Final Report

State of Indiana Analysis of Impediments to Fair Housing Choice

FY2010-2014

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FY2010-2014

Prepared for

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SECTION I.
Introduction and Participants

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Introduction and Participants

This report contains an Analysis of Impediments to Fair Housing Choice (AI) for the State of Indiana for program years 2010-2014. The AI was conducted using a similar methodology as the 2010-2014 Consolidated Plan and includes data from Consolidated Plan and subsequent AIs.

Data used in preparing the AI relied on extensive involvement of stakeholders and the public. It includes information from one resident survey; an elected official survey; a public housing authority survey; four stakeholder focus groups; 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 AI, 2010-2014 Consolidated Plan and 2010 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, the 2010-2014 Consolidated Plan and 2010 Action Plan. In addition to BBC, the Indiana-based consulting firms Briljent and Engaging Solutions, assisted with the focus groups, key person interviews, resident survey and elected official survey conducted in 2010.

Participants

This document contains an Analysis of Impediments to Fair Housing Choice for 2010-2014. The AI was conducted using similar methodology as the Five Year Consolidated Plan with a strong emphasis on community input. Citizens participated in the development of the AI through a process that consisted of the following major parts:

- A Housing and Community Development Needs Survey was made available to residents of Indiana during February and the beginning of March 2010. The survey was distributed to service providers and email lists throughout Indiana. An online version of the survey was also available on the State's website. The survey was available in English and Spanish.
- A survey targeted to elected officials across Indiana was distributed in February 2010.
- Four focus group meetings were held during the development of the Consolidated Plan; and
- Thirty-two interviews with key persons or groups who are knowledgeable about housing and community development needs in the state were conducted.

In addition to the interviews and survey, citizens and stakeholders could participate in the planning process by submitting written comments on the Five Year Consolidated Plan and 2010 Action Plan.

Engaging Solutions and Briljent conducted four stakeholder focus groups and 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 and March 2010. 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. These stakeholders included representatives of the following organizations.

Exhibit I-1.
Stakeholder Focus Groups and Key Person Interview Organizations/Agencies Consulted

Organization/Agencies	Organization/Agencies
AARP Indiana	Indiana University
Affordable Housing Corporation of Grant County	Indianapolis Resource Center for Independent Living (IRCIL)
Anchor House	Kankakee Iraquois Regional Planning Commission
Association of Indiana Counties	League for the Blind and Disabled
ATTIC, Inc	Main Street
Back Home in Indiana Alliance	Martindale Brightwood CDC
Center for Urban Policy and the Environment	Meridian Services
Center on Aging and Community, Indiana University	Midtown Mental Health
Children's Bureau	Near North Development Corporation
City of Logansport, Mayor and Deputy Mayor	Neighborhood Development Associates
Coburn Place Safe Haven	Northwestern Indiana Regional Planning Commission (NIRPC)
Community Action of Greater Indianapolis	Office of Family and Consumer Affairs
Community Action Program of Western Indiana	Paralyzed Hoosier Veterans (PHV)
Community Mental Health Center of Batesville	Pathfinder Services
Dayspring Center	Providence Housing Corporation
Eastern Indiana Development District	Providence Self-Sufficiency Ministries
Economic Development Coalition of Southwest Indiana	Quality L Solutions
Federal Home Loan Bank of Indianapolis	Randolph County Economic Development
Future Choices Inc.	Region III-A Economic Development District & RPC
Grant County Economic Development Council	River Hills Economic Development District & RPC
Hannum Wagle and Cline	Rural Rental Housing Association
Heart of the Tree City	Self Harvesting Capabilities
Holy Family Shelter	Southeastern Indiana Regional Planning Commission
Horizon House	Southern Indiana Development Commission
Housing Partnerships	Tangram Reshaping the Idea of Disability
Independent Living Center of Eastern Indiana	The Julian Center, Inc.
Indiana 15 Regional Planning Commission	The WILL Center
Indiana Association for Community Economic Development	Tikijan Associates
Indiana Association of Cities & Towns	USDA Rural Development
Indiana Association of Rehabilitation Facilities (INARF)	Volunteers of America
Indiana Association of United Ways	West Central Indiana Economic Development District
Indiana Civil Rights Commission	Workforce Inc.
Indiana Community Action Association	YMCA of Muncie
Indiana Council on Independent Living	YWCA of Muncie, Residential Program
Indiana Office of Tourism Development	

Source: 2010 Stakeholder Focus Groups and Key Person Interviews.

Funding

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

SECTION II.
Jurisdictional Background Data

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This section includes data from a resident survey; an elected official survey; a public housing authority survey; four stakeholder focus groups; 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 2010-2014 Consolidated 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/). 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, 2009, the ICRC database contained 967 records of housing discrimination complaints filed since 2005. Almost one third (313) of these complaints were filed in 2009. Exhibit II-1 summarizes the cases filed during this period. The most common reason for discrimination identified in ICRC records was race or color; 38 percent of the filed cases were filed based on racial discrimination. The second most common reason for discrimination was handicap/disability (34 percent of cases), followed by familial status (11 percent) and national origin/ancestry (9 percent).

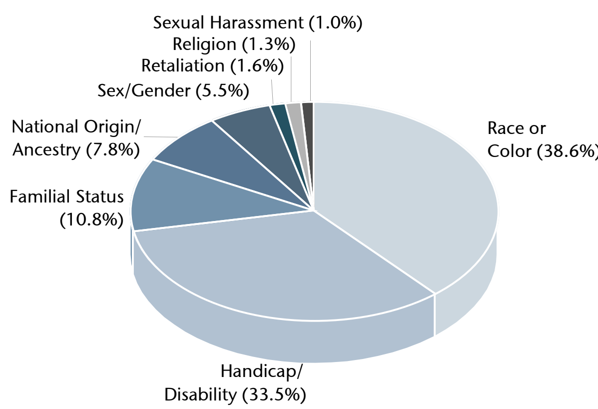
Exhibit II-1.
Protected Class Basis of Housing Discrimination Complaints Filed with ICRC, 2005 to 2009

Note:

The reported complaints are from all agencies in the ICRC's Fair Housing Database from 01/01/05 to 12/31/09.

Source:

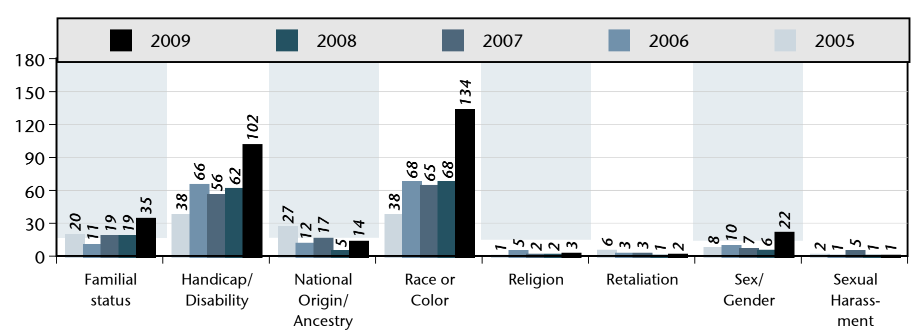
Indiana Civil Rights Commission.



The following exhibit shows the type of complaints filed per year, from 2005 to 2009, by protected class basis of complaint. The number of complaints filed increased 124 percent when comparing the number of complaints filed from 2005 to 2009.

Exhibit II-2.
Protected Class Basis of Housing Discrimination Complaints Filed with ICRC, 2005 to 2009

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 less than one percent of housing discrimination experienced in the U.S. is reported. There were 967 complaints received by ICRC from 2005 to 2009. If these complaints represent only one percent of the incidences of housing discrimination experienced, then more than 96,700 cases of discrimination occurred during the past five years in Indiana. The same report stated that 2008 saw the highest total number of complaints ever, 30,758 complaints nationwide, as reported by private fair housing, HUD, state and local agencies and the Department of Justice. The National Fair Housing Alliance summarizes that housing discrimination in the nation has spiked due to the worsening foreclosure crisis and Internet advertising that violates fair housing laws.

ICRC also reported a summary of the alleged violations for complaints filed during 2006-2007 and 2008-2009. 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, 2006-2007 and 2008-2009

Source:

Indiana Civil Rights Commission.

	2006 & 2007	2008 & 2009	Percent 0f 2008 & 2009
Discrimination - terms/conditions/privileges relating to rental	147	478	35%
Discriminatory refusal to rent	53	208	15%
Failure to provide reasonable modification	13	160	12%
Intimidation and interference	43	120	9%
Discriminatory refusal to negotiate for rental	21	64	5%
Discrimination - services and facilities relating to rental	22	66	5%
Failure to provide reasonable accommodation	52	44	3%
Discriminatory terms, conditions, privileges relating to sale	10	32	2%
Discriminatory advertisement - rental	9	35	3%
Misrepresentation of availability	9	26	2%
Discriminatory occupancy standards	5	26	2%
Discriminatory financing (includes Real Estate transactions)	6	18	1%
Discriminatory refusal to sell	5	14	1%
Discrimination in the terms/conditions for making loans	1	14	1%
Non-compliance with design and construction requirements	1	11	1%
Discrimination - services and facilities relating to sale	2	9	1%
Discrimination in making of loans	1	7	1%
Discrimination in selling of residential real property	3	6	0%
Discrimination in terms and conditions of membership	2	6	0%
Discriminatory Brokerage Services	3	4	0%
Discriminatory refusal to negotiate for sale	1	6	0%
Steering	0	6	0%
Discrimination in the brokering of residential real property	1	4	0%
Blockbusting	1	3	0%
Redlining	0	4	0%
Discrimination - appraisal of residential real property	0	1	0%
Discrimination in purchasing of loans	0	1	0%
Zoning and Land Use	0	1	0%
Total number of complaints	**411**	**1,374**	**100%**

Exhibit II-4 shows the status of the complaints filed in 2008 and 2009. Forty-four percent of the complaints closed during the two years were found to have no reasonable cause and 19 percent of the complaints were closed through a withdrawal of the complaint and/or a settlement.

Exhibit II-4.
Case Status Summary for Cases Closed in 2008 and 2009

Source:
Indiana Civil Rights Commission.

	2008 & 2009	Percent
No reasonable cause	438	44%
Complaint withdrawn/settlement	115	11%
Failure to cooperate	90	9%
Complainant withdrawn	77	8%
Mediation agreement	68	7%
Failure to locate	27	3%
Final order	26	3%
Lack of jurisdiction	26	3%
Investigation	23	2%
Appeal with the ICRC	21	2%
Consent agreement	18	2%
Reasonable cause	7	1%
State Court litigation	7	1%
Reasonable cause/State Court	2	0%
Appeal with administrative court	1	0%
Reasonable cause/Administrative Court	1	0%
Suspended	1	0%
Other	56	6%
Total number of complaints	**1,004**	**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.

United States v. City of Columbus. On September 30, 2009, United States has filed a lawsuit against the City of Columbus, Indiana, for violating the Fair Housing Act by refusing to grant a nonprofit organization a permit to operate a group home for 11 men recovering from drug and alcohol addiction. The lawsuit, filed in the U.S. District Court for the Southern District of Indiana, charges that the Columbus Board of Zoning Appeals discriminated on the basis of disability by refusing a permit because of discriminatory attitudes toward recovering addicts among neighboring property owners.

This lawsuit arose as a result of complaints filed with HUD by Addiction Counseling Treatment Services, the agency that wanted to establish the group home, to be called Bethesda House. HUD referred the cases to the Justice Department after conducting an investigation and issuing a charge of discrimination.

The suit seeks a court order prohibiting future discrimination by the city and requiring the city to grant the requested permit, revise its procedures to assure fair treatment for future housing projects for people with disabilities, pay monetary damages to compensate victims and pay a civil penalty.

United States v. Rathbone Retirement Community, Inc. (S.D. Ind.). On August 19, 2009, the District Court of Southern Indiana entered a consent order resolving United States v. Rathbone Retirement Community, Inc., a Fair Housing Act pattern or practice/election case alleging discrimination on the basis of disability. The United States' complaint, filed in November 2008, alleged that the Defendants violated the Fair Housing Act by adopting and maintaining a policy prohibiting the use of motorized wheelchairs and scooters in the Rathbone Retirement Community's common dining room during meals and in all residents' apartments. Under the terms of the consent order the corporate operator of the Rathbone Retirement Community, a retirement home for persons age fifty-five and older, and the facility's manager, Norma Helm, will have to pay a total of $70,000 to three former residents of the home, establish a $25,000 settlement fund, and pay the government a $21,000 civil penalty. The consent order also requires the Defendants to provide fair housing training for employees, adopt nondiscrimination and reasonable accommodation policies, and maintain and submit records to the United States for the two year term of the order.

United States of America v. Autumn Ridge Condo Association. In July 2008, the District Court for the Northern District of Indiana received a complaint filed by HUD charging the Autumn Ridge Condominium Association and members of its Board of Directors in violation of the Fair Housing Act on the basis of race, color and/or familial status.

The plaintiffs, two African-American adults and two African-American children, had arranged to purchase a condo at the Autumn Ridge Condominium Complex (Autumn Ridge) in Munster, Indiana. While Autumn Ridge did reserve the right to prohibit minor children from residing at Autumn Ridge, the Autumn Ridge Board of Directors (Board) indicated this would not prevent the plaintiffs from receiving Board approval to purchase the home. However, after the plaintiff's and Board's first in-person meeting, the Board reversed their decision and rejected the plaintiff's application to purchase the condo on the basis of the plaintiff's having children. The United States hopes for compensatory and punitive damages to be paid to the plaintiffs.

On September 25, 2008, the Court issued an Order granting a Motion to Intervene, which set in motion a series of requests. Eventually this case was referred to Magistrate Judge Paul R. Cherry to conduct such proceedings, including the scheduling and resolution of non-dispositive pre-trial matters and to conduct hearings, including evidentiary hearings, and submit proposed findings of fact. The most recent update on the case, on October 27, 2009, was a ruling was made that requires Condo Association to answer some financial questions that were made of them.

United States of America v. Town of St. John, Indiana. On March 17, 2009, the United States filed a proposed Consent Decree in United States v. Town of St. John in the District Court for the Northern District of Indiana, a Fair Housing Act pattern or practice case alleging discrimination on the basis of disability. The complaint, filed on September 21, 2007, alleged that the Town violated the Fair Housing Act by refusing to grant a variance to a St. John resident who wanted to allow one unrelated person with a disability to live with him in his single family home. Under the proposed settlement, the Town is required grant the requested variance, train Town officials directly involved in making zoning and land-use decisions, and provide periodic reports to the Justice Department. The Town is also required to pay a $10,000 civil penalty to the United States.

United States v. Lake County Board of Commissioners, et al. On May 25, 2007, Judge Rudy Lozano entered a Consent Decree resolving United States v. Lake County Board of Commissioners, et al. (N.D. Ind.), a Fair Housing Act election case which was referred by HUD. The complaint, filed on October 7, 2004, alleged that the defendants, the Lake County Board of Commissioners and Lake County Redevelopment Commission, violated the Fair Housing Act by retaliating against two County employees for supporting a new housing development in which African-Americans may have purchased homes and for assisting the Division in an earlier fair housing lawsuit against the City of Lake Station, Indiana.

The Consent Decree requires the defendants to pay a total of $350,000 to the two complainants. The payment includes fees for the attorney representing one of the complainants, who intervened in the action. It also requires the defendants to document their contention that they presently have a fair housing policy, conduct training for employees, and post a fair housing sign, and to continue those practices. The Court retains jurisdiction over the case for two years.

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 May 2008, the Indiana Supreme Court reversed the previous judgment of the trial court on the claim a restrictive homeowners association covenant (a claim of disparate impact) violated the Fair Housing Act and remand for reconsideration of the claim of intentional discrimination.

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 of Appeals 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."

The Indiana Supreme Court has since reversed the judgment of the trial court on the claim of disparate impact and remand for reconsideration of the claim of intentional discrimination.

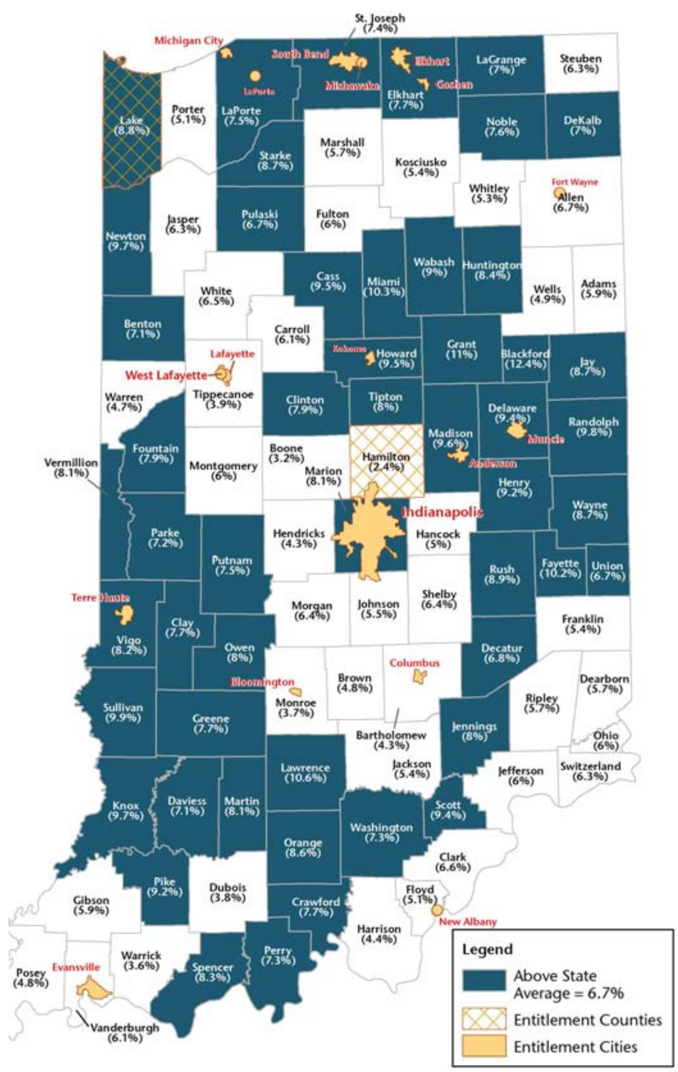
Lending Analysis

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

Foreclosures. The increase of the rate of foreclosures in the nation is often attributed to rapid population growth, increasing homeownership rates and the growing use of alternative lending products, including subprime loans.

HUD has estimated the number and percent of foreclosure starts from January 2007 through June 2008. As shown in the following exhibit, counties bordering Illinois and Michigan, along with counties north and east of Indianapolis contain the highest levels of foreclosures within the State.

Exhibit II-5.
Percentage of Foreclosures by County, State of Indiana, 2008

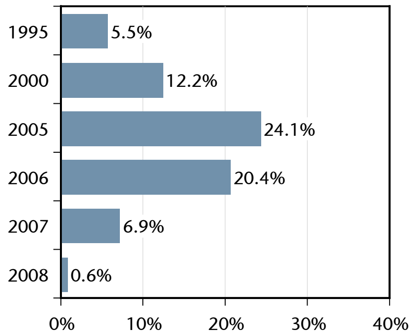


Note: Number of foreclosures divided by the total number of mortgages.

