

1920

1928-1968 / RACIALLY RESTRICTED COVENANTS

Federal Housing Administration subsidized mass production of suburban homes with financial incentives targeted to white families only. **FHA underwriting specified that loans not be approved for African Americans** and a clause in the deed ensured that homes could not be resold to African Americans. In 1948 these covenants were no longer legally enforceable, but were still effectively used until 1968.

1933 / SEGREGATED PUBLIC HOUSING

Public Works Administration built public housing designed to provide housing primarily to white, lower, middle-class families because of housing shortage caused by depression. Some public housing built for black families but it was segregated. This segregated neighborhoods that weren't otherwise segregated.

1940

1938 - 1968 / REDLINING

"Redlining" is the practice of denying or limiting financial services to certain neighborhoods based on racial or ethnic composition without regard to the residents' qualifications or credit-worthiness. The term refers to the practice of using a red line on a map to delineate the area where financial institutions would not invest. The FHA underwriting manual also restricted "incompatible" racial groups to live in the same communities, further preventing black families from purchasing homes in their own neighborhoods or in white neighborhoods. **Officially banned by the Fair Housing Act of 1968**, actual changes in lending practices were slow to take place--and it was not until the **Community Reinvestment Act (CRA) in 1977**--and reforms in 1989 and the early 1990's that fair lending enforcement gained more traction. **Today, a different type of redlining persists.***

1938 - 1975 / SUBURBANIZATION / G.I. BILL / SLUMS

VA provided homeownership benefits to returning veterans, but they also adopted all the FHA Racial Exclusion programs, restricting black veterans from using their benefits. At the same time, the government continued to subsidize suburban housing for white families, creating a mass migration of white families and jobs to the suburbs. This job loss caused a decrease in African American income, which led to the government subsidizing rent for public housing which was now primarily occupied by black families. This led to the creation of vertical slums

1960

1980

2001 - 2007 SUBPