



Why do real estate brokers continue to discriminate? Evidence from the 2000 Housing Discrimination Study ☆

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Abstract

This study examines racial and ethnic discrimination in discrete choices by real estate brokers using national audit data from the 2000 Housing Discrimination Study. It uses a fixed-effects logit model to estimate the probability that discrimination occurs and to study the causes of discrimination. The data make it possible to control for auditors' actual demographic and socioeconomic characteristics and characteristics assigned for the purposes of the audit. The study finds that discrimination remains strong but has declined in both the scope and incidence since 1989. The estimations also identify both brokers' prejudice and white customers' prejudice as causes of discrimination.

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1. Introduction

Racial and ethnic discrimination in housing, defined as systematically unfavorable treatment in housing markets based solely on race or ethnicity, contributes to inter-group disparities in housing market outcomes. Discrimination may help to explain, for example, why the 2004 homeownership rate in the United States was 76.0 percent for non-Hispanic whites, but only 49.7 percent for blacks and 48.1 percent for Hispanics (US Department of Housing and Urban Development [25]). This paper uses data from a national study conducted in the United States in 2000 to determine whether discrimination persists in the housing sales market and, if it does, to explore its causes.

The Fair Housing Act of 1968 prohibits discrimination in housing. This study helps to determine the extent to which funding is still needed to enforce this act and provides guidance to fair housing enforcement officials. In addition, this study may shed light on the effectiveness of the 1988 amendments to the Fair Housing Act, which gave the federal government stronger law-enforcement powers to fight discrimination (see Yinger [29]).

The data for this study come from a matched-pair research technique, discussed in detail below, called a fair housing audit. An earlier national audit study, the 1989 Housing Discrimination Study (HDS 1989), found evidence of widespread discrimination in housing sales. This study is based on the 2000 Housing Discrimination Study (HDS 2000), which updates and improves upon the earlier study.¹ We focus our attention on discrete choices by real estate brokers, such as whether to tell a customer that an advertised house is available. Our major contribution is to provide evidence on the causes of discrimination in 2000. In addition, HDS 2000 has a feature not found in previous audit studies: it recorded some of the auditors' actual demographic and socioeconomic characteristics, such as income and education. As a result, this paper explicitly accounts for an auditor's actual characteristics, as well as characteristics assigned for the purposes of the audit.

The paper proceeds as follows. Section 2 describes the fair housing audit technique and reviews previous audit studies. Section 3 describes the HDS 2000 design, our HDS 2000 data set, and our regression technique, namely, a fixed-effects logit model. Section 4 tests the hypothesis that discrimination exists, measures the discrimination level, and compares the HDS 2000 results with the HDS 1989 results in Ondrich, Stricker, and Yinger [16]. Section 5, the main contribution of the paper, presents and tests hypotheses about the causes of discrimination. The final section summarizes the results and discusses their implications for public policy.

2. Fair housing audits

The audit technique

A fair housing audit is a research technique designed to determine whether housing agents treat people differently solely because of their membership in a particular group. Each audit is conducted by two teammates, each of whom visits the same housing agency to inquire about available housing. The audit is set up so that the two teammates are equally qualified for housing but differ in their group membership. One teammate might be white, for example, and the other

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