Source: U.S. Department of Housing and Urban Development, HUD User website

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.

Exhibit II-6.
Percentage of Residential Loans That Are Subprime, United States



Source: National Mortgage News.

The subprime market in the United States grew dramatically during the past 20 years. According to the National Mortgage News, the share of mortgage originations that had subprime rates in 1995 was less than 6 percent; by 2000, this had grown to 13 percent. However, by 2005, the subprime loan market represented 24 percent of all residential loans; in 2006, this percentage fell slightly to 20 percent. In Indiana, about 13 percent of all 2008 mortgage loan transactions for owner-occupied properties were subprime. Today, subprime originations are virtually non-existent. Exhibit II-13 displays the percentage of all residential loans represented by subprime loans in 2008.

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

More detailed analysis of subprime loans is included in the analysis of the Home Mortgage Disclosure Act data beginning on page 18 of this section.

[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.

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 the State of 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.

- The Center for Responsible Lending projected Indiana will experience 49,400 new foreclosures in 2009 and 164,400 homes lost through foreclosure over the next four years.

Indiana Legislature—mortgage lending and home loan foreclosures. In 2010, the following legislation was passed into law concerning mortgage lending and foreclosures in Indiana.

HB 1122. Abatement of Vacant or Abandoned Structures. This bill was introduced to help with abandoned property that sits for long periods of time without any action taken. The final compromise made a few modifications to the foreclosure notification.

- The required language for the notification tells the property owner to contact the IFPN instead of IHCDA.
- Property owners have to be notified of their rights to act before a sheriff's sale is conducted.
  - Appeal a finding of abandonment by court order
  - Redeem the real estate from the judgment
  - Retain possession of the property subject to certain conditions
- IHCDA is able to draft the notifications in any manner.

HB 1336/ SB 238 Public Depositories. This bill included improvements that were needed for the Indiana Public Depository Board and language to help with aggressive lending. The language that passed requires that a financial institution comply with the federal Credit Card Accountability Responsibility and Disclosure Act of 2009 in order to have public funds deposited.

This bill also creates a new voluntary Five Star Mortgage Program. If a financial institution carries mortgages that meet five standards then they are considered a Five Star Mortgage provider. The Department of Financial Institutions is administering the program. It is supposed to promote good mortgages and help people know where to find them. The program is completely voluntary.

2007 Indiana legislation. 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.

[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 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.

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 1,486 examinations completed from 1990 through 2009 in Indiana for which CRA exam data were reported.

Exhibit II-7.
CRA Ratings, Indiana, 1990 through 2009

	1990-1995		1996-2001		2002-2007		2008-2009		All Examinations (1990-2009)	
	Number	*Percent*	*Number*	*Percent*	*Number*	*Percent*	*Number*	*Percent*	*Number*	*Percent*
Outstanding	111	15%	87	20%	8	3%	1	1%	**207**	**14%**
Satisfactory	573	80%	336	78%	258	95%	65	97%	**1,232**	**83%**
Needs to Improve	31	4%	7	2%	5	2%	1	1%	**44**	**3%**
Substantial Noncompliance	3	0%	0	0%	0	0%	0	0%	**3**	**0%**
Total	**718**	**100%**	**430**	**100%**	**271**	**100%**	**67**	**100%**	**1,486**	**100%**
Percent of All Examinations	**48%**		**29%**		**18%**		**5%**		**100%**	

Note: Some banks have been examined more that once. Examinations took place from 1990 to 2008. All CRA files made public December 31, 2007

Source: FFEIC Interagency CRA Rating. All CRA files made public March 31, 2010.

As shown in the exhibit, 83 percent of the examinations conducted between 1990 and 2009 were satisfactory and 14 percent were outstanding. The exhibit also shows that only 23 percent of the examinations have occurred in the last 8 years, from 2002 to 2009, when almost 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 FY 2008, complaints in the home sale market and mortgage lending were the second and third largest forms of discrimination reported, respectively, to public and private fair housing groups throughout the United Sates.[3] [4] 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.[5] 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 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 348,681 mortgage loan applications made by Indiana borrowers in 2008. 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.

After screening all loans based on those parameters, we were left with approximately 275,353 loans to examine and analyze.

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[3] Rental complaints continue to represent the largest number of complaints, primarily because it is easier to recognize this type of discrimination.

[4] *2009 Fair Housing Trends Report,* National Fair Housing Alliance, May 1, 2009.

[5] 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.

Types of loan applications made. An analysis of the loan application records included in the HMDA data for Indiana showed that the majority of loan applications (72 percent) were for conventional loan products and the remaining 28 percent were for government guaranteed loan products. Rural Indiana had a similar distribution, with 74 percent conventional loans and 26 percent government guaranteed loan applications. Compared to 2007, the percent of conventional loans in 2008 has dropped substantially. In 2007, 91 percent of the loan applications were for conventional loans compared to 72 percent in 2008.

Most of the loan applications in Indiana were for refinancing existing home loans; these represented 58 percent of the applications. Thirty-two percent were for home purchases and 10 percent were for home improvement loans. Rural Indiana experienced similar results, with 60 percent of the loan applications for refinancing; 29 percent for home purchase; and 11 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 2008. Forty-eight percent of the State's loan applications were originated (approved) and 52 percent of rural Indiana's applications were originated.

Exhibit II-8.
Action Taken on Loan Applications, Indiana and Rural Indiana, 2008

	Indiana		Rural Indiana	
	Number	*Percent*	*Number*	*Percent*
Loan originated	142,036	52%	25,803	48%
Application approved but not accepted	16,960	6%	3,356	6%
Application denied by financial institution	78,718	29%	17,058	32%
Application withdrawn by applicant	30,035	11%	6,309	12%
File closed for incompleteness	7,604	3%	1,549	3%
Total Loan Applications	**275,353**	**100%**	**54,075**	**100%**

Note: Rural Indiana includes areas outside of the 16 MSAs in Indiana.
Source: FFEIC HMDA Raw Data 20078and BBC Research & Consulting.

The map below 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 29 percent. As shown in the map, rural areas and several metropolitan core counties tend to have higher rates of denial.

Exhibit II-9. Counties Whose Percent of Loan Applications Denied Is Above the State Average of Denials, 2008

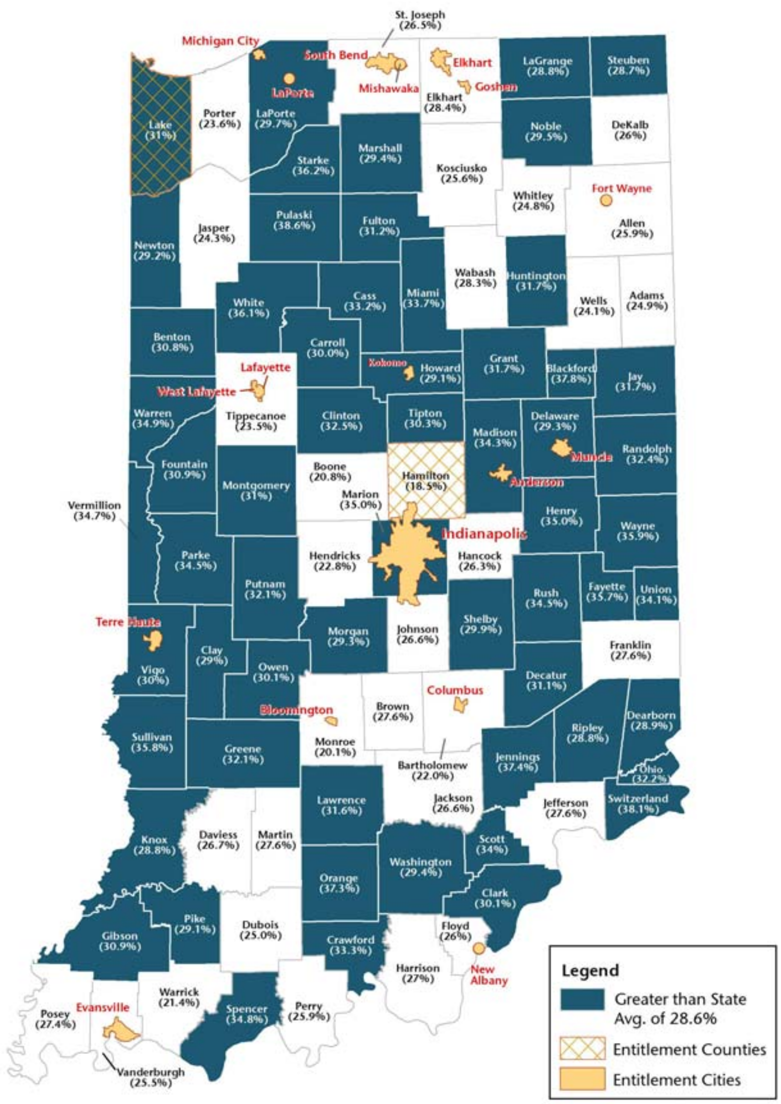
Note:

In 2008, 28.6 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 2008 and BBC Research & Consulting.



Race/ethnicity of loan applicants. Eighty-three percent of the Indiana loan applications (about 229,600 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, 90 percent or about 48,900 applications. Three percent of State applicants were Hispanic or Latino and two percent of rural applicants were Hispanic or Latino.

Exhibit II-10.
Action Taken on Loan Applications by
Race and Ethnicity for Indiana and Rural Indiana, 2008

	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	**52%**	**6%**	**29%**	**11%**	**3%**	**275,353**
American Indian or Alaskan Native	34%	5%	**46%**	12%	2%	1,103
Asian	**56%**	7%	24%	11%	2%	2,861
Black or African American	34%	6%	**45%**	11%	4%	16,138
Native Hawaiian or other Pacific Islander	**42%**	6%	38%	10%	4%	513
White	**55%**	6%	26%	10%	3%	229,596
NA/Unknown	34%	7%	**38%**	18%	3%	25,142
Hispanic or Latino	**43%**	7%	36%	10%	3%	9,160
Not Hispanic or Latino	**54%**	6%	27%	10%	3%	241,729
Total Rural Indiana Loan Applications	**48%**	**6%**	**32%**	**12%**	**3%**	**54,075**
American Indian or Alaskan Native	38%	2%	**46%**	12%	1%	207
Asian	**40%**	6%	32%	19%	3%	176
Black or African American	31%	8%	**45%**	14%	3%	459
Native Hawaiian or other Pacific Islander	41%	4%	**42%**	7%	6%	69
White	**50%**	6%	30%	11%	3%	48,911
NA/Unknown	25%	7%	**45%**	20%	4%	4,253
Hispanic or Latino	**42%**	6%	38%	11%	3%	1,036
Not Hispanic or Latino	**50%**	6%	30%	11%	3%	48,789

Source: FFEIC HMDA Raw Data 2008 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 1.71 times more likely to be denied than a white borrower. The differences in denials are lower for Hispanics and Non-Hispanics when compared to other minorities in the State.

Exhibit II-11.
Disparities in Loan Application Denial Rates for Indiana and Rural Indiana, 2008

Source:

FEIC HMDA Raw Data 2008 and BBC Research & Consulting.

Application denied by financial institution	Indiana	Rural Indiana
American Indian or Alaskan Native	1.75	1.54
Asian	0.89	1.05
Black or African American	1.71	1.48
Native Hawaiian or other Pacific Islander	1.43	1.39
White	NA	NA
NA/Unknown	1.43	1.49
Hispanic or Latino	1.34	1.25
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-12 shows the reasons for denials of 2008 loan applications for Indiana and rural Indiana.

Exhibit II-12. Reasons for Loan Application Denials for Indiana and Rural Indiana, 2008

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 2008 and BBC Research & Consulting.

	Indiana		Rural Indiana	
	Number	*Percent*	*Number*	*Percent*
Debt-to-income ratio	10,224	18%	1,845	16%
Employment history	977	2%	179	2%
Credit history	**18,964**	**33%**	**4,397**	**38%**
Collateral	12,977	23%	2,613	23%
Insufficient cash	1,551	3%	308	3%
Unverifiable information	1,879	3%	274	2%
Credit application incomplete	4,317	8%	686	6%
Mortgage insurance denied	301	1%	64	1%
Other	6,070	11%	1,139	10%
Total Denial Reasons	**57,260**	**100%**	**11,505**	**100%**

For loan applications in Indiana and rural Indiana that were denied, the primary reason was poor or no credit history, 33 percent and 38 percent, respectively. Other top reasons cited for credit denials involved issues related to collateral, excessive debt-to-income ratios and a catch-all category in the HMDA data labeled "other"

There was little difference between the reasons for denial among minorities and Whites. However, Asians were more likely to be denied loans due to their debt-to-income ratio.

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.*[6]

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 142,036 mortgage loans originated in Indiana in 2008, 18,059 (13 percent) were considered subprime by our definition (i.e., these loans met or surpassed the pricing reporting threshold required by HMDA data). This is down from 18 percent of originated loans being subprime in 2007.

[6] 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.

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

Exhibit II-13.
Subprime and Non-Subprime Loans, Indiana and Rural Indiana, 2008

Source:

FFEIC HMDA Raw Data 2008 and BBC Research & Consulting.

	Indiana		Rural Indiana	
	Number	*Percent*	*Number*	*Percent*
Not Subprime Loans	123,977	87%	21,553	84%
Subprime Loans	18,059	13%	4,250	16%
Total Loans Originated	**142,036**	**100%**	**25,803**	**100%**

The map on the following page shows the percentage of subprime loans by county in 2008.

Exhibit II-14.
Counties Whose Percent of Loan Originations that are Subprime Is Above the State Average of Subprime Loans, 2008

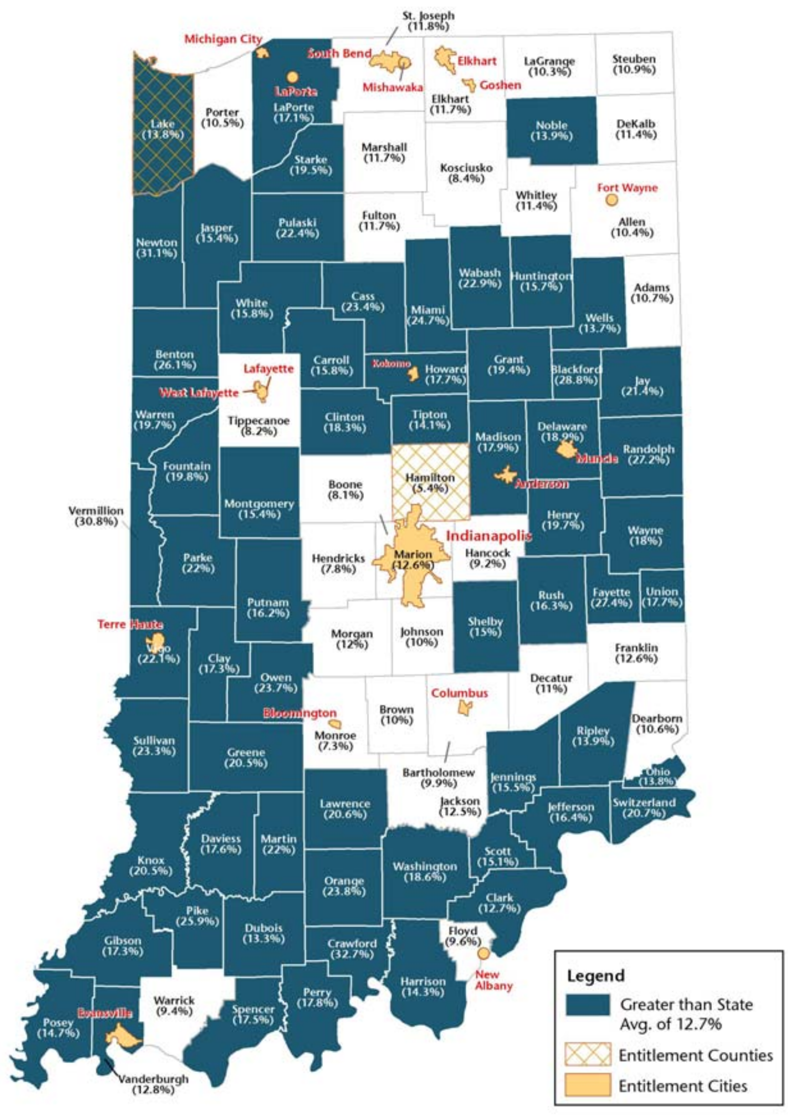
Note:

In 2008, 12.7 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 18,059 subprime loans that were originated to Indiana borrowers in 2008, 15,457 (86 percent) were made to borrowers who are White; 1,155 (6 percent) to African American borrowers; and 687 (4 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 2008 found only slight disparities in the percentage of borrowers who receive subprime loans by race and ethnicity. Exhibit II-15 shows the percentage of borrowers in 2008, 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, 17 percent of loans to Hispanic borrowers and 21 percent of loans to African American borrowers for the entire state of Indiana were subprime loans.

Exhibit II-15.
All Loans and Subprime Loans by Race and Ethnicity for Indiana and Rural Indiana, 2008

	Originated		Subprime Loans		Percent Subprime
	Loans	*Percent*	*Loans*	*Percent*	
Indiana Loans	**142,036**	**100%**	**18,059**	**100%**	**13%**
American Indian or Alaskan Native	377	0%	66	0%	18%
Asian	1,605	1%	104	1%	6%
Black or African American	5,539	4%	1,155	6%	21%
Native Hawaiian or other Pacific Islander	215	0%	31	0%	14%
White	125,707	89%	15,457	86%	12%
NA/Unknown	8,593	6%	1,246	7%	15%
Hispanic or Latino	3,952	3%	687	4%	17%
Not Hispanic or Latino	129,711	91%	16,159	89%	12%
Rural Indiana Loans	**25,803**	**100%**	**4,250**	**100%**	**16%**
American Indian or Alaskan Native	79	0%	12	0%	15%
Asian	71	0%	4	0%	6%
Black or African American	143	1%	42	1%	29%
Native Hawaiian or other Pacific Islander	28	0%	7	0%	25%
White	24,421	95%	3,944	93%	16%
NA/Unknown	1,061	4%	241	6%	23%
Hispanic or Latino	433	2%	93	2%	21%
Not Hispanic or Latino	24,290	94%	3,905	92%	16%

Source: FFEIC HMDA Raw Data 2008 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 1.70 times more likely to get a subprime loan than a White borrower and American Indian or Alaskan Native borrowers were 1.42 times more likely to get a subprime loan. Disparities in the other race categories were not as prevalent. Hispanics were about 1.40 times more likely to get a subprime loan than a non-Hispanic borrower.

Exhibit II-16. Subprime Origination Disparities by Race and Ethnicity for Indiana and Rural Indiana, 2008

Source:

FFEIC HMDA Raw Data 2008 and BBC Research & Consulting

	Indiana	Rural Indiana
American Indian or Alaskan Native	1.42	0.94
Asian	0.53	0.35
Black or African American	1.70	1.82
Native Hawaiian or other Pacific Islander	1.17	1.55
White	NA	NA
NA/Unknown	1.18	1.41
Hispanic or Latino	1.40	1.34
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-12, a poor credit history was the top reason that credit is denied to applicants in Indiana. The data also show that African American, American Indian/Alaskan Natives and Hawaiian/Pacific Islander 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 Property Tax Cap Amendment, legislatively-referred constitutional amendment, will appear on the November 2, 2010 ballot in the State of Indiana. The measure, if enacted by a simple majority of Indiana voters, will add property tax caps to the Indiana Constitution. A summary of the amendment, as provided by the Indiana General Assembly is as follows:

> ***Circuit breakers and other property tax matters.*** Requires, for property taxes first due and payable in 2012 and thereafter, the general assembly to limit a taxpayer's property tax liability as follows:
>
> (1) A taxpayer's property tax liability on homestead property may not exceed 1 percent of the gross assessed value of the homestead property.
>
> (2) A taxpayer's property tax liability on other residential property may not exceed 2 percent of the gross assessed value of the other residential property.
>
> (3) A taxpayer's property tax liability on agricultural land may not exceed 2 percent of the gross assessed value of the property that is the basis for the determination of the agricultural land.
>
> (4) A taxpayer's property tax liability on other real property may not exceed 3 percent of the gross assessed value of the other real property.
>
> (5) A taxpayer's property tax liability on personal property may not exceed 3 percent of the gross assessed value of the taxpayer's personal property that is the basis for the determination of property taxes within a particular taxing district.
>
> Specifies that property taxes imposed after being approved by the voters in a referendum shall not be considered for purposes of calculating the limits to property tax liability under these provisions. Provides that in the case of a county for which the general assembly determines in 2008 that limits to property tax liability are expected to reduce in 2010 the aggregate property tax revenue that would otherwise be collected by all units and school corporations in the county by at least 20 percent, the general assembly may provide that property taxes imposed in the county to pay debt service or make lease payments for bonds or leases issued or entered into before July 1, 2008, shall not be considered for purposes of calculating the limits to property tax.

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 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. Commonly these fess are nominal amounts and are 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. Very 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

Recent legislative sessions passed several bills that pertain to housing and community development issues and include:

2010 legislation:

HB 1122. Abatement of Vacant or Abandoned Structures. This bill was introduced to help with abandoned property that sits for long periods of time without any action taken. The final compromise made a few modifications to the foreclosure notification.

- The required language for the notification tells the property owner to contact the IFPN instead of IHCDA.
- Property owners have to be notified of their rights to act before a sheriff's sale is conducted.
    - Appeal a finding of abandonment by court order
    - Redeem the real estate from the judgment
    - Retain possession of the property subject to certain conditions
- IHCDA is able to draft the notifications in any manner.

HB SB 389 Information on Individual Development Accounts. Requires case workers to inform young adults leaving the foster care system about Individual Development Accounts in addition to other programs such as FASFA, Pell Grants, etc.

HB 1336/ SB 238 Public Depositories. This bill included improvements that were needed for the Indiana Public Depository Board and language to help with aggressive lending. The language that passed requires that a financial institution comply with the federal Credit Card Accountability Responsibility and Disclosure Act of 2009 in order to have public funds deposited.

This bill also creates a new voluntary Five Star Mortgage Program. If a financial institution carries mortgages that meet five standards then they are considered a Five Star Mortgage provider. The Department of Financial Institutions is administering the program. It is supposed to promote good mortgages and help people know where to find them. The program is completely voluntary.

Previous legislation:

Foreclosure and mortgage lending:

- ***HB 1176.*** For first mortgages closed after June 30, 2009 with an adjustable rate, prepayment fees or penalties are banned. The bill also prohibits "improperly influencing" the independent judgment of a real estate appraiser or the development of an appraisal.
- ***HB 1081.*** The bill imposes certain obligations on a plaintiff seeking to foreclose on a property with tenants and providing certain protections for those tenants. If a tenant is evicted without the specified obligations having been completed, they can bring suit against the landlord for actual damages.
- ***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.
- ***SB 285***. Counties can now provide the option to residents to receive property tax notices via e-mail.
- ***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. The IFPN includes a coalition of community organizations, housing-related agencies, government agencies, lenders and banks. This coalition has grown to more than sixty organizations and is continuing to add to its number.

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 and Focus Groups

To collect additional information from key informants about Indiana's housing and community development needs: interviews and focus groups were conducted during February and March 2010 with key persons who are knowledgeable about these needs in the State. The input from this comprehensive key informant effort was considered during development of the five year Consolidated Plan.

These key persons included economic development organizations, local government representatives, housing providers, community service providers, advocates and others. In addition to discussing information about the housing market in general, local economies and about the top housing and community development needs in the State, the stakeholders were asked about fair housing in the State of Indiana.

The following exhibit is a list of organizations and agencies that participated in the planning process as part of the stakeholder key person interviews and focus groups. Their input was very welcome and their thoughts much appreciated.

Exhibit II-17
Stakeholder Focus Groups and Key Person Interview Organizations/Agencies Consulted

Organization/Agencies	Organization/Agencies
AARP Indiana	Indiana University
Affordable Housing Corporation of Grant County	Indianapolis Resource Center for Independent Living (IRCIL)
Anchor House	Kankakee Iraquois Regional Planning Commission
Association of Indiana Counties	League for the Blind and Disabled
ATTIC, Inc	Main Street
Back Home in Indiana Alliance	Martindale Brightwood CDC
Center for Urban Policy and the Environment	Meridian Services
Center on Aging and Community, Indiana University	Midtown Mental Health
Children's Bureau	Near North Development Corporation
City of Logansport, Mayor and Deputy Mayor	Neighborhood Development Associates
Coburn Place Safe Haven	Northwestern Indiana Regional Planning Commission (NIRPC)
Community Action of Greater Indianapolis	Office of Family and Consumer Affairs
Community Action Program of Western Indiana	Paralyzed Hoosier Veterans (PHV)
Community Mental Health Center of Batesville	Pathfinder Services
Dayspring Center	Providence Housing Corporation
Eastern Indiana Development District	Providence Self-Sufficiency Ministries
Economic Development Coalition of Southwest Indiana	Quality L Solutions
Federal Home Loan Bank of Indianapolis	Randolph County Economic Development
Future Choices Inc.	Region III-A Economic Development District & RPC
Grant County Economic Development Council	River Hills Economic Development District & RPC
Hannum Wagle and Cline	Rural Rental Housing Association
Heart of the Tree City	Self Harvesting Capabilities
Holy Family Shelter	Southeastern Indiana Regional Planning Commission
Horizon House	Southern Indiana Development Commission
Housing Partnerships	Tangram Reshaping the Idea of Disability
Independent Living Center of Eastern Indiana	The Julian Center, Inc.
Indiana 15 Regional Planning Commission	The WILL Center
Indiana Association for Community Economic Development	Tikijan Associates
Indiana Association of Cities & Towns	USDA Rural Development
Indiana Association of Rehabilitation Facilities (INARF)	Volunteers of America
Indiana Association of United Ways	West Central Indiana Economic Development District
Indiana Civil Rights Commission	Workforce Inc.
Indiana Community Action Association	YMCA of Muncie
Indiana Council on Independent Living	YWCA of Muncie, Residential Program
Indiana Office of Tourism Development	

Source: 2010 Stakeholder Focus Groups and Key Person Interviews.

Focus groups. The focus groups of housing and special needs population professionals decided that zoning, the lack of transportation, the lack of funding for affordable housing, and the lack of housing rights education for stakeholders impedes access to fair housing and the development of affordable housing.

Many of the professionals in the focus groups mentioned they did not have much knowledge of the zoning regulations in their areas. However, some commented on residential zoning ordinances that result in people having to drive to work, and the lack of comprehensive zoning ordinances inclusive of all the needs for a community such as, shopping/banks, parks, housing and jobs. Some suggestions for fixing these problems included education for stakeholders and developers on zoning issues, and its future ramifications, reducing restrictions on multifamily housing, density bonuses and incentives.

Additionally, the housing and special needs population professionals recommended the State help residents have equal access to fair housing by investing in transportation, core areas near services, asset building and earned-income opportunities for individuals as feasible goals.

Key person interviews. Overall all key persons did not believe the state was handicapped by fair housing issues, but many proffered thoughtful social and economic impediments to affordable housing and economic development. The most common barrier mentioned overall was lack of affordable housing.

When key persons were asked the greatest need for housing in their area, the majority of respondents stated that the need was for affordable single family rentals. When asked if their clients could afford to buy or rent a house or apartment and keep it maintained, the majority of respondents answered that clients could not afford to buy or rent suitable housing or could not afford the maintenance or rehabilitation. The majority of respondents noted that the elderly, on a fixed income, were noted to be the group in greatest need of housing. The majority of respondents noted that fair housing is not an issue in their area.

Housing and Community Development Surveys

Two surveys were made available to residents and elected officials throughout the state in February and March 2010 to better understand housing and community development needs in rural areas. The resident survey was distributed to several housing and community development organizations, who were asked to complete the survey and to also distribute the survey to their clients to ensure input from people with low incomes, people who are homeless, persons with disabilities, at-risk youth, public housing clients and persons with special needs. The surveys were also available to complete electronically and the Resident Survey was available on OCRA's website.

Between February 8, 2010 and March 17, 2010, 570 respondents completed the Resident Survey and 122 elected officials completed the Elected Official Survey. The Resident Survey was offered in English and Spanish. There were no Spanish surveys completed. The majority of respondents (80 percent) completed the Resident Survey online and the remaining 20 percent completed a paper version of the survey.

The Resident Survey and Elected Official Survey asked respondents a number of questions about housing discrimination in their communities. Survey respondents were asked if discrimination in housing is a problem in their community and what is that discrimination based on. The majority of elected official responses, 78 percent, were that discrimination in housing is not a problem in their communities, compared to 23 percent of the resident responses were that discrimination is not a problem. The following exhibit shows respondents perception of the basis of housing discrimination in their communities.

Exhibit II-18.
Is discrimination in housing a problem in your community based on the protected classes?

Note:

Multiple responses were allowed.

Source:

2010 Indiana Resident Housing and Community Development Survey, 2010 Elected Official Housing and Community Development Survey and BBC Research & Consulting.

	Resident Survey		Elected Official Survey	
	Number	*Percent*	*Number*	*Percent*
Not a problem	181	23%	80	78%
Disability	151	19%	4	4%
Family size or type	133	17%	8	8%
National origin	72	9%	3	3%
Race/ethnicity	124	16%	4	4%
Religion	12	2%	0	0%
Sex	27	3%	0	0%
Other	86	11%	3	3%
Total responses	**786**	**100%**	**102**	**100%**

Respondents were asked what they would do or recommend if they or someone they knew had been discriminated against in trying to find a place to rent or a house to buy. Both residents and elected officials responded similarly, with contacting the local housing authority and the Indiana Civil Rights Commission being the top two places to contact.

Exhibit II-19.
What would you do or recommend someone you knew do who thought they'd been discriminated against in trying to find a place to rent or a house to buy?

Note:

Multiple responses were allowed.

Source:

2010 Indiana Resident Housing and Community Development Survey, 2010 Elected Official Housing and Community Development Survey and BBC Research & Consulting.

	Resident Survey		Elected Official Survey	
	Number	*Percent*	*Number*	*Percent*
Nothing	6	0%	1	1%
I don't know	35	3%	9	5%
File a complaint	185	15%	27	15%
Call/see ACLU	81	7%	5	3%
Call/see church/priest/pastor	22	2%	2	1%
Call/see the Better Business Bureau	74	6%	5	3%
Call/see the District Attorney	21	2%	1	1%
Call/see the Indiana Civil Rights Commission	**232**	**19%**	**45**	**25%**
Call/see the local government	146	12%	20	11%
Call/see the local Housing Authority	**241**	**20%**	**42**	**23%**
Call/see/get a lawyer	91	8%	21	12%
Other	70	6%	3	2%
Total responses	**1,204**	**100%**	**181**	**100%**

Approximately 60 percent of both the Resident Survey and Elected Official Survey respondents answered they knew who to contact if they ever felt discriminated against and wanted to report the discrimination. Residents were likely to contact their local government, their local Human Rights/Relations Commission or else the Indiana Civil Rights Commission. Elected officials responded similarly to the residents by contacting the ICRC, local Human Relation Commissions, local government or local housing authority.

Survey respondents were also asked if they knew who investigates housing discrimination in their community or in Indiana: 61 percent of the Resident Survey respondents did not know who does investigations, while only 22 percent of Elected Official Survey respondents did not know.

Top responses in regards to barriers of housing choice in the respondents communities included lack of employment opportunities and the cost of housing for both residents and elected officials, as shown in the following exhibit. Public transportation and the distance to employment were other frequently mentioned barriers to housing choice for both surveys.

Exhibit II-20.
Are the following barriers to housing choice in your community?

	Resident Survey		Elected Official Survey	
	Number	*Percent*	*Number*	*Percent*
Age-restricted housing (e.g., elderly only)	84	4%	17	6%
Cost of housing	**410**	**20%**	**52**	**18%**
Distance to employment	236	12%	44	15%
Housing discrimination	72	4%	1	0%
Lack of accessibility requirements for physically disabled	158	8%	23	8%
Lack of employment opportunities	**421**	**21%**	**78**	**26%**
Lack of knowledge about fair housing rights among residents	177	9%	15	5%
Lack of knowledge of fair housing regulations among landlords	164	8%	22	7%
Public transportation	308	15%	45	15%
Total responses	**2,030**	**100%**	**297**	**100%**

Note: Multiple responses were allowed.

Source: 2010 Indiana Resident Housing and Community Development Survey, 2010 Elected Official Housing and Community Development Survey and BBC Research & Consulting.

Elected officials were also asked if there are any zoning or land use laws in their community that create barriers to fair housing choice or that encourages housing segregation. Only one elected official responded that there was a law/regulation that created barriers to fair housing choice, the response mentioned the new county Master Plan as doing so.

PHA Survey

To better understand the demand for rental assistance, a mail survey of Public Housing Authorities (PHAs) in nonentitlement areas in the State was conducted as part of the 2010-2014 Consolidated Plan process. The survey collected information on Section 8 Housing Choice voucher usage as of December 31, 2009, by individual PHA. Forty-two surveys were mailed, and 13 responses were received, for a response rate of 31 percent.

A similar survey was completed in 2005 for the 2005-2010 Consolidated Planning process, which allows for some historical comparisons about voucher usage and the demand for vouchers over this five year period.

Of the 10 PHAs who responded to the questions asking if they permit applicants to reject public housing and remain on the waiting list, 90 percent do permit applicants to reject public housing units and remain on the waiting lists. The 2005 survey produced similar results: 80 percent permitted applicants to reject public housing units and remain on the waiting list and 20 percent said they do not.

One of the nine PHAs to the question asking if they have a policy of evicting tenants the first time they violate resident rules responded they did have such a policy, while an additional two PHAs responded it depends on the violation. The 2005 PHA survey reported that 5 of the 19 respondents to the question responded they did have such a policy to evict tenants the first time they violate resident rules.

PHAs were also asked if it is difficult for individuals or households with certain characteristics to find a unit that accepts vouchers. Two respondents said it was difficult for large families (typically with 4 or more children or those looking for four or more bedrooms) to find units and one respondent replied the ADA accessible units are always in limited supply.

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 a resident survey; an elected official survey; a public housing authority survey; four stakeholder focus groups; 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

Increase in alleged violation complaints concerning rentals. There has been an increase in the number of complaints of alleged violations concerning the discrimination in the terms/conditions/privileges relating to rental; discriminatory refusal to rent; discriminatory refusal to negotiate for rental; and discrimination in services and facilities relating to rental in recent years.

Predatory lending and access to credit. One outcome from the financial crisis has been that FHA mortgages have absorbed the subprime market. According to Mortgage Bankers Association data, the market share of subprime loans retracted by 2.5 percent while FHA's share grew by 6 percent from 2007-2009. Additionally, the 2008 HMDA data listed a poor credit history as the top reason that credit is denied to applicants in Indiana. 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. *This impediment was found to exist in both 2006 and 2010.*

Impediments in the Public Sector

Fair housing awareness. 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. *This impediment was found to exist in both 2006 and 2010.*

Impediments in the Public and Private Sectors

Lack of affordable housing and services, particularly for special needs populations. Lack of quality, affordable housing was a common theme of the stakeholders interviewed for the current AI and previous AI updates. 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. During the 2009 AI update and 2010 AI, many stakeholders commented on the lack of affordable, accessible housing for persons with disabilities as being a major barrier to housing choice in the State. *This impediment was found to exist in both 2006 and 2010.*

Complaint data from the ICRC reported the third most common alleged violation complaint made during 2008 and 2009 was the "Failure to provide reasonable modification." The number of complaints with this type of alleged violation has increased from 13 complaints made during 2006 and 2007 to 160 complaints made in 2008 and 2009, a 1,131 percent increase.

This impediment was found to exist in both 2006 and 2010.

Housing discrimination. According to ICRC complaint data, the most common types of housing discrimination in the State are based on race/national origin, disability and familial status. A resident survey completed in 2010 asked if discrimination in housing is a problem in their community and what is that discrimination based on. Twenty-three percent of the resident responses were that discrimination is not a problem, followed by discrimination being based on disability, family size and race/ethnicity. *This impediment was found to exist in both 2006 and 2010.*

2010-2014 Fair Housing Action Plan

To address the impediments identified above, the State of Indiana will undertake the following fair housing activities during 2010.

2010 Fair Housing Action Plan. To address the impediments identified above, the State of Indiana will undertake the following fair housing activities during 2010.

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.

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 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. IHCDA has established a goal to provide 2 to5 education trainings on foreclosure prevention and predatory lending each year.

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.

Program year 2010 to 2014 fair housing goals and accomplishments. The matrix below summarizes the State's Fair Housing Action Plan for program years 2010 to 2014 to minimize impediments.

Exhibit III-1.
Fair Housing Action Plan Matrix, FY2010 to 2014

Task Description	Impediments Addressed	Activities	Goals 2010	Goals 2011	Goals 2012	Goals 2013	Goals 2014	Accomplishments 2010	Accomplishments 2011	Accomplishments 2012	Accomplishments 2013	Accomplishments 2014
1. Fair housing outreach and education.	▪ Discrimination faced by Indiana residents. Fair housing 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	40-50					
		▪ IHCDA will refer compliance issues to HUD (as needed).	X	X	X	X	X					
3. Fair housing training.	▪ Discrimination faced by Indiana residents. Fair housing 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.	▪ 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	4					
6. ADA inspections.	▪ Lack of affordable housing for special needs populations.	▪ Inspect IHCDA funded properties for ADA compliance (properties).	100	100	100	100	100					
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	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	2-5					
		▪ IHCDA will oversee the Indiana Foreclosure Prevention Network.	X	X	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	X	X					

Source: Indiana Housing and Community Development Authority.

