440, while the HUD Fair Market Rent for a two bedroom unit in the State is $674. For single-earner families at the minimum wage, it would be necessary to work 89 hours a week to afford a two-bedroom unit at the HUD Fair Market Rent for the State.

According to the study, Indiana's non-metro areas annual median family income increased by 14.8 percent from 2000 to 2008. However, the fair market rent for a two-bedroom apartment increased by 26 percent during the same time period, indicating a decline in housing affordability over the past eight years. Exhibit III-27 reports the key findings from the study.

Exhibit III-27.
Housing Cost Burden, Indiana Non-Metro Areas, 2008

	No Bedrooms	One Bedroom	Two Bedrooms	Three Bedrooms	Four Bedrooms
Median Rent	**$436**	**$480**	**$596**	**$767**	**$850**
Percent of median family income needed	33%	36%	45%	58%	64%
Work hours/week needed at the minimum wage	57	63	78	101	112
Income needed	$17,424	$19,197	$23,829	$30,686	$33,993

Note: The HUD 2008 family annual median income was estimated at $52,812 for non-metropolitan Indiana.

Source: National Low-Income Housing Coalition, Out of Reach 2007-2008.

Exhibit III-28 displays the correlation that exists between HUD-defined housing unit problems and the residing household's income level. In sum, lower-income households are more likely to be living in homes lacking in basic amenities.

Exhibit III-28.
HUD-Defined Housing Unit Problems by Household Income in 1999, Indiana

Note:

The 1999 HUD Area Median Family Income for Indiana is $50,256.

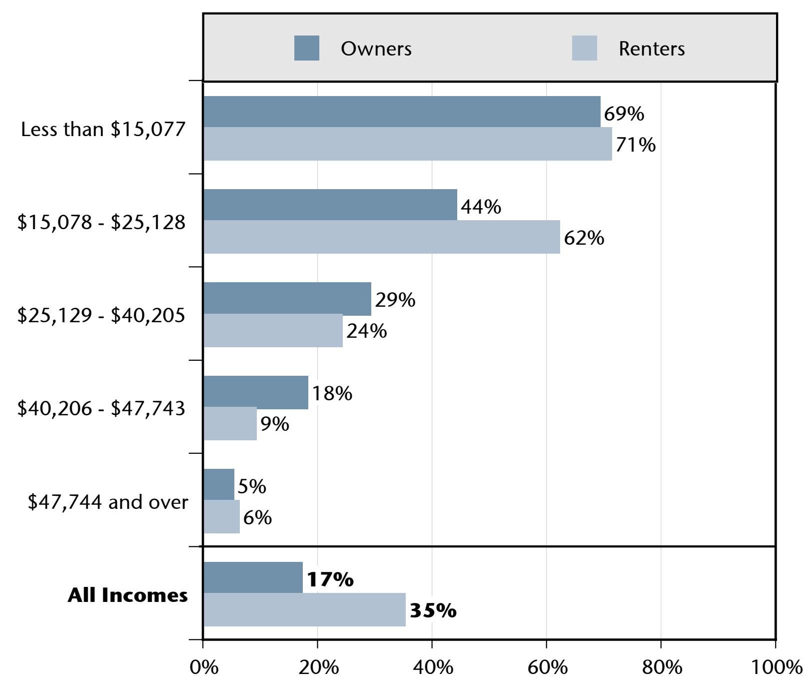
Housing unit problems: Lacking complete plumbing facilities, or lacking complete kitchen facilities, or with 1.01 or more persons per room, or with cost burden more than 30.0 percent.

Elderly households: 1 or 2 person household, either person 62 years old or older.

Cost burden is the fraction of a household's total gross income spent on housing costs. For renters, housing costs include rent paid by the tenant plus utilities. For owners, housing costs include mortgage payment, taxes, insurance, and utilities.

Source:

U.S. Census Bureau's 2000 Census, HUD and BBC Research & Consulting.



Cost burden and housing unit problems highlight the need for identifying funding sources for community housing improvements. Numerous federal programs exist to produce or subsidize affordable housing. The primary programs include CDBG, HOME, Section 8, Low-Income Housing Tax Credits, mortgage revenue bonds, credit certificates and public housing.

