

I'd like to thank Andra Stanley of Senator Kavanagh's office for contacting me and my colleague Dr. Jacob Faber and inviting us to testify.

I'd like to thank the Committee for hearing our testimony and for addressing such a pressing issue.

My name is Max Besbris and I am an Assistant Professor of Sociology at the University of Wisconsin-Madison where I am affiliated with the Center for Demography and Ecology and the Center for Financial Security. For the past 10 years I have studied real estate agents in New York state. In a new book called *Upsold*, published by the University of Chicago Press, I show that real estate agents are key for understanding various aspects of urban inequality.

Today I speak on behalf of myself and Dr. Jacob Faber. Dr. Faber is an Associate Professor of Sociology and Public Service at NYU, where he is affiliated with the Furman Center for Real Estate and Urban Policy. He is an expert on housing markets and foreclosures, the history and present-day consequences of residential racial segregation, and mortgage redlining.

Together, he and I have conducted multiple studies of discrimination in housing and other consumer markets in New York and across the country.

The findings of *Newsday's* investigation into racial steering by real estate agents on Long Island are, sadly, not surprising. Discrimination in housing is a problem across the U.S. Study after study has demonstrated that non-white homeseekers—particularly Black and Latino homeseekers—are at a disadvantage relative to whites in terms of the quality of the housing made available and the resources of the neighborhoods in which they are shown available housing units.

We want to stress that discrimination not only harms individuals who are unable to access housing as a result of it but that discrimination in the housing market also perpetuates racial inequality and segregation more generally. By directing homeseekers of color away from white neighborhoods racial steering helps maintain segregation. A wide body of research has established that the negative effects of segregation are pernicious and widespread. Residential racial segregation leads to adverse health outcomes, lower levels of economic mobility, poorer quality schools, fewer community institutions, uneven exposure to environmental pollution, higher crime, and lower housing values. All of these social ills fall disproportionately on people and communities of color. We can clearly see the consequences of persistent segregation and inequality in the dramatic impact the ongoing pandemic has had on communities of color in New York and nationwide.

In our own research, we found that real estate agents in New York State are less likely to work in Black and Latino neighborhoods and that neighborhoods with more real estate agents experience higher increases in home values over time. While we found that few real estate agents outwardly support residential racial segregation we also found that agents' sole concern about racial steering was getting caught—rather than the impact of discriminatory behavior. In other words, agents were worried about enforcement of existing fair housing laws and often sought to avoid explicit talk about race with their clients. However, they often used coded language to describe

the racial composition of different neighborhoods and our work, as well as the Newsday investigation, reveals that agents continue to steer homeseekers based on their race/ethnicity. Occasionally this is due to agents' assumptions about the racist preferences of their clients. Agents assumed some white sellers did not want to sell to Black buyers, or that white homeseekers did not want to live in non-white neighborhoods. Agents were also worried that if they showed non-white homeseekers housing in white neighborhoods they would fail to generate clients in those neighborhoods afterward.

What this indicates is that agents, broadly, do not understand or appreciate the full scope of what discrimination is or why it is harmful. In some ways, this is not surprising. The topic of fair housing constitutes less than 5% of the curriculum of the state mandated courses needed to become a licensed real estate salesperson. Moreover, there is little oversight in how these courses are taught. When I sat in on multiple fair housing classes, precious time was taken by instructors making flippant jokes about discrimination, debating with students about whether or not different ethnic and religious groups constituted a racial category and what kinds of individuals were more or less racist. Instructors told students not to answer clients' questions about race but encouraged students to tell their clients to simply look up racial demographics online. Instructors told students that all they needed to know for the licensing exam was the date of the passage of the fair housing act and that they should remember what categories of individuals are protected by current law. What is clear from our research is that real estate salespeople are required to know very little about fair housing and this lack of knowledge may make steering more likely.

This leads us to suggest that stronger, more robust educational requirements are desperately needed. Not only should a larger portion of the curriculum be dedicated to fair housing, but more education overall should be required. The current 75 hours of required classroom time is not onerous compared to other states. Obtaining a real estate salesperson license in Texas, for example, requires 180 hours of instruction. So, the state could require more education on fair housing without burdening those who want to become licensed real estate salespeople.

But additional education will work only if the content of that education is better regulated. The state must have higher standards for licensing real estate instructors and should do more to ensure that what they teach students is not simply rote memorization of facts about the Fair Housing Act but also the intent of the law. The additional required time we are suggesting could be spent more thoroughly educating potential licensees not just about the history of institutional housing discrimination by real estate agents and government entities but also the consequences of those racist practices that we still live with today. Specifically, the curriculum should include information on segregation—what it is and how it is harmful.

Moreover, licensees must receive better training about what to do when their clients ask about the racial composition of neighborhoods or express racist preferences. Simply ignoring race and racism perpetuates racially unequal outcomes. Because real estate agents are so central to how we find housing, it seems more than reasonable to expect them to know how the housing market can be exploitative and how it perpetuates inequality. We therefore propose that agents learn to not simply ignore questions about race from clients but instead how to confront racism and be transparent with clients about agents' responsibilities to abiding by fair housing laws. To be

clear, we are not asking agents to police their clients' behavior, but to explain their legal position and the intent of fair housing laws.

While we believe that efforts to better educate real estate professionals and the public are essential, we need additional tools to ensure fair access to housing. The *Newsday* article was an excellent example of the importance of housing audits for exposing discrimination. Dr. Faber and I have conducted similar research and have also shown that this kind of bias is pervasive. The secretary of state's, attorney general's, and governor's offices should therefore conduct regular audits of housing markets across the state to identify and track bias against people of color as well as other protected classes. Testing can be a valuable and relatively inexpensive tool to identify areas where discrimination is more or less prevalent. Dr. Faber and I are more than willing to assist in this effort.

Lastly, as the state considers ways to ameliorate discrimination, it should keep in mind that housing is a right—a necessary condition for New Yorkers to live good and decent lives. As such, those in search of housing must have better access to information on available units. The state and local municipalities could easily operate their own publicly accessible online databases of housing units and mandate real estate agents post information about housing when it becomes available. Moreover, past research has shown that homeseekers who use housing counselors during their search find better quality housing in less segregated neighborhoods and tend to stay in their new homes for longer. We therefore suggest any reforms directed at ameliorating discrimination should include robust funding for more housing counselors who can help homeseekers navigate their choices.

We want to again thank the committee for the invitation to testify and for beginning to engage a very serious problem.