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

Program year 2009fair housing accomplishments. To date during program year 2009, the State of Indiana completed the following actions to affirmatively further fair housing:

- IHDA staff monitored 62 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 2009 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 2009, IHCDA provided comprehensive grant implementation training for nascent grantees as well as customized one-on-one trainings for more seasoned developers.
- During Program Year 2009, 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.
- 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.
- During PY 2009, IHCDA completed 70 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 promoted Fair Housing Month in April 2010 to bring even greater emphasis on the rights and requirements under Fair Housing law.
- IHCDA worked 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.

Program year 2006 to 2009 fair housing goals and accomplishments. The matrix below summarizes the State's Fair Housing Action Plan and reports the activities that were accomplished in 2006 to 2009 to date to minimize impediments.

Exhibit III-2.
Fair Housing Action Plan Matrix, FY2006 to 2009

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	X	X	X
		2) Display a fair housing poster;	X	X	X	X	X	X	X	X
		3) Include the fair housing logo on all print materials.	X	X	X	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	35	48	62
		▪ IHCDA will refer compliance issues to HUD (as needed).	X	X	X	X	0	0	0	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	X	X	X
		▪ New IHCDA grantees will receive fair housing training.	X	X	X	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	NA	X	0
		▪ IHCDA will serve on the Indianapolis Partnership for Accessible Shelters	X	X	X	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	0	0	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	85	120	70
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	X	X	X
		2) Promote fair housing month (April) and residents fair housing rights.		X	X	X		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	4		5
		▪ Strengthen legislation to prevent predatory activities.	X	X			X	X	X	X
		▪ IHCDA will oversee the Indiana Foreclosure Prevention Network.		X	X	X		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		X	X	X

Source: Indiana Housing and Community Development Authority.

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 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 to educate consumers about how to avoid predatory lending and provide two to five trainings on foreclosure prevention and predatory lending annually.
- 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 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.

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
Socioeconomic and Housing Market Analysis

SECTION III.
Socioeconomic and Housing Market Analysis

This section discusses the demographic, economic and housing characteristics of the State of Indiana, including changes in population, household characteristics, income, employment, education, housing characteristics and housing prices and affordability to set the context for the housing and community development analyses in later sections of the State of Indiana Five Year Consolidated Plan. This section incorporates the most recently released socioeconomic data from the U.S. Census Bureau and State data sources.

Population Growth

The U.S. Census Bureau estimates Indiana 2009 population at 6,423,113 residents, an increase of over 34,800 residents from 2008. The state's population increased from 2000 (6,080,485) and from last year's estimate of 6,388,309. In recent years the state's population growth has been declining. Between 1990 and 2000, the state grew at average annual rate of 1.0 percent per year. Between 2000 and 2009, 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 5.6 percent between 2000 and 2009, compared to Kentucky's population increase of 6.7 percent. Michigan's population increase of 0.3 percent during 2000 to 2009 made it the slowest growing of Indiana's neighboring states. Illinois grew by 4.0 percent and Ohio grew by 1.7 percent over the same time period.

City and County growth rates. Many of Indiana's top growth counties were located in the nine-counties that comprise the Indianapolis region, indicating that suburban metropolitan communities are absorbing much of Indiana's new growth. Hamilton County, located in the northeastern part of the Indianapolis region, grew by the largest percentage of all Indiana counties since 2000: from 2000 to 2008, the County grew by 48 percent.

Exhibit III-1 depicts county-specific growth patterns between 2000 and 2008. The entitlement counties of Lake and Hamilton experienced population growth overall; however, as can be seen in Exhibit III-2, 11 of the 22 entitlement cities in Indiana experienced population declines. Fourteen of the 20 fastest cities in towns from 2000 to 2008 are located in the Indianapolis MSA. This may indicate Indiana's city and rural residents are relocating to the suburbs. Counties near large metropolitan areas grew at rates faster than Indiana as a whole, while counties with declining populations were seen west and southeast of the Indianapolis MSA and along the northern border shared with Michigan.

Exhibit III-1. Population Change of Indiana Counties, 2000 to 2008

Note:

Indiana's population change was 4.9 percent from 2000 to 2008.

Source:

Population Division, U.S. Census Bureau, compiled by Indiana Business Research Center and BBC Research & Consulting.

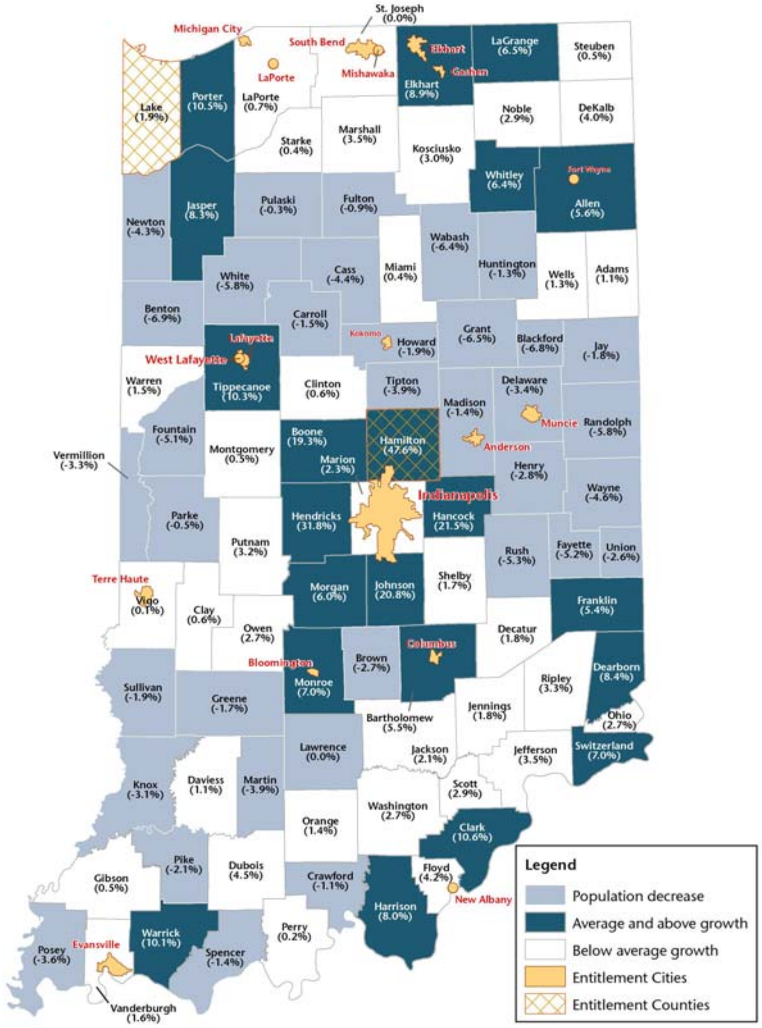


Exhibit III-2 shows population growth from 2000 to 2008 in Community Development Block Grant (CDBG) entitlement and non-entitlement areas. As of 2008, 57 percent of Indiana's total population resides outside of CDBG entitlement areas. Higher growth was seen in entitlement areas (7.5 percent) from 2000 to 2008 compared to non-entitlement area growth (3.3 percent) during the same period.

Exhibit III-2.
Population Change, State of Indiana, 2000 to 2008

	2000		2008		Percent Change 2000 –2008
	Number	*Percent*	*Number*	*Percent*	
Indiana	6,080,485	100%	6,388,309	100%	5.1%
Non-Entitlement	3,512,126	58%	3,627,008	57%	3.3%
CDBG Entitlement	2,568,359	42%	2,761,301	43%	7.5%
CDBG Entitlement Areas:					
Hamilton County	**182,740**		**269,785**		**47.6%**
Lake County:	**484,564**		**493,800**		**1.9%**
East Chicago	32,414		29,978		-7.5%
Gary	102,746		95,920		-6.6%
Hammond	83,048		76,732		-7.6%
Balance of Lake County	266,356		291,170		9.3%
Cities:					
Anderson	59,734		57,282		-4.1%
Bloomington	69,291		71,819		3.6%
Carmel	37,733		66,769		77.0%
Columbus	39,059		40,001		2.4%
Elkhart	51,874		52,653		1.5%
Evansville	121,582		116,309		-4.3%
Ft. Wayne	205,727		251,591		22.3%
Goshen	29,383		32,630		11.1%
Indianapolis (balance)	781,870		798,382		2.1%
Kokomo	46,113		45,694		-0.9%
LaPorte	21,621		21,174		-2.1%
Lafayette	56,397		64,049		13.6%
Michigan City	32,900		32,405		-1.5%
Mishawaka	46,557		50,026		7.5%
Muncie	67,430		64,975		-3.6%
New Albany	37,603		37,296		-0.8%
South Bend	107,789		103,807		-3.7%
Terre Haute	59,614		60,007		0.7%
West Lafayette	28,778		30,847		7.2%

Note: 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, Muncie, St. Joseph County Consortium, Terre Haute, Tippecanoe County Consortium.

Source: Population Division, U.S. Census Bureau, compiled by Indiana Business Research Center.

Components of population change. Exhibit III-3 shows the components of the population change for 2001 through 2009. Population growth from 2000 to 2009 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 to 8,500 persons in 2007, 5,600 persons in 2008 and 2,400 persons in 2009.

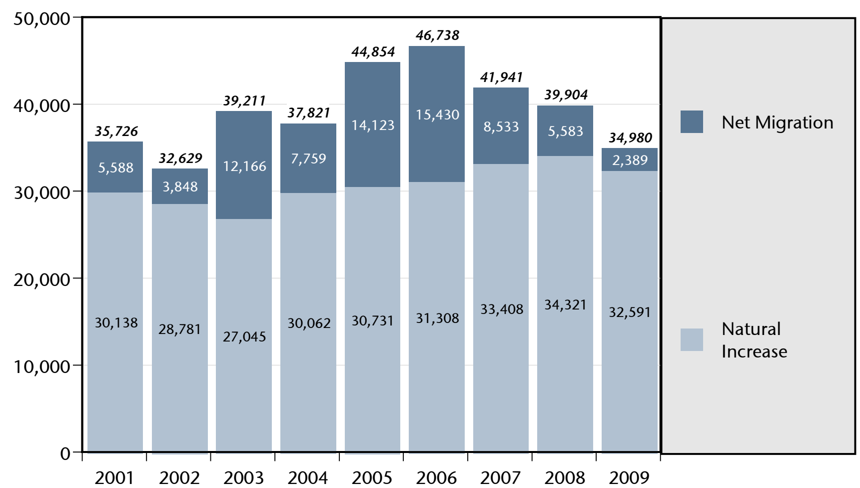
Exhibit III-3. Components of Population Change, State of Indiana, 2001 to 2009

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.

Source:

U.S. Census Bureau's Population Estimates.



Future growth. The Indiana Business Research Center (IBRC) projects a State population of 6,427,236 in 2010 and 6,581,875 in 2015. This equates to a growth rate of 2.5 percent from 2009 to 2015, which is 1.4 percentage points less than the growth rate experienced in the years 2003 to 2009. Simply stated, growth in Indiana is slowing.

Population Characteristics

In 2008, Indiana's median age was estimated to be 36.8, compared to 35.2 in 2000 and 36.5 in 2007. Similar to the rest of the nation, Indiana's baby boomers are close approaching old age and the overall age distribution of the State is shifting older. In 2008, approximately 63 percent of the State's population was between the ages of 18 and 64 years. Overall, 13 percent of Indiana's population was age 65 years and over in 2008.

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, State of Indiana, 2008

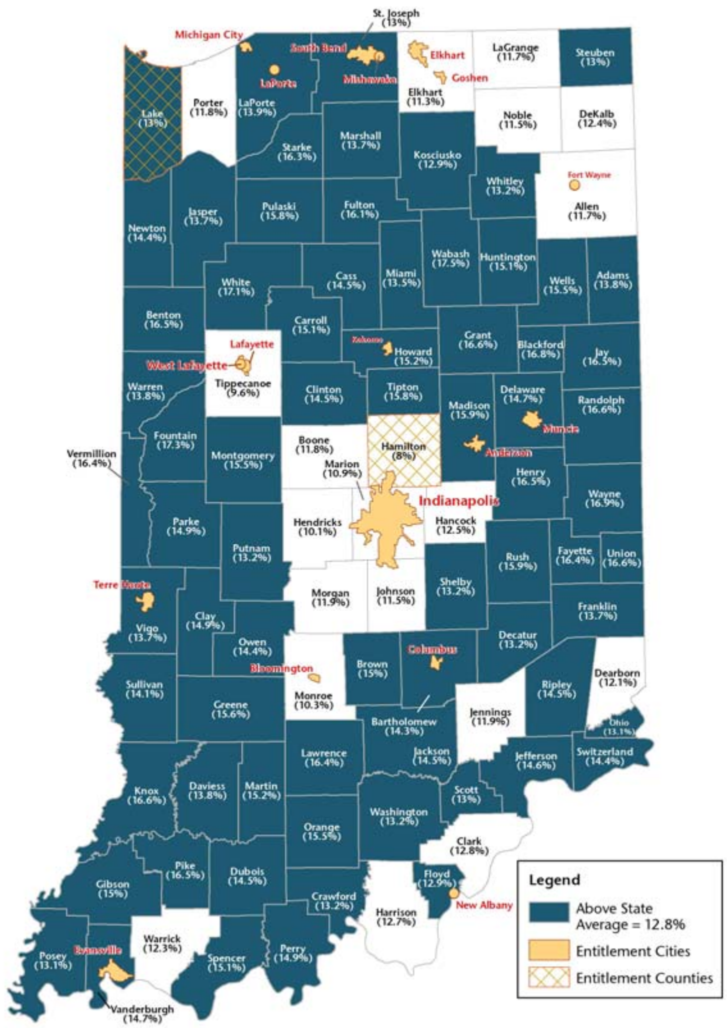
Note:

In 2008, 12.8 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.



Racial/ethnic diversity. Indiana's racial composition changed very little between 2000 and 2008. Individuals defining themselves as White comprised 89 percent of the population in 2000 and 88 percent of the population in 2008. The state did experience a slight increase in Asian residents, African American residents, American Indian and Alaska Native resident and those residents recorded as being of Two or More Races over that same time period. 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 5.2 percent by 2008. Exhibit III-5 shows the breakdown by race and ethnicity of Indiana's 2000 and 2008 populations.

Exhibit III-5.
Population by Race and Ethnicity, State of Indiana, 2000 and 2008

	2000		2008	
	Number	Percent	Number	Percent
Total Population	**6,091,955**	**100%**	**6,376,792**	**100%**
American Indian and Alaska Native Alone	15,834	0.3%	20,390	0.3%
Asian Alone	60,638	1.0%	86,768	1.4%
Black or African American Alone	518,077	8.5%	578,088	9.1%
Native Hawaiian/Other Pacific Islander Alone	2,332	0.0%	3,136	0.0%
White Alone	5,439,298	89.3%	5,611,577	88.0%
Two or More Races Alone	55,776	0.9%	76,833	1.2%
Hispanic or Latino (of any race)	216,919	3.6%	332,225	5.2%

Source: U.S. Census Bureau's 2000 Census and 2008 Populations 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. Allen, Marion, Lake, LaPorte and St. Joseph counties contain 76 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, State of Indiana, 2008

Note:

In 2008, African Americans made up 9.1 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, compiled by Indiana Business Research Center and BBC Research & Consulting.

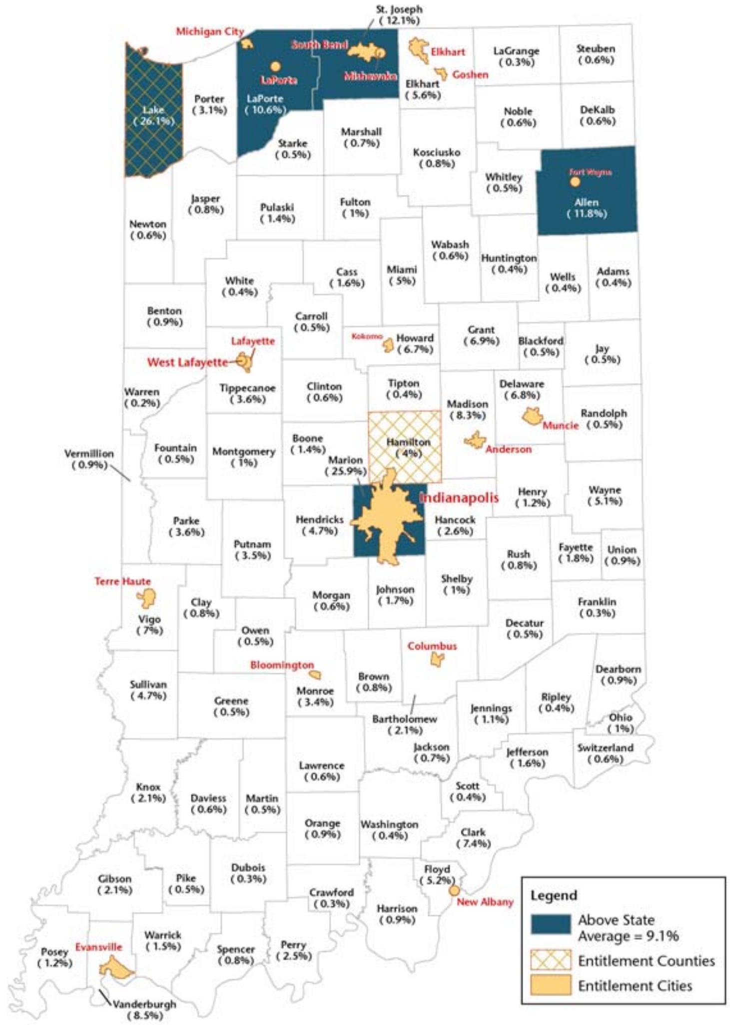


Exhibit III-7 shows the 13 counties whose population had a greater concentration of the Hispanic/Latino population than the 2008 State average of 5.2 percent.

Exhibit III-7.
Counties Whose Hispanic/ Latino Population is Greater than the State Average, State of Indiana, 2008

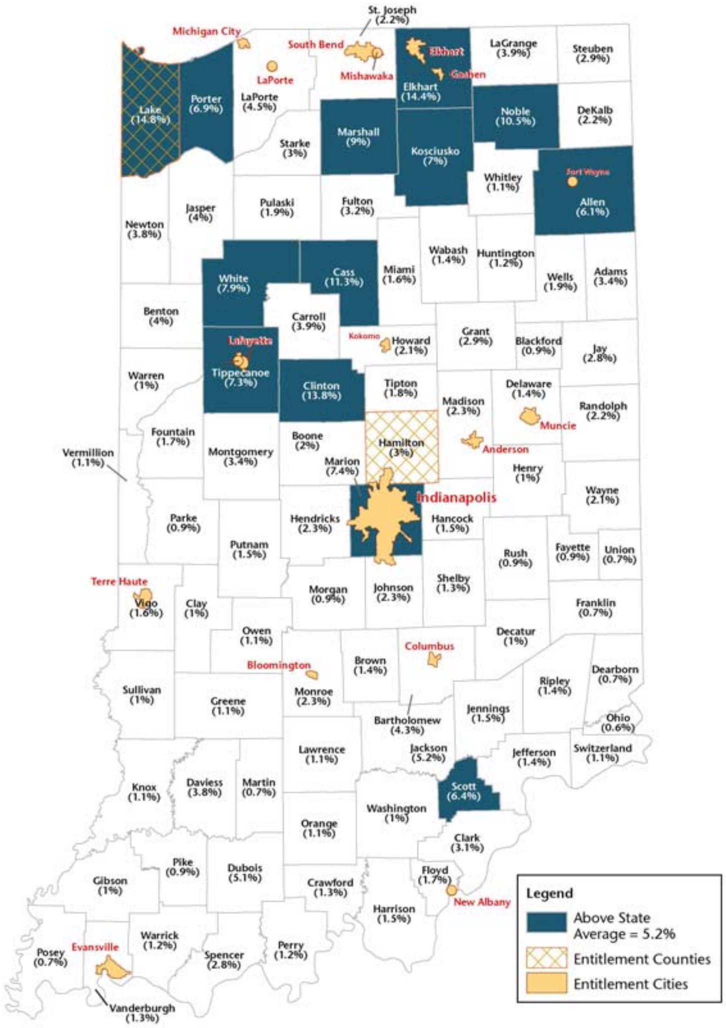
Note:

In 2008, Hispanics/Latinos made up 5.2 percent of the State's population.