Elderly individuals and individuals with physical disabilities and mental illnesses comprise a large portion of the special needs population in Indiana. In the case of the elderly population, many may be living with elderly spouses or may be widowed and living alone. Because of income constraints, many elderly individuals may be living in sub-standard housing conditions. For example, according to the 2000 U.S. Census, 38 percent of renters aged 62 to 74 and 46 percent of renters 75 and above were living in housing units with identified problems. According to the 2006 Indiana Action Plan, it is advised that the elderly population capitalize on funding opportunities available through Section 8, Section 202, and the Home Equity Conversation Mortgage Program, amongst others. Because individuals with physical disabilities and mental illnesses often reside in group homes, community funding sources, such as CDBG, HOME and tax credit funds can be used by communities for the development of new housing opportunities. Exhibit III-29 summarizes resources available for special needs groups.

Exhibit III-29.
Summary of Special Needs and Available Resources

Population	Housing Need	Community Need	Primary Resource Available
Youth	Affordable housing Transitional housing with supportive services Rental vouchers with supportive services	Job training Transitional living programs Budgeting	HUD's FUP Medicaid Transitional Living Program Chafee Foster Care Independence Program IHCDA Education and Training Voucher Program
Elderly	Rehabilitation/repair assistance Modifications for physically disabled Affordable housing (that provides some level of care) State-run reverse mortgage program Minimum maintenance affordable townhomes	Public transportation Senior centers Improvements to infrastructure	CDBG CHOICE HOME/IHCDA Home Equity Conversion Mortgage Program Medicaid Public Housing Section 202 Section 8 USDA Rural Housing Services
Homeless	Beds at shelters for individuals Transitional housing/beds for homeless families with children Affordable housing for those at-risk of homelessness	Programs for HIV positive homeless Programs for homeless with substance abuse problems Programs for homeless who are mentally ill Service organization participation in HMIS	ESG CDBG HOME/IHCDA HOPWA OCRA ISDH County Step Ahead Councils County Welfare Planning Councils Local Continuum of Care Task Forces Municipal governments Regional Planning Commissions State Continuum of Care Subcommittee

Source: BBC Research & Consulting, updated 2006.

Exhibit III-29. (continued)
Summary of Special Needs and Available Resources

Population	Housing Need	Community Need	Primary Resource Available
Developmentally Disabled	Semi-independent living programs Group homes	Smaller, flexible service provisions Community settings for developmentally disabled Service providers for semi-independent Integrated employment programs	CDBG CHOICE HCBS HOME/IHCDA SSI Medicaid Section 811 Olmstead Initiative Grant DDARS BDDS Supported Living Supported Group Living
HIV/AIDS	Affordable housing for homeless people with HIV/AIDS Housing units with medical support services Smaller apartment complexes Housing for HIV positive people in rural areas Rental Assistance for people with HIV/AIDS Short-term rental assistance for people with HIV/AIDS	Support services for AIDS patients with mental illness or substance abuse problems Medical service providers Public transportation Increase number of HIV Care Coordination sites	HOME/IHCDA HOPWA Section 8 ISDH
Physically Disabled	Housing for physically disabled in rural areas Apartment complexes with accessible units Affordable housing for homeless physically disabled	Public transportation Medical service providers Integrated employment programs Home and community-based services	CDBG CHOICE HOME/IHCDA SSI Medicaid Section 811

Source: BBC Research & Consulting, updated 2006.

Exhibit III-29. (continued)
Summary of Special Needs and Available Resources

Population	Housing Need	Community Need	Primary Resource Available
Mental Illness and Substance Abuse	Community mental health centers Beds for substance abuse treatment Supportive services slots Housing for mentally ill in rural areas	Substance abuse treatment Education Psychosocial rehabilitation services Job training Medical service providers HAP funding Services in rural areas Follow-up services after discharge	CDBG HOME CHIP Division of Mental Health Section 811 Hoosier Assurance Plan Olmstead Initiative Grant
Migrant Agricultural Workers	Grower-provided housing improvements Affordable housing Seasonal housing Family housing Raise standards for housing development approval	Family programs Public transportation Homeownership education Employment benefits Workers compensation Improved working conditions, including worker safety Literacy training Life skills training	CDBG Rural Opportunities, Inc. Comprando Casa Program USDA Rural Development 514 & 516 Programs

Source: BBC Research & Consulting, updated 2006.