**Theory**

Many groups in the United States have experienced periods of discrimination in civil society. When it comes to housing, most people associated discrimination with racial and ethnic groups. Real estate agents and banks often used their power to push racial minorities into certain neighborhoods (CITATION).

The passage of the Home Mortgage Disclosure Act in 1975 was intended to reduce this type of racial discrimination. Law growing from the Fourteenth Amendment made it clear that racial discrimination in housing was illegal. With better data collection under the HMDA, some of the discriminatory practices would be more clearly identifiable and rectifiable with the use of litigation (CITATIONS IN HERE).

Under federal law, many groups are protected classes when looking for housing. It is therefore illegal to discriminate against renters and buyers based on race, national origin, sex, religion, disability, or familial status[[1]](#footnote-1) (http://portal.hud.gov/hudportal/HUD?src=/topics/housing\_discrimination). One possible source of discrimination not included in this list which has grown more noticeable over time is sexual orientation. Current federal law does not protect against discrimination based on sexual orientation. States, counties, cities, and municipalities can pass their own laws and ordinances to expand the protection to sexual orientation. This leaves a patchwork of areas across the country where anti-discrimination laws are in effect to protect lesbian, gay, bi-sexual, and transgender renters or buyers. Unlike racial discrimination in housing however, there are states and areas where the government has no power to prevent housing discrimination against LGBT renters or buyers.

Since it is up to states and local governments to pass protections for LGBT renters and homebuyers, it is reasonable to expect these laws to exist in communities with sizeable LGBT communities. Officials in areas with a large LGBT constituency are likely to be pressured by this group to put anti-discrimination laws on the books. At the state level, 21 states and D.C. have a statewide law protecting against discrimination based on sexual orientation. These states are concentrated in the Northeast, Upper Midwest, and West Coast. Nearly all these states have a liberal tilt and regularly vote “blue” in presidential elections, leading to a question about the effectiveness of these state laws. Do these laws rectify a problem of discrimination or merely signal the existence of an effective interest group? It might be difficult to sort out whether discrimination in the states with fair housing laws is due to the law itself or a more tolerable atmosphere at large. One way to assess this is to use a regression discontinuity approach where one city which straddles two different housing law regimes is analyzed to see if same sex applicants are more successful in the state or area with anti-discrimination laws.

**Data**

Banks and government agencies involved in the mortgage market are required by the HMDA law to report information about the loan applications they receive (CITATION). Since millions of applications are filled out each year, the dataset constitutes around 130 million loan applications from the years 2007 to 2013 inclusive (www.consumerfinance.gov/hmda/). The data include all states over the time span, giving a great reservoir for analysis.

The HMDA data contain many useful variables. On the applicant level, the data include sex, race, and ethnicity for each applicant and co-applicant. Income is also available for the application overall, not for each applicant individually. The amount of the loan applied for, whether the loan is from a bank or a government agency, the purpose of the loan, and whether the loan was originated or denied are all also available. The data also include information on the neighborhood of the property for which the loan is sought. The property is identified to be within a census tract. The type of property (house, multi-family dwelling, or manufactured housing), the number of housing units available, population, minority population and income to metro area ratio are available by tract for the property. A codebook accompanying the data is attached as Appendix A.

The inclusion of applicant sex and co-applicant sex in the data allows comparison across different couple combinations. Applications can be single, opposite sex, or same sex. Taking advantage of the applicant and co-applicant designation creates further categorization. There can be single males, single females, male-led opposite sex, female-led opposite sex, male same sex, and female same sex applications. In addition to these categories, there is an ‘other’ category for situations in which the sex of one applicant remains unreported for unknown reasons.

The HMDA dataset establishes the basis for many of the comparisons that can be made for loan applicants by couple combination. One variable that is absent is credit score and assets. Banks and government agencies likely take these into consideration, but go unreported for the HMDA data, limiting the ability to compare applicants more fully.[[2]](#footnote-2) However, income should stand as a good proxy for understanding the economic situation of applicants.

Data on anti-discrimination laws is not as accessible as loan application data. Some groups such as the Human Rights Campaign gather on laws by state and large cities but not for every county, city or municipality (CITE HRC). In order to deal with this data shortfall, this study looks at metro areas which are situated between multiple states where one state has a housing anti-discrimination law and another state does not. Cities, counties, and municipalities also can have anti-discrimination laws so these are also taken into account. The regression discontinuity approach should reveal possible differences in the rates of origination of loans for different couple combinations.

Lastly, the census provides useful demographic data specifically for same sex couples. The census documents the amount of people of the same sex living together, the best and most widespread accounting of the number and location of gay and lesbian populations. This information serves as a signal to both same sex applicants and banks. Gay and lesbian applicants might apply to these neighborhoods in greater numbers but banks might also push them to live in these areas. It is possible to assess the success and failure rate of same sex applicants to areas according to the size of the same sex population already living in that area.

1. Familial status relates to whether or not one has children or not. [↑](#footnote-ref-1)
2. It is also difficult to think of why credit score and assets would vary in a structural way for same sex applicants as compared to opposite sex applicants. I have no reason to suspect that credit scores especially would be better for opposite sex applicants over same sex applicants. [↑](#footnote-ref-2)