The shaded counties have a higher percentage of their population that is Hispanic/Latino than the State overall.

Source:

U.S. Census Bureau's Population Estimates, compiled by Indiana Business Research Center 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 2008, 1.7 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, State of Indiana, 2000

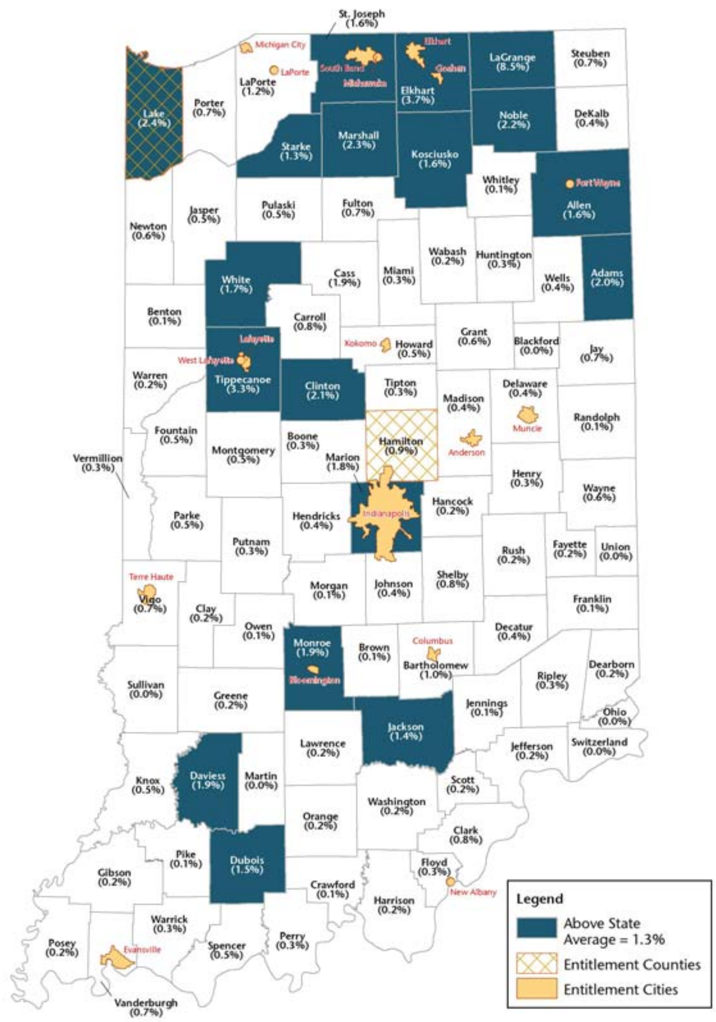
Note:

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.

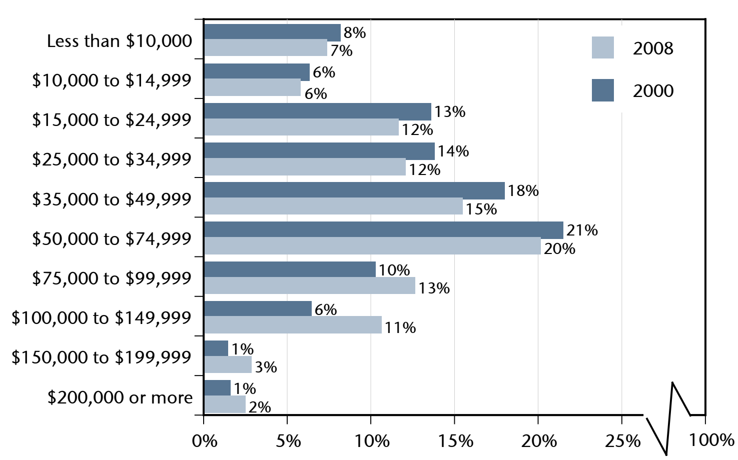


Income growth. Indiana's median household income in 2008 was $47,966, compared to $41,567 in 2000 and $47,448 in 2007. Exhibit III-9 shows the distribution of income in the State in 2000 compared to 2008 in inflation-adjusted dollars. The percentage of residents in the higher income brackets has risen since 2000. For example, approximately 9 percent of all Indiana households earned $100,000 or more in 2000; in 2008, the percentage had risen to 16 percent of all households.

Exhibit III-9.
Percent of Households by Income Bracket, State of Indiana, 2000 and 2008

Source:

U.S. Census Bureau's 2000 Census and 2008 American Community Survey.



Poverty. In 2008, the U.S. Census Bureau reported that 13.1 percent of Indiana residents were living below the poverty level. This is an increase of 3.6 percentage points from 2000 (9.5 percent of all residents living below poverty level). As seen in Exhibit III-10, the percentages of many age groups and family types living below the poverty level has increased from 2000 to 2008. For example, 18 percent of Indiana residents under age 18 lived below the poverty level in 2008, an increase of 6 percentage points from 2000. Similarly, 37 percent of female-headed households with children and no husband present lived below the poverty level in 2008, an increase of 7.0 percentage points from 2000.

Exhibit III-10.
Percent Living Below the Poverty Level, State of Indiana, 2000and 2008

Source:

U.S. Census Bureau's 2000 Census and 2008 American Community Survey.

	2000	2008	Net Change from 2000 to 2008
All residents	9%	13%	4%
Persons under age 18	12%	18%	6%
Persons age 18 to 64	9%	12%	3%
Persons age 65 and older	8%	8%	1%
Households with related children under 18 years	10%	15%	5%
Female head of household with children present	30%	37%	7%

The Census also provides poverty data from the Small Area Income and Poverty Estimates program, for school districts, counties, and states. The following map shows the percent of the population living below poverty for each county. The darker shaded counties have a higher percent of their population living below the poverty level than the state average of 12.9 percent.

Exhibit III-11. Percent of Population Living Below Poverty Level by County, State of Indiana, 2008

Note:

SAIPE estimates 12.9 percent of the State's population to be living below the poverty level n 2008.

Source:

U.S. Census Bureau's Small Area Income and Poverty Estimates.

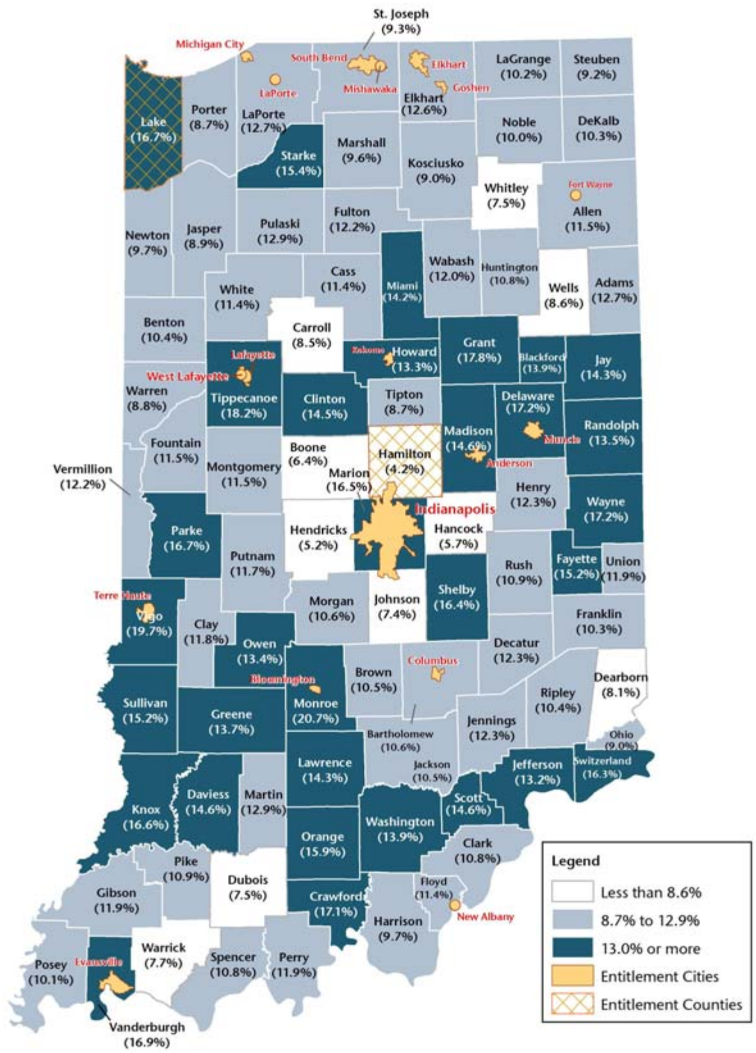
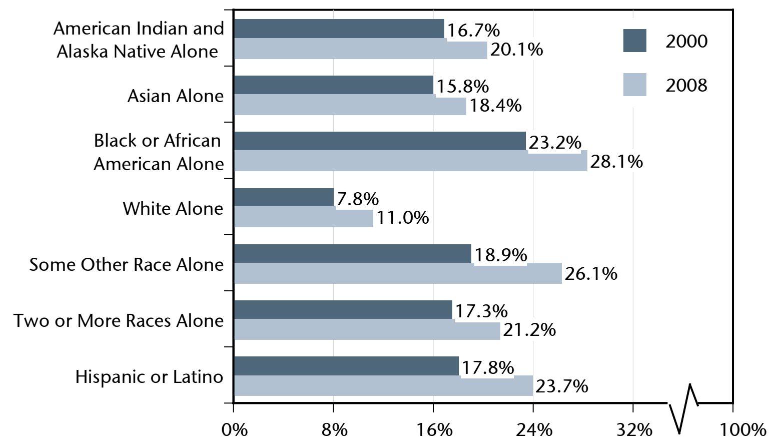


Exhibit III-12 compares the percentage of persons living in poverty for each race and ethnicity in 2000 and 2008. Indiana residents who were White had the lowest poverty rate in 2008; African Americans, Hispanics/Latinos, those of Two or More Races and those of Some Other Race had the highest rates of poverty in the State. A higher percentage of every race lived below the poverty level in 2008 than in 2000.

Exhibit III-12.
Percentage of Population Living Below the Poverty Level by Race and Ethnicity, State of Indiana, 2000 and 2008

Source:

U.S. Census Bureau's 2000 Census and 2008 American Community Survey.



Of the State of Indiana's total population of persons living in poverty in 2008, 72 percent were White, 18 percent were African American, 9 percent were Hispanic/Latino, 4 percent were Some Other Race, 3 percent were Two or More Races and 2 percent were Asians. This compares to the general population distribution of 86 percent White, 8 percent Black/African American, 5 percent Hispanic/Latino, 2 percent Some Other Race, 2 percent Two or More Races and 1 percent Asian. Therefore, the State's African American. Hispanic/Latino and Some Other Race populations are disproportionately more likely to be living in poverty.

In addition, 21.2 percent of persons with disabilities, or 166,523 persons, lived below the poverty level in 2008.

Educational attainment. The percent of college-educated Indiana residents increased moderately between 2000 (19 percent) and 2008 (23 percent). Indiana trails the U.S. average of 28 percent in higher education attainment. In general, Indiana has a less educated population than the U.S. as a whole.

Exhibit III-13 maps all counties with a higher percent increase in high school dropouts from 2000 to 2007 than the overall population percent increase of 4.4 percent. In all, 37 of the 92 counties had a larger percentage increase in high school dropouts than the overall population increase.

Exhibit III-13.
High School Dropouts, Percent Increase Greater Than That of Population, State of Indiana, 2000 to 2007

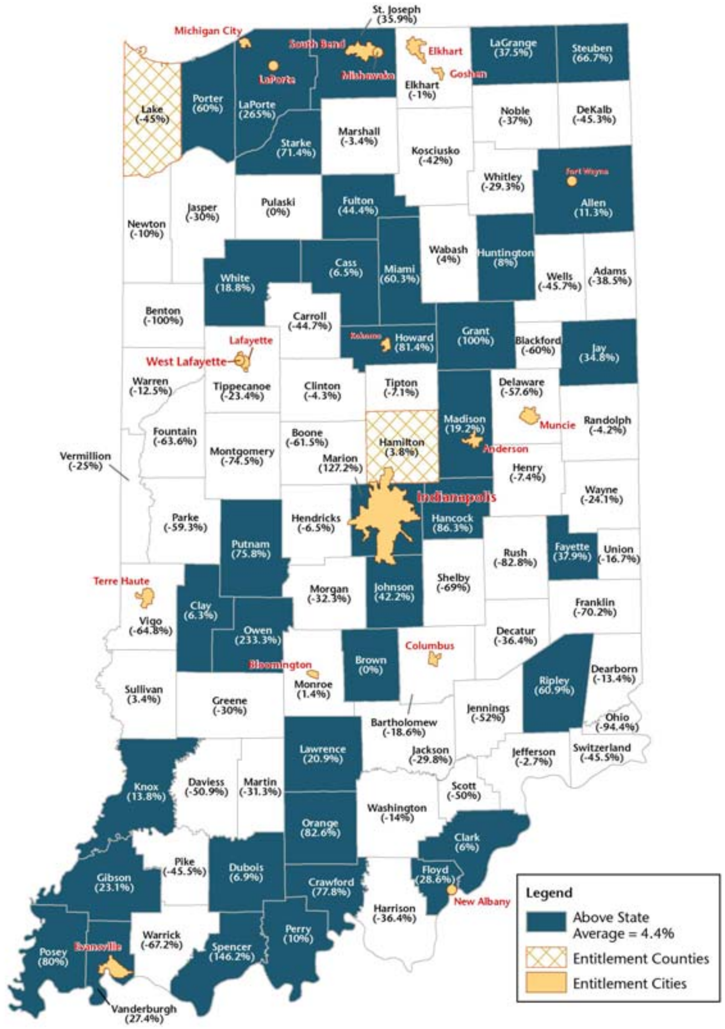
Note:

The data includes students who participate in all public and nonpublic accredited school corporations in Indiana

The shaded counties have a higher percent increase in high school dropouts from 2000 to 2007 than the overall State population percent increase of 4.4 percent.

Source:

Indiana Department of Education data compiled by STATS Indiana, Indiana Business Research Center at Indiana University's Kelley School of Business and BBC Research & Consulting.

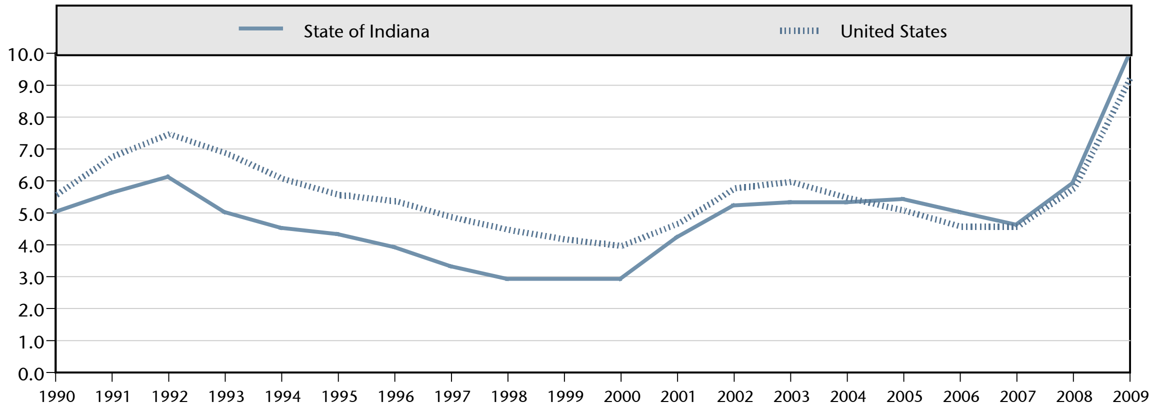


Employment

This section addresses the State's economy in terms of unemployment, employment sectors and business growth and decline.

Unemployment. As of 2009, the average unemployment rate in Indiana was 9.9 percent. This represents the highest unemployment rate for the State since 1983 (11.1 percent unemployment). During 2009, monthly unemployment rates reached a low of 9.2 percent in September and a high of 10.6 percent in March and June. Exhibit III-14 shows the broad trend in unemployment rates since 1990 for Indiana and the United States.

Exhibit III-14.
Average Annual Unemployment Rate, State of Indiana, 1990 to 2009



Note: Resident Labor Force Estimates (not seasonally adjusted).

Source: Bureau of Labor Statistics as compiled by the Indiana Business Research Center, IU Kelley School of Business.

Indiana had the 13th highest average unemployment rate in 2009 of the states with Michigan having the highest unemployment rate of 14 percent.

County unemployment rates ranged from a low of 5.6 percent in Daviess County to a high of 16.6 percent in Elkhart County. Exhibit III-15 displays the 2009 average unemployment rate by county, as reported by the Bureau of Labor Statistics. The shaded counties have an average unemployment rate higher than the statewide average of 9.9 percent.

Exhibit III-15. Average Annual Unemployment Rate, by County, State of Indiana, 2009

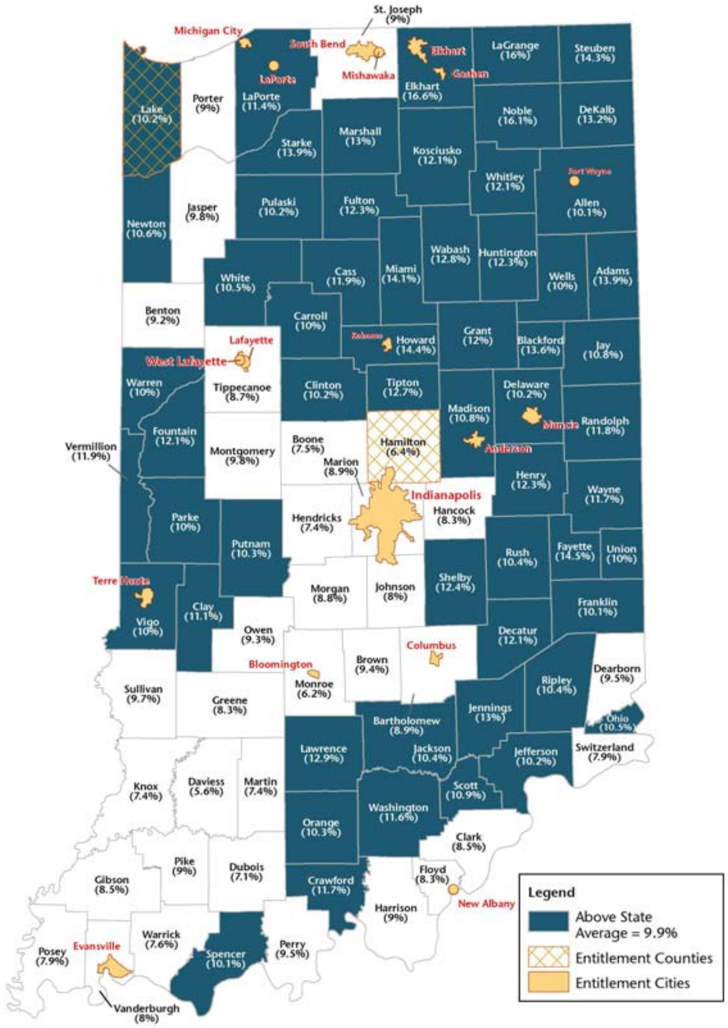
Note:

Indiana's average unemployment rate was 9.9 percent in 2009.

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

Source:

Bureau of Labor Statistics as compiled by the Indiana Business Research Center, IU Kelley School of Business.

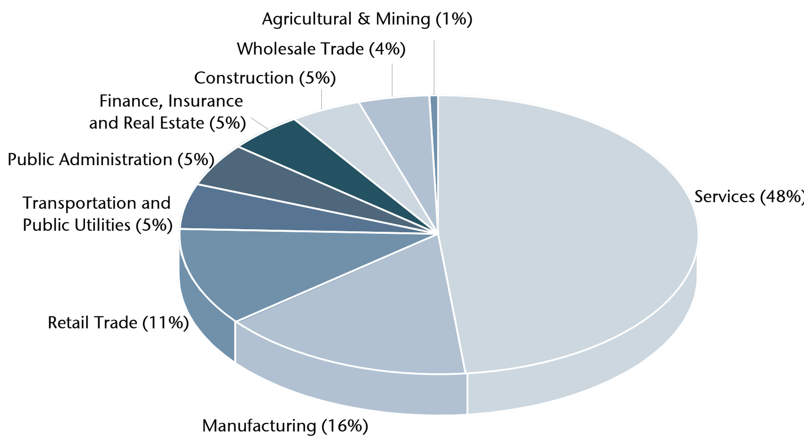


Employment sectors. The service industry and manufacturing industry play a large role in Indiana's job market by providing more than 64 percent of the State's jobs in the second quarter in 2009 (the most recent data available). Additionally, the retail trade industry employed 11 percent of the State's workforce, as shown in the following exhibit.

Exhibit III-16.
Employment by Industry, State of Indiana, Second Quarter 2009

Source:

Indiana Business Research Center, IU Kelley School of Business (based on ES202 data).



From the second quarter of 2004 to the second quarter of 2009, Indiana lost over 150,000 jobs, the majority of which were manufacturing jobs. Comparing employment data from five years ago shows a shift from the proportion of manufacturing jobs to service industry jobs. In the second quarter of 2004, 20 percent of Indiana's jobs were manufacturing while five years later in 2009 manufacturing jobs provided 16 percent of the jobs in Indiana. Comparatively, the service industry made up 44 percent of Indiana's jobs in 2004 while in 2009 the share increased to 48 percent of the jobs.

Exhibit III-17 shows the 2nd quarter 2009 average weekly wage and the percent of total jobs by employment industry to Indiana. The highest wage industries are the utilities and management of companies and enterprises. However, these two industries only make up 2 percent of all jobs in Indiana. The manufacturing industry, which comprises 16 percent of all jobs, has an average weekly wage $955. The lowest wage industries include accommodation and food services and retail trade.

Exhibit III-17. Average Weekly Wage and Percent of Total Jobs by Industry, State of Indiana, Second Quarter 2009

Source:

Indiana Business Research Center, IU Kelley School of Business (based on ES202 data).

	Average Weekly Wages	Percent of Total Jobs
Total	**$710**	**100%**
Utilities	$1,278	1%
Management of Companies and Enterprises	$1,260	1%
Mining	$1,069	0%
Professional, Scientific, and Technical Services	$996	4%
Manufacturing	$955	16%
Wholesale Trade	$954	4%
Finance and Insurance	$953	4%
Construction	$876	5%
Information	$824	2%
Public Administration	$764	5%
Health Care and Social Services	$744	14%
Transportation & Warehousing	$739	5%
Educational Services	$710	9%
Real Estate and Rental and Leasing	$600	1%
Agriculture, Forestry, Fishing and Hunting	$552	0%
Admin. & Support & Waste Mgt. & Rem. Services	$503	5%
Other Services (Except Public Administration)	$478	3%
Arts, Entertainment, and Recreation	$455	2%
Retail Trade	$432	11%
Accommodation and Food Services	$242	9%

The following exhibit maps the average weekly wage by county. Indiana's highest average weekly wage is in Martin County ($1,141). The majority of Martin County's employment composition is comprised of public administration (45 percent of all jobs), manufacturing (16 percent) and professional, scientific, and technical services (11 percent). These make up 72 percent of all the jobs in Martin County. Brown County has the lowest average weekly wage ($419) of Indiana counties. Forty percent of Brown County jobs are in accommodation and food services and the retail trade, which are typically low-wage jobs.

Exhibit III-18.
Average Weekly Wage by County, State of Indiana, Second Quarter 2009

Note:

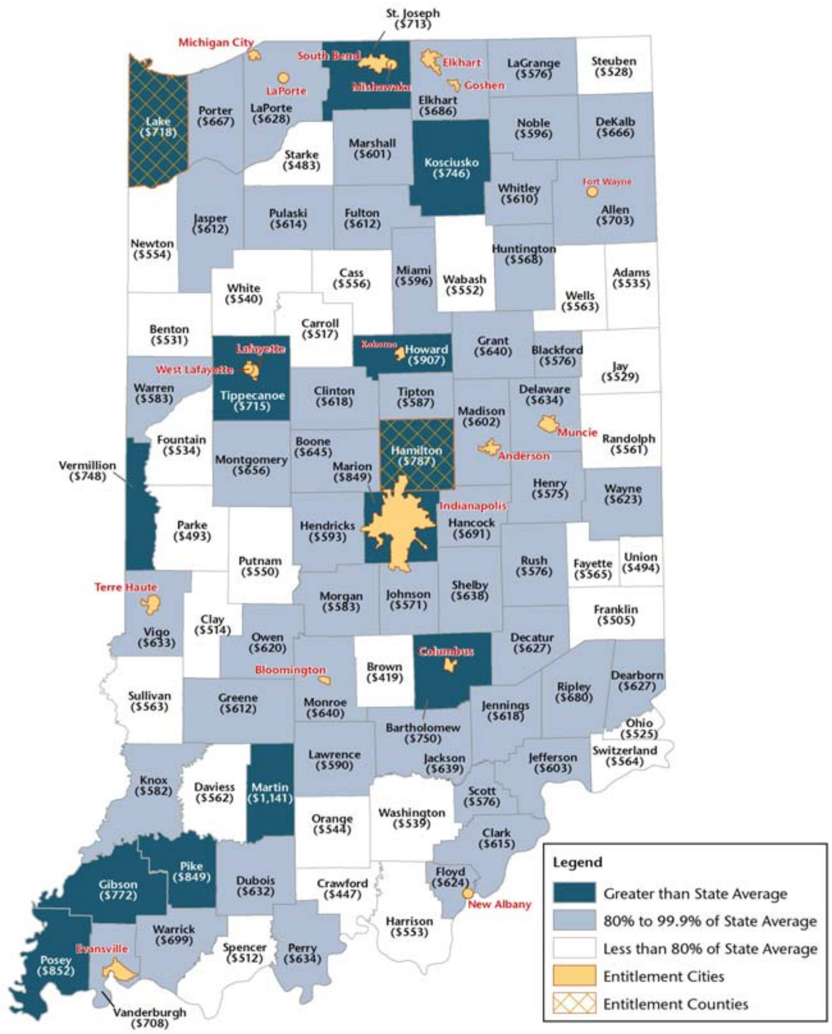
In the second quarter of 2009, the average weekly wage for the State of Indiana was $710.

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

The darker shaded counties indicate an average weekly wage equal to or above the State average.

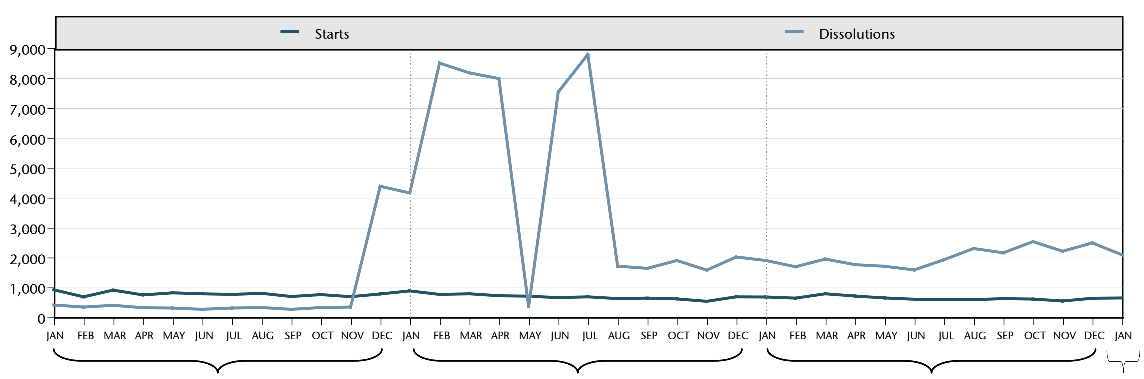
Source:

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



Business growth and decline. According to the Indiana Secretary of State, there were 636 business starts and 2,086 business dissolutions across the State during January 2010. The number of business starts has remained consistent during 2009, while business dissolutions have been increasing. Business dissolutions across the State saw large peaks during 2008.

Exhibit III-19.
Business Starts and Dissolutions, State of Indiana, January 2007 to January 2010



Source: Indiana Business Research Center, IU Kelley School of Business (based on data from the Indiana Secretary of State).

Housing and Affordability

Data from the 2008 ACS indicates that Indiana's housing stock is primarily comprised of single-family, detached homes (73 percent). Almost 79 percent of Indiana's housing stock were structures with two or fewer units. Sixteen percent of homes were structures with 3 units or more and 6 percent of homes were mobile or other types of housing.

An estimated 72 percent of the occupied housing units were occupied by owners and the remaining 28 percent were occupied by renters. Compared to the nation as a whole Indiana has a much higher homeownership rate, the U.S. homeownership rate is 67 percent compared to Indiana's 72 percent.

Brown County had the highest homeownership rate (85 percent) of all Indiana counties, while Monroe County had the lowest rate of 55 percent. The following map shows the percent of occupied housing units that are homeowners for each county. The shaded counties have a homeownership rate higher than the statewide average of 72 percent.

Exhibit III-20. Percent of Owner-Occupied Housing Units, by County, State of Indiana, 2009

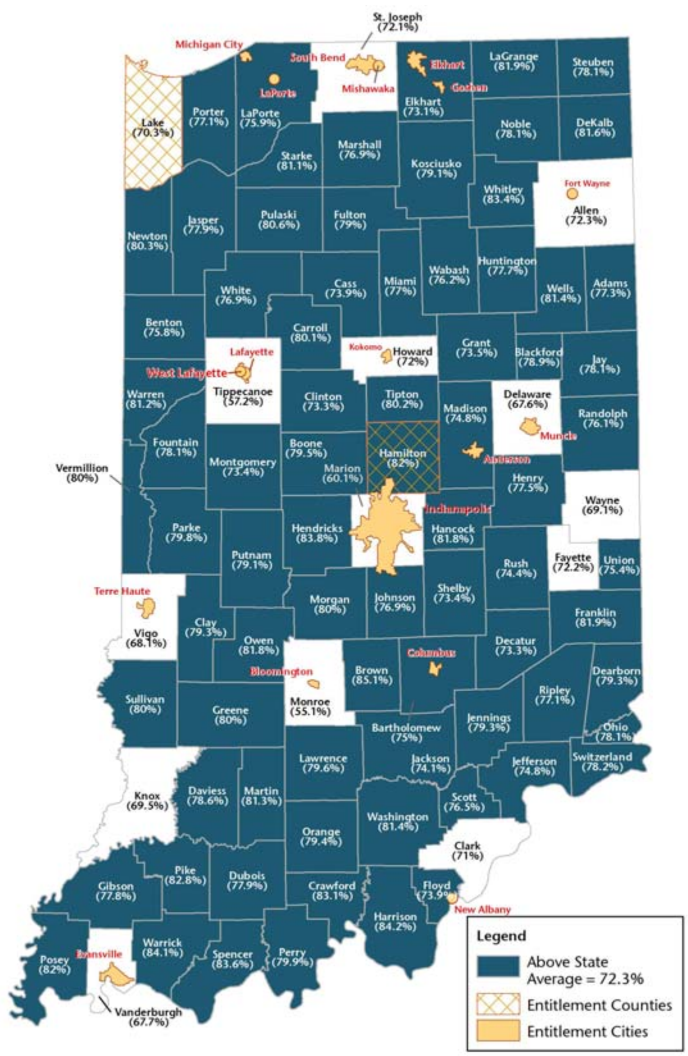
Note:

According to Nielsen-Claritas estimates Indiana's homeownership rate was 72 percent in 2009.

Shaded counties have rates higher than the State's homeownership rate overall.

Source:

Nielsen-Claritas 2009 estimates.



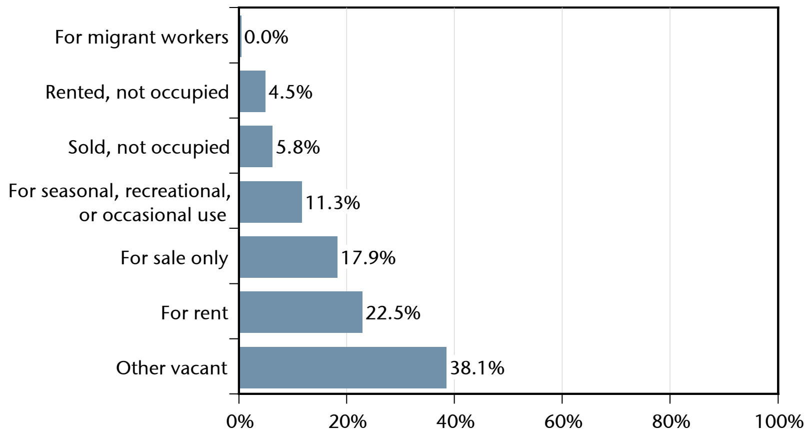
Vacant units. The 2008 Census Bureau's ACS estimates there were 314,500 vacant units in Indiana. The statewide homeownership vacancy rate was estimated to be 3.0 percent and the rental vacancy rate was estimated at 9.0 percent. In 2008, over half of all vacant units in Indiana (51 percent) consisted of owner or renter units that were unoccupied and/or for sale or rent. Eleven percent of vacant units were considered seasonal units, while 38 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-21 shows the vacant units in the State by type.

Exhibit III-21.
Vacant Housing Units by Type, State of Indiana, 2008

Source:

U.S. Census Bureau's 2008 American Community Survey.



Housing condition. Measures of housing condition are relatively scarce. However, the annual release of the ACS's Summary Tables provide a good source of current information on housing conditions at the State level.

The ACS data cover the important indicators of housing quality, including the year the structure was built, overcrowding, plumbing facilities and kitchen facilities. In addition to measuring housing conditions, such variables are also good indicators of community development needs, particularly of weaknesses in public infrastructure. The Census Bureau reports most of these characteristics for occupied housing units.

Age. An important indicator of housing condition is the age of the home. Older houses tend to have more condition problems and are more likely to contain materials such as lead paint (see below). In areas where revitalization of older housing stock is active, many old houses may be in excellent condition; however, in general, condition issues are still most likely to arise in older structures.

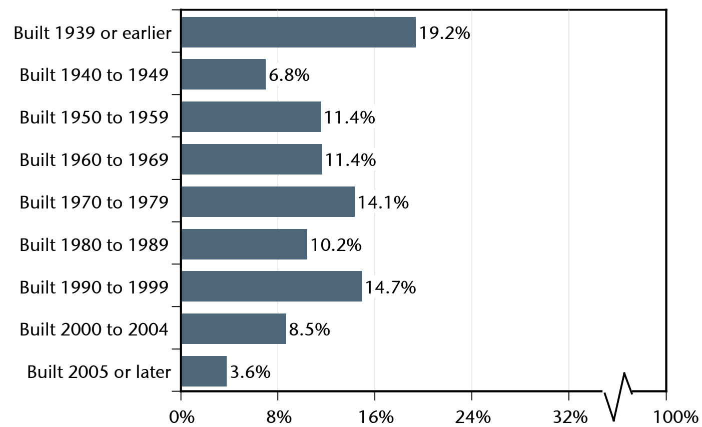
Older structures are also at higher risk containing lead-based paint. As discussed later in this section, units built before 1940 are most likely to contain lead-based paint. Units built between 1940 and 1978 have a lesser risk (lead was removed from household paint after 1978), although many older units may have few if any problems depending on construction methods, renovation and other factors.

Housing age data from the 2008 ACS indicate that almost one fifth of the State's housing units, occupied or vacant, was built before 1940, when the risk of lead-based paint is the highest. Approximately 63 percent of the housing stock was built before 1979. As of 2008, the median year the housing stock was built in the State was 1971. Exhibit III-22 presents the distribution of housing units in the State by age.

Exhibit III-22.
Year Housing Units Were Built, State of Indiana, 2008

Source:

U.S. Census Bureau's 2008 American Community Survey.



Overcrowded housing. Overcrowding in housing can threaten public health, strain public infrastructure, and points to the need for affordable housing. The amount of living space required to meet health and safety standards is not consistently specified; measurable standards for overcrowding vary. According to HUD, the most widely used measure assumes that a home becomes unhealthy and unsafe where there are more than 1, or sometimes 1.5, household members per room.[1] Another frequently used measure is the number of individuals per bedroom, with a standard of no more than two persons per bedroom. Assisted housing programs usually apply this standard.

The Census Bureau reports that in 2008, 1.7 percent of the State's occupied housing units, or 45,120 units, were overcrowded, which is defined as 1.01 persons or more per room. Approximately 0.05 percent of the State's housing units were severely overcrowded (more than 1.51 persons per room). These data compare favorably to national averages of 3.2 percent of units that were overcrowded and 1.1 percent severely overcrowded in 2008.

Severely substandard. The 2008 Census reported that approximately 181,000 housing units in the State are considered severely substandard because they lacked either complete plumbing facilities[2] or complete kitchens.[3] Together, assuming no overlap, these units represented 6.5 percent of the State's total housing units in existence in 2008.

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1 The HUD American Housing Survey defines a room as an enclosed space used for living purposes, such as a bedroom, living or dining room, kitchen, recreation room, or another finished room suitable for year-round use. Excluded are bathrooms, laundry rooms, utility rooms, pantries, and unfinished areas.

2 The data on plumbing facilities were obtained from both occupied and vacant housing units. Complete plumbing facilities include: (1) hot and cold piped water; (2) a flush toilet; and (3) a bathtub or shower. All three facilities must be located in the housing unit.

3 A unit has complete kitchen facilities when it has all of the following: (1) a sink with piped water; (2) a range, **or** cook top <u>and</u> oven; and (3) a refrigerator. All kitchen facilities must be located in the house, apartment, or mobile home, but they need not be in the same room. A housing unit having only a microwave or portable heating equipment, such as a hot plate or camping stove, should not be considered as having complete kitchen facilities. An icebox is not considered to be a refrigerator.

Exhibit III-23 presents the estimated number and percentage of homes in the State with substandard condition problems as of 2008. For the nation overall, 2.1 percent of the housing stock was lacking complete plumbing facilities and 3.0 percent lacked complete kitchen facilities.

Exhibit III-23.
Housing Units Lacking Basic Amenities, State of Indiana, 2008

	Owner Occupied	Renter Occupied	Total Occupied	Vacant	All Housing Units
Housing Units	**1,781,719**	**698,851**	**2,480,570**	**314,493**	**2,795,063**
Lacking complete plumbing facilities	5,777	5,154	10,931	64,581	75,512
Lacking complete kitchen facilities	7,374	10,750	18,124	87,684	105,808
Percent of Housing Units	**64%**	**25%**	**89%**	**11%**	**100%**
Lacking complete plumbing facilities	0.3%	0.7%	0.4%	20.5%	2.7%
Lacking complete kitchen facilities	0.4%	1.5%	0.7%	27.9%	3.8%

Source: U.S. Census Bureau 2008 American Community Survey.

The 2008 Census also reported the number of housing units with "selected conditions." The variable "Selected Conditions" is defined for owner and renter occupied housing units as having at least one of the following conditions: 1) lacking complete plumbing facilities; 2) lacking complete kitchen facilities; 3) units with 1.01 or more occupants per room ("overcrowded"); 4) selected monthly owner costs as a percentage of household income greater than 30 percent ("cost burdened owner"); and 5) gross rent as a percentage of household income greater than 30 percent ("cost burdened renter").

About 726,750 of Indiana's housing units had one or more condition problems. Given the State's small percentage of overcrowded and substandard units, these "condition" issues are largely related to affordability. Exhibit III-24 shows that rental units are much more likely to have two or more of the selected conditions than owner occupied units.

Exhibit III-24.
Selected Conditions by Tenure, State of Indiana, 2008

Source:

U.S. Census Bureau 2008 American Community Survey.

	Owner Occupied	Renter Occupied	Total Occupied
Housing Units	**1,781,719**	**698,851**	**2,480,570**
No selected conditions	1,363,790	390,032	1,753,822
With one selected condition	408,084	290,010	698,094
With two or more selected conditions	9,845	18,809	28,654
Percent of Housing Units	**100%**	**100%**	**100%**
No selected conditions	76.5%	55.8%	70.7%
With one selected condition	22.9%	41.5%	28.1%
With two or more selected conditions	0.6%	2.7%	1.2%

Substandard housing definition. HUD requires that the State define the terms "standard condition," "substandard condition" and "substandard condition but suitable for rehabilitation." For the purposes of this report, units are in standard condition if they meet the HUD Section 8 quality standards. Units that are substandard but suitable for rehabilitation do not meet one or more of the HUD Section 8 quality standards. These units are also likely to have deferred maintenance and may have some structural damage such as leaking roofs, deteriorated interior surfaces, and inadequate insulation. A unit is defined as being substandard if it is lacking the following: complete plumbing, complete kitchen facilities, public or well water systems, and heating fuel (or uses heating fuel that is wood, kerosene or coal).

Units that are substandard but suitable for rehabilitation include units with some of the same features of substandard units (e.g., lacking complete kitchens or reliable and safe heating systems, or are not part of public water and sewer systems). However, the difference between substandard and substandard but suitable for rehabilitation is that units suitable for rehabilitation will have in place infrastructure that can be improved upon. In addition, these units might not be part of public water and sewer systems, but they will have sufficient systems to allow for clean water and adequate waste disposal.

Without evaluating units on a case-by-case basis, it is impossible to distinguish substandard units that are suitable for rehabilitation. In general, the substandard units that are less likely to be easily rehabilitated into good condition are those lacking complete plumbing; those which are not part of public water and sewer systems and require such improvements; and those heated with wood, coal, or heating oil. Units with more than one substandard condition (e.g., lacking complete plumbing and heated with wood) and older units are also more difficult to rehabilitate.

Lead-safe housing. Pursuant to Section 91.215 of the Consolidated Plan regulations, the following contains an estimate of the number of housing units in the State that contain lead-based paint hazards and are occupied by the State's low and moderate income families.

Problem with lead-based paint. Exposure to deteriorated lead-based paint and lead dust on the floor and windowsills, as well as lead in the soil, represents one of the most significant environmental threats from a housing perspective. Childhood lead poisoning is one of the major environmental health hazards facing American children today.

Children are exposed to lead poisoning through paint debris, dust and particles released into the air that settle onto the floor and windowsills and can be exacerbated during a renovation. The dominant route of exposure is from ingestion (not inhalation). Young children are most at risk because they have more hand-to-mouth activity and absorb more lead than adults.

Excessive exposure to lead can slow or permanently damage the mental and physical development of children ages six and under. An elevated blood level of lead in young children can result in learning disabilities, behavioral problems, mental retardation and seizures. In adults, elevated levels can decrease reaction time, cause weakness in fingers, wrists or ankles and possibly affect memory or cause anemia. The severity of these results is dependent on the degree and duration of the elevated blood level of lead.

According to the Indiana State Department of Health (ISDH), the number of children under seven years old who were tested for elevated blood lead levels increased by 13,751 (26 percent) in calendar year 2007. The number confirmed as lead-poisoned also increased to 656 children. Since 2000, 336,519 children have been tested and of those children, 4,514 have been confirmed with elevated blood lead levels. Of those children with elevated blood levels whose homes were tested, an estimated 28 counties had less than five housing units with documented lead hazards[4], while one county (Wayne County) had 16 confirmed housing units with documented lead hazards.

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[4] Documented lead hazards as defined by 40 CFR 745.

The following exhibit shows the number of children less than 7 years old who were diagnosed with lead poisoning by county in 2007.

Exhibit III-25. Number of Children(Younger than 7 Years Old) Diagnosed with Lead Poisoning by County, State of Indiana, 2007

Note:

There were 25 children who were with confirmed lead poisoning where the county was not known.

Source:

Indiana State Department of Health's Indiana Lead and Healthy Homes Program 2007 Report to the Legislature.

The primary treatment for lead poisoning is to remove the child from exposure to lead sources. This involves moving the child's family into temporary or permanent lead-safe housing. Lead-safe housing is the only effective medical treatment for poisoned children and is the primary means by which lead poisoning among young children can be prevented.

Housing built before 1978 is considered to have some risk, but housing built prior to 1940 is considered to have the highest risk. After 1940, paint manufacturers voluntarily began to reduce the amount of lead they added to their paint. As a result, painted surfaces in homes built before 1940 are likely to have higher levels of lead than homes built between 1940 and 1978. Lead-based paint was banned from residential use in 1978.

Households with lead-based paint risk. Without conducting detailed environmental reviews of the State' housing stock, it is difficult to determine the number of households at risk of lead-based paint hazards. However, people living in substandard units or older housing and who are low income are more likely to be exposed to lead-based paint than higher income households living in newer or rehabilitated older housing.

Almost one fifth (536,460 housing units) of Indiana's housing stock was built before 1940, when lead-based paint was most common. Another 18 percent (507,900 housing units) was built between 1940 and 1960, when lead-based paint was still used, but the amount of lead in the paint was being reduced. Finally, 715,002 Indiana housing units (26 percent) were built between 1960 and 1979 as lead-based paint was phased out and eventually banned. Therefore, 63 percent of the housing stock in the State, or about 1.76 million units, were built when lead-based paint was used, to some extent, in residential housing.

If (as HUD estimates) 90 percent of the pre-1940 units in Indiana are at risk of containing lead paint, 80 percent of the units built between 1940 and 1960 are at risk and 62 percent of units built between 1960 and 1979 are at risk as well, then it is estimated 1.3 million Indiana housing units (48 percent) may contain lead paint. Exhibit III-26 displays this calculation.

Exhibit III-26.
Housing Units At Risk of Lead-Based Paint, State of Indiana, 2008

Source:

"Technical Guidelines for the Evaluation and Control of Lead-Based Paint Hazards in Housing," HUD and U.S. Census Bureau 2008 American Community Survey.

Year Housing Unit was Built	Number of Housing Units	Estimated Percentage at Risk	Estimated Number of Housing Units at Risk
1939 and earlier	536,460	90%	482,814
1940 to 1960	507,899	80%	406,319
1960 to 1979	715,002	62%	443,301
Total	**1,759,361**		**1,332,434**

Ultimately, the extent to which lead paint is a hazard in these homes depends on if there has been mitigation (e.g., removal, repainting) and how well the units have been maintained. Inadequately maintained homes and apartments are more likely to suffer from a range of lead hazard risks, including chipped and peeling paint and weathered window surfaces. Therefore, it is assumed that lower income households have fewer resources to maintain their homes and may be at higher risk for lead hazards. As a result, based on 2008 data on household income, the year housing units were built and HUD's estimates of risk by year built, about 485,000 low and moderate income households could live in units built before 1980 containing lead-based paint and be at higher risk for lead-based paint hazards.

Housing to buy. The Census estimated the median value of an owner occupied home in Indiana as $125,200 in 2008, which is slightly higher than the 2007 median value of $122,900. This is substantially lower than the U.S. median home price of $197,600. Regionally, Indiana trails Illinois, Michigan and Ohio in median home prices, as shown in Exhibit III-27.

Exhibit III-27.
Regional Median Owner Occupied Home Value, State of Indiana, 2008

Source:

U.S. Census Bureau's 2008 American Community Survey.

County owner occupied median home values ranged from a low of $62,270 in Sullivan County to a high of $191,778 in Hamilton County. Exhibit III-28 displays the 2009 median home value rate by county, as reported by a commercial data provider, Nielsen-Claritas. The shaded counties have a median home value rate higher than the statewide median home value of $116,621.

Exhibit III-28.
Median Owner Occupied Home Value by County, State of Indiana, 2009

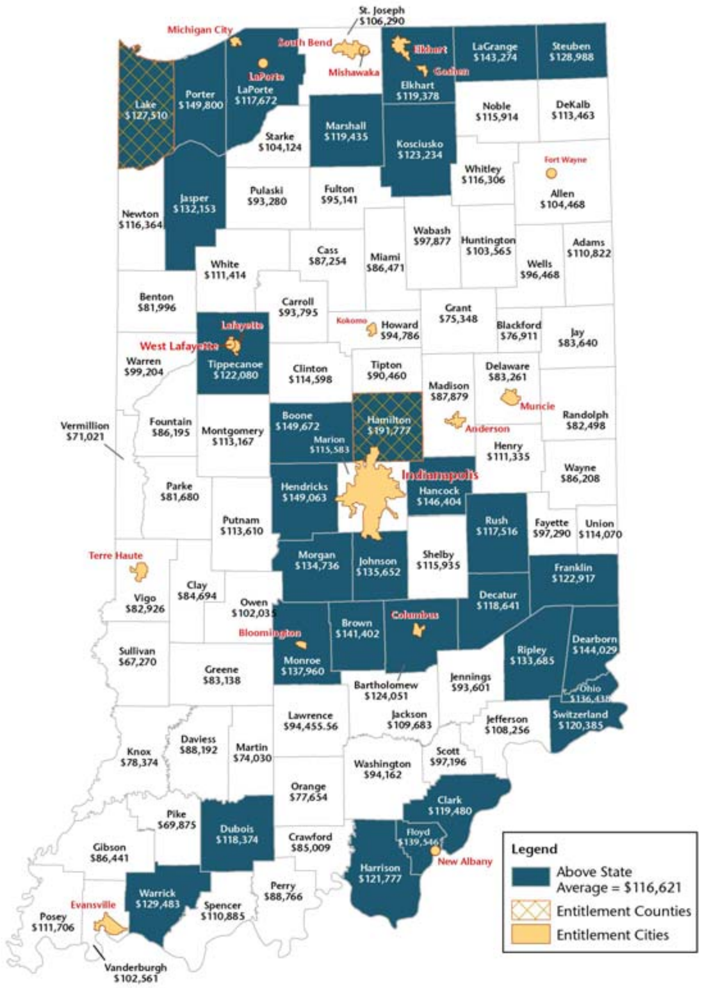
Note:

According to Nielsen-Claritas estimates Indiana's median owner occupied home value was $116,621 in 2009.

Shaded counties have rates higher than the State's median value overall.

Source:

Nielsen-Claritas 2009 estimates.

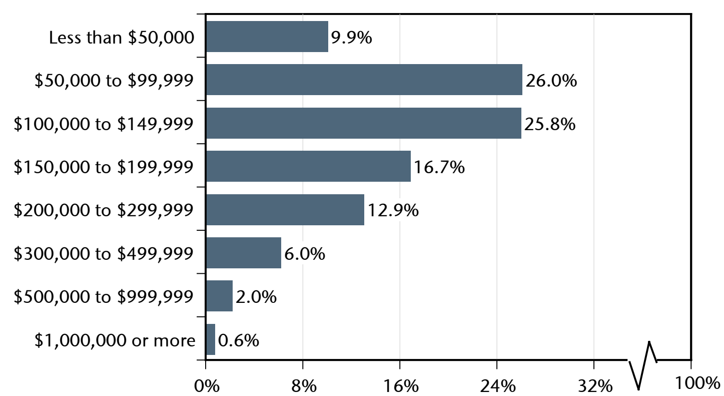


In Indiana, 36 percent of owner occupied units had values less than $100,000, and 62 percent were valued less than $150,000. Exhibit III-29 presents the price distribution of owner occupied homes in the State.

Exhibit III-29.
Distribution of Owner Occupied Home Values, State of Indiana, 2008

Source:

U.S. Census Bureau's 2008 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 2008, 24 percent of all homeowners (about 423,300 households) in the State were paying 30 percent or more of their household income for housing, and 8 percent (145,400 households) were paying 50 percent or more. Exhibit III-30 presents these data.

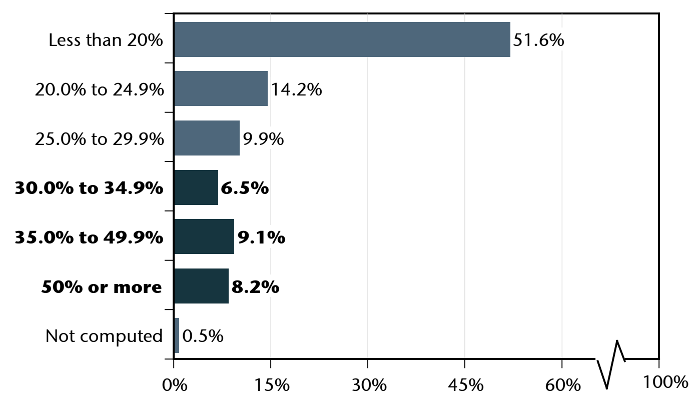
Exhibit III-30.
Owner Housing Costs as a Percent of Household Income, State of Indiana, 2008

Note:

Darker shaded areas indicate cost burdened households.

Source:

U.S. Census Bureau's 2008 American Community Survey.



Among homeowners *with* mortgages, approximately 28 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 $670 per month in 2008. Gross rent includes contract rent and utilities.[5] About 21 percent of all units statewide were estimated to rent for less than $499 in 2008, while another 38 percent were estimated to rent for $500 to $749. The distribution of statewide gross rents is presented in Exhibit III-31.

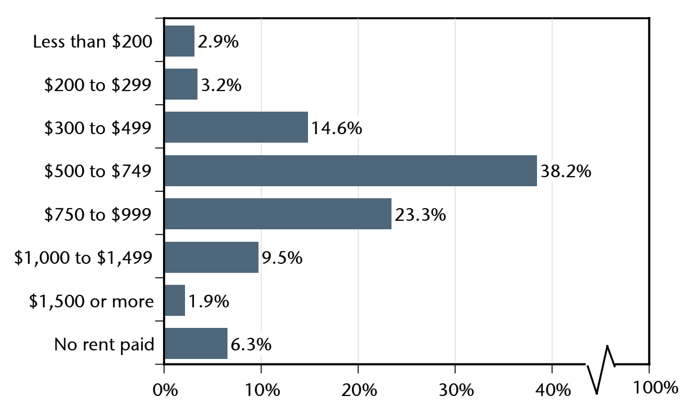
Exhibit III-31.
Distribution of Gross Rents, State of Indiana, 2008

Note:

Renter units occupied without payment of rent are shown separately as "No rent paid."

Source:

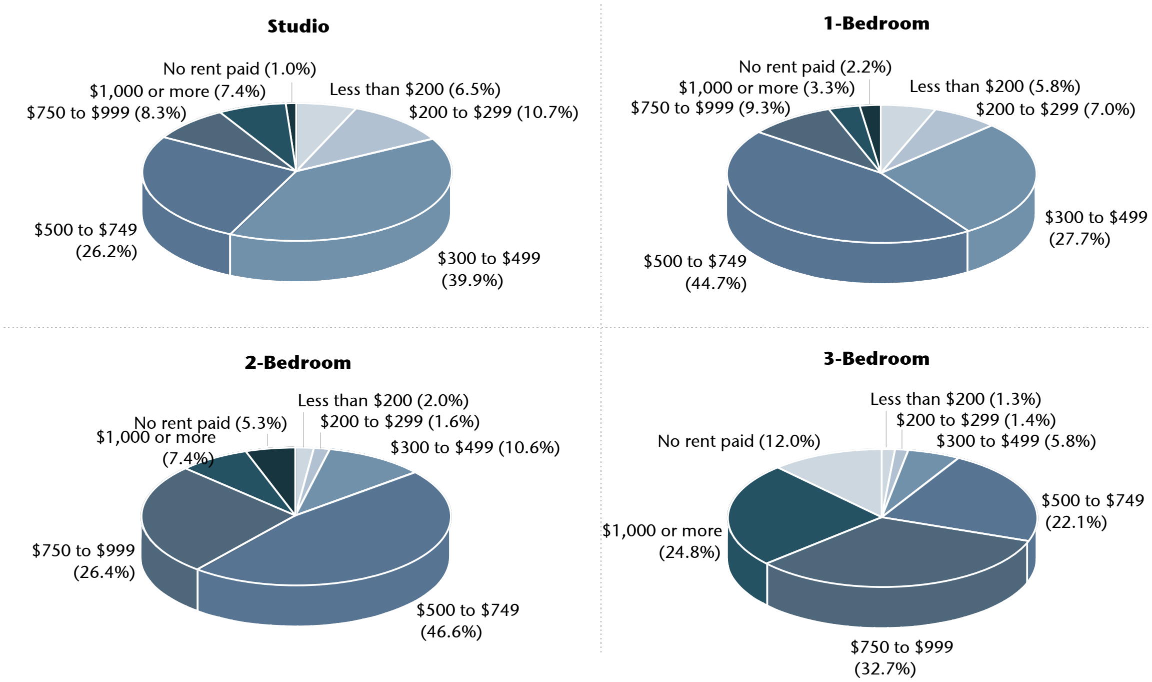
U.S. Census Bureau's 2008 American Community Survey.



[5] According to the U.S. Census, 89 percent of renters in Indiana pay extra for one or more utilities in their rent price.

The following exhibit shows the distribution of gross rent cost by the size of housing unit.

Exhibit III-32.
Distribution of Gross Rents by Size of Unit, State of Indiana, 2008



Source: U.S. Census Bureau's 2008 American Community Survey.

Rent burdens can be evaluated by comparing rent costs to household incomes. The 2008 ACS estimates that 43 percent of Indiana renters—or 303,777—paid more than 30 percent of household income for gross rent, with over half of these (22 percent of all renters, or 157,001) renters paying more than 50 percent of their incomes. Rentals constituted only 28 percent of the State's occupied housing units in 2008; however, a much higher percentage of the State's renters were cost burdened (43 percent) than the States owners (24 percent). Exhibit III-33 presents the share of income paid by Indiana renters for housing.

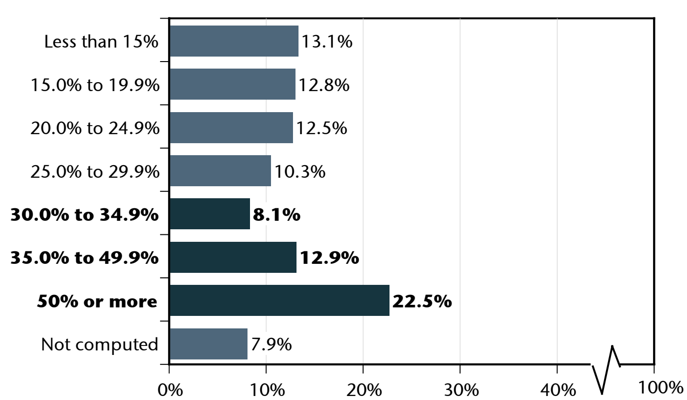
Exhibit III-33.
Renter Housing Costs as a Percent of Household Income, State of Indiana, 2008

Note:

Darker shaded areas indicate cost burdened households.

Source:

U.S. Census Bureau's 2008 American Community Survey.



Home Loan Foreclosure

The following section contains a review of foreclosures in Indiana and recent studies that examined subprime lending and predatory lending activity in Indiana. A complete lending analysis is provided in Section II of the 2010-2014 Analysis of Impediments to Fair Housing Choice.

Foreclosures. The increase of the rate of foreclosures in the nation is often attributed to rapid population growth, increasing homeownership rates and the growing use of alternative lending products, including subprime loans.

HUD has estimated the number and percent of foreclosure starts from January 2007 through June 2008. As shown in the following exhibit, counties bordering Illinois and Michigan, along with counties north and east of Indianapolis metropolitan area and counties in the southwest part of the state contain the highest levels of foreclosures within the State.

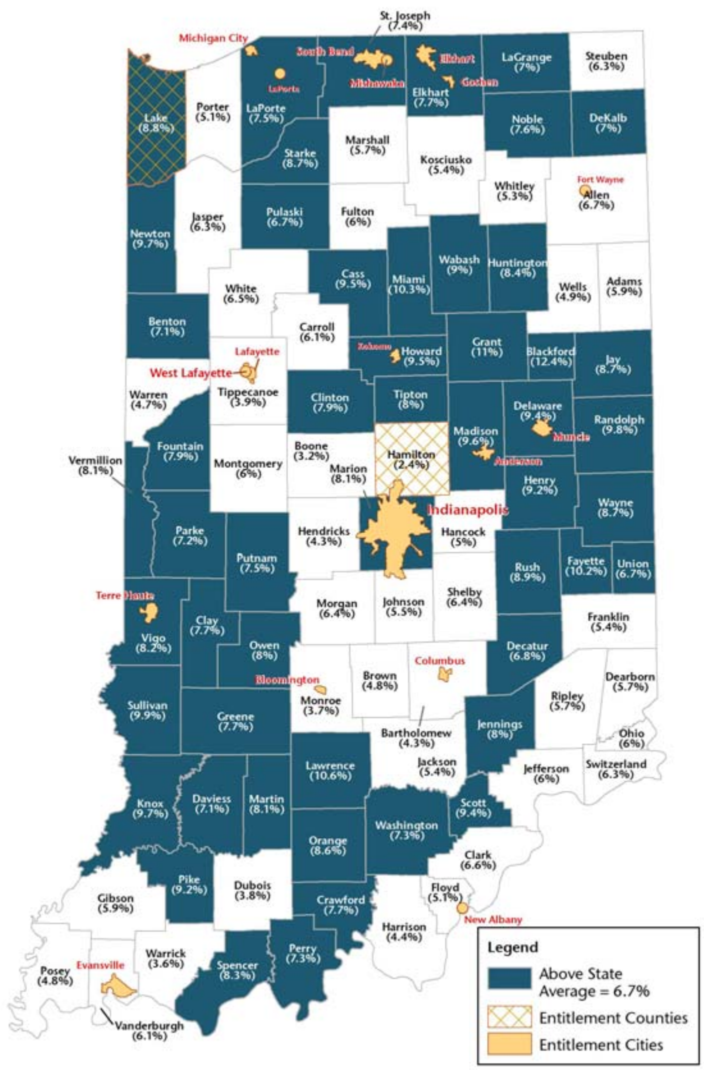
**Exhibit III-34.
Percentage of
Foreclosures by County,
State of Indiana, 2008**

Note:

Number of foreclosures divided by the total number of mortgages.

Source:

U.S. Department of Housing and Urban Development, HUD User website.



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.

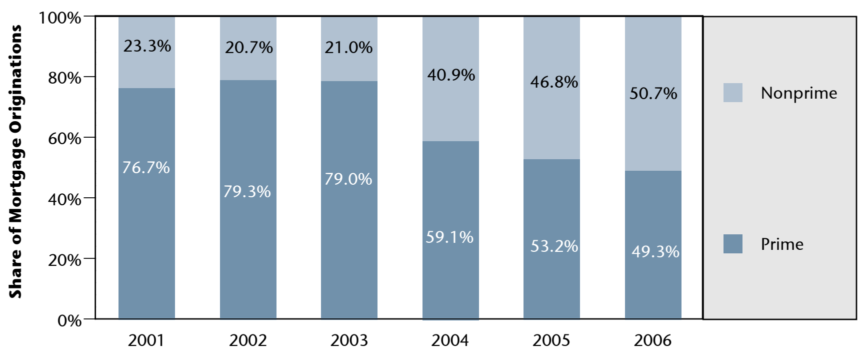
Estimates of the size of the national subprime market vary between 13 to 20 percent of all mortgages. Holden Lewis, who writes for CNNMoney.com and Bankrate.com, estimates that the subprime market made up about 17 percent of the mortgage volume in 2006. This is based on Standard & Poors' estimate of 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-35 shows the growth in these non-prime products—and the movement away from conventional, prime products.

Exhibit III-35. 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,[6] 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.

[6] 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.

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.

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 Populations 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:

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

A complete analysis of the special needs populations in Indiana is included on Appendix C of this report. Exhibit III-36, on the following page, 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-36.
Special Needs Groups in Indiana

Special Needs Group			Number
Persons Experiencing Homelessness	*Population*	**Total (2009 Balance of Indiana):**	**4,287**
		Individuals	2,307
		Individuals in families with children	1,980
	Housing *(Balance of Indiana, excluding metro areas)*	Emergency beds	2,666
		Transitional housing	2,039
		Permanent supportive housing	791
		Chronically homeless	181
		Unmet need, literally homeless	5,507
Elderly	*Population*	**Total population over 65 (2008)**	**813,090**
	Housing	Group quarters population (2000)	50,034
		Cost burdened owners	108,094
		Cost burdened renters	46,099
		Nursing facilities (all)	612 facilities/66,800 beds
		Living with housing problems:	
		Renters	52,325
		Owners	119,830
Persons with Physical Disabilities	*Population*	**Total (2008)**	**436,966**
	Housing	Households with mobility problems with a housing problem[1]	126,235
Persons with Mental Illness	*Population*	**Total (adult)**	**247,285**
		Target population for State services	93,310
		SMI population served by DMHA (SFY 2008)	51,638
	Housing	Beds reported by CMHCs (2001)	1,900
		Homeless with SMI (Balance of State PIT 2009)	509
Persons with Chronic Substance Abuse	*Population*	**Total**	**455,984**
		Target population for State services	119,100
		Chronically addicted population served by DMHA (SFY 2008)	34,131
	Housing	Beds for substance abuse treatment	5,662
		Homeless with chronic substance abuse (Balance of State PIT 2009)	740
Persons with Developmental Disabilities	*Population*	**Total**	**89,275**
		DD population receiving services from state or non-state agencies (2007)	10,794
		Persons with ID/DD on a waiting list for, but not receiving, residential services	13,896
	Housing	ICF/MR facilities for DD (2010)	4,177
		Persons living in ICF/MR	4,012
		Persons living in nursing homes	1,708
		State institution population	162
Persons with HIV/AIDS	*Population*	**Total living with HIV/AIDS (2008)**	**9,629**
	Housing	Tenant-based rental assistance units	133
		Short term rent/mortgage and/or utility assistance	332
		Homeless with HIV/AIDS (Balance of State PIT 2009)	19
		Homeless or at-risk of experiencing homelessness	2,785 - 6,033
Youth	*Population*	**Total aging out of foster care each year**	**1,487**
	Housing	Youth shelters (17 years and under)	6 shelters
		Unaccompanied youth (Balance of State PIT 2009)	19
Migrant Farmworkers	*Population*	**Total**	**8,000**
	Housing	State licensed camps (2010)	65
		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 $16,519, which is 30 percent of the AMI of $55,063) in Indiana's non-metro areas can afford a monthly rent of no more than $413, while the HUD Fair Market Rent for a two bedroom unit in the State is $619. For single-earner families at the minimum wage, it would be necessary to work 73 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 13 percent from 2000 to 2009. However, the fair market rent for a two-bedroom apartment increased by 31 percent during the same time period, indicating a decline in housing affordability over the past nine years. Exhibit III-37 reports key findings from the study.

Exhibit III-37.
Housing Cost Burden, Indiana Non-Metro Areas, 2009

	No Bedrooms	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom
Median Rent	**$452**	**$499**	**$619**	**$797**	**$883**
Percent of median family income needed	33%	36%	45%	58%	64%
Work hours/week needed at the minimum wage	53	59	73	94	104
Income needed	$18,092	$19,941	$24,746	$31,863	$35,304

Note: The HUD 2009 median family income was estimated at $55,063 for Indiana's non-metropolitan areas.

Source: National Low Income Housing Coalition, Out of Reach 2009.

Exhibit III-38 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-38.
HUD-Defined Housing Unit Problems by Household Income in 1999, Indiana

Note:

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

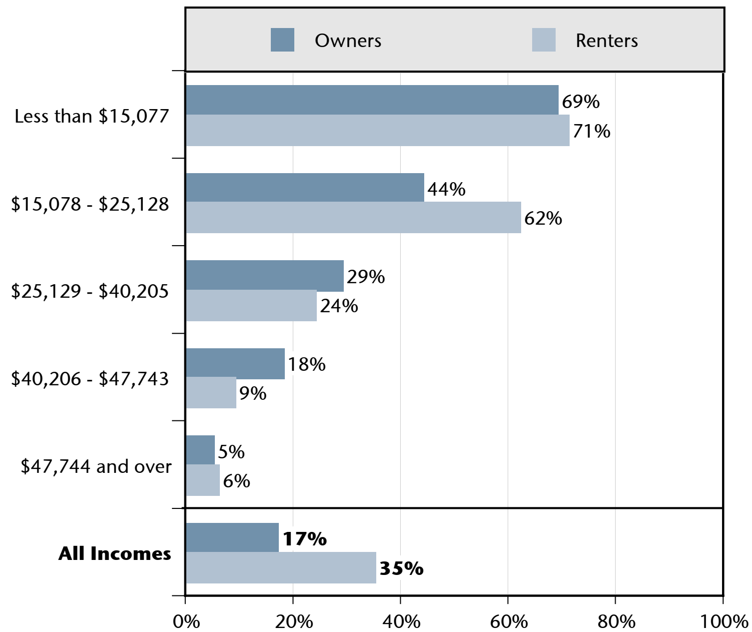
Housing unit problems: Lacking complete plumbing facilities, or lacking complete kitchen facilities, or with 1.01 or more persons per room, or with cost burden more than 30.0 percent.

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.

Disproportionate need. HUD requires that states consider "disproportionate need" as part of examining housing needs. Disproportionate need exists when the percentage of persons in a category of need who are members of a particular racial or ethnic group is at least 10 percentage points higher than the percentage of persons in a category as a whole.

HUD uses a needs table ("CHAS data") that reports housing needs by tenure, income and racial/ethnic category to determine disproportionate need. Using this table, we compared housing needs by race and ethnicity and mobility limitation to determine disproportionate need. Through this comparison, we found that disproportionate need exists for the following categories:

- ***All households***—In 2000, 22.5 percent of all households had housing problems in Indiana.
  - The percentage of African American households with housing problems was 36.4 percent—a difference of 13.9 percentage points.
  - Of Hispanic households, 40.1 percent had housing problems, which is 17.6 percentage point higher than all households with housing problems.
  - Asian households had 35 percent of their households with housing problems—a difference of 12.5 percentage points.
  - The percentage of Pacific Islanders with housing problems was 39.8 percent, which is 17.3 percentage points higher than all households with housing problems.
  - Native Americans and persons with mobility limitations had differences of less than 10 percentage points when compared to all households.

- ***Renters***—Hispanic renters have a much higher likelihood of having housing problems: Half of Hispanic renter households have some type of housing problem, including affordability, compared with 35.3 percent for all renter households.

- ***Owners***—17.4 percent of all owner households had housing problems in Indiana.
  - The percentage African American owner households with housing problems was 27.8 percent—a difference of 10.4 percentage points.
  - Hispanic owners have a higher likelihood of housing problems (29.1 percent) compared to 17.4 percent overall.
  - Pacific Islander owner households had 35.4 percent of their households with housing problems—a difference of 18 percentage points.

- ***Household income less than 30 percent of MFI***—A disproportionate need was found for all Pacific Islander households earning less than 30 percent of MFI. The percentage of Pacific Islander households with housing problems was 100 percent. This compared with 70.4 percent of all households at this income with housing problems, a difference of 29.6 percentage points.

  The other minority populations had differences of less than 10 percentage points when compared to all households in this income category. However, Hispanic and Asian owner households earning less than 30 percent of MFI showed a disproportionate need when compared to all owner households at this income category: 80.7 percent of Hispanic and 82.8 percent of Asian owners had housing problems compared to 69.1 percent of owners at this income category.

- ***Household income 30 to 50 percent of MFI***—A disproportionate need was found for all Hispanic, Asian and Pacific Islander households earning between 30 and 50 percent of MFI.
  - The percentage of Hispanic households with housing problems was 69.3 percent. This compared with 52 percent of all households at this income with housing problems, a difference of 17.3 percentage points.
  - The percentage Asian households at this income category with housing problems was 75.1 percent—a difference of 23.1 percentage points.
  - The percentage Pacific Islander households at this income category with housing problems was 74.6 percent—a difference of 22.6 percentage points.
  - The other minority populations had differences of less than 10 percentage points when compared to all households in this income category.
  - All minority (African American, Hispanic, Native American, Asians and Pacific Islanders) owners earning between 30 and 50 percent of the MFI had disproportionate needs exist compared to the owner needs of this category as a whole.

- ***Household income 50 to 80 percent of MFI***— A disproportionate need was found for all Hispanic and Asian households earning between 50 and 80 percent of MFI.
  - The percentage of Hispanic households with housing problems was 39.4 percent. This compared with 27.3 percent of all households at this income with housing problems, a difference of 12.1 percentage points.
  - The percentage Asian households at this income category with housing problems was 43.7 percent—a difference of 16.4 percentage points.
  - The other minority populations had differences of less than 10 percentage points when compared to all households in this income category.
  - Half of Pacific Islander owners earning between 50 and 80 percent of MFI had a housing problem, compared with 29.3 percent of all owners in this income category—a difference of 20.7 percentage points.

Special needs populations. Elderly individuals and individuals with physical disabilities and mental illnesses comprise a large portion of the special needs population in Indiana with housing needs. 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 substandard 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. As discussed in Appendix C, the elderly population should capitalize on funding opportunities available through Section 8, Section 202, and the Home Equity Conversation Mortgage Program, amongst others. Individuals with physical disabilities and mental illnesses may reside in group homes, with family member or on their own. Community funding sources, such as CDBG, HOME and tax credit funds can be used by communities for the development of new housing opportunities for special needs populations. Exhibit III-39 summarizes resources available for special needs groups.

Exhibit III-39.
Summary of Special Needs and Available Resources

Population	Housing Need	Community Need	Primary Resource Available
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 Homelessness Prevention & Rapid Re-Housing Program 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
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 FSSA - Medicaid, CHOICE, IN AAA, RECAP Public Housing Section 202 Section 8 USDA Rural Housing Services
Youth	Affordable housing Transitional housing with supportive services Rental vouchers with supportive services	Job training Transitional living programs Budgeting	HUD's FUP Medicaid Transitional Housing Program Chafee Foster Care Independence Program IHCDA Education and Training Voucher Program
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. USDA Rural Development 514 & 516 Programs Indiana Migratn Education Program Migrant Seasonal Head Start

Source: BBC Research & Consulting.

Exhibit III-39. (continued)
Summary of Special Needs and Available Resources

Population	Housing Need	Community Need	Primary Resource Available
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
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 DMHA Hoosier Assurance Plan CMHC CHIP Section 811 Olmstead Initiative Grant
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 - Medicaid HOME/IHCDA SSI Section 811 DDRS and BDDS ICF/MR, Group Homes, Supported Living Olmstead Initiative Grant
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 SPSP

Source: BBC Research & Consulting.

Future Housing Needs

The following exhibit shows the needed housing units for renters and owners by income categories for 2009 and 2014.

Exhibit III-40. Future Housing Needs, State of Indiana

Note:

Renter and owner needs are based on the number of households who were cost burdened according to the 2008 American Community Survey.

Source:

BBC Research & Consulting.

	2009	2014
Renters		
Extremely low Income	202,422	209,583
Very low income	83,717	86,679
Low income	13,775	14,262
Moderate income	3,159	3,271
Owners		
Extremely low Income	131,103	135,741
Very low income	122,688	127,028
Low income	78,856	81,646
Moderate income	59,225	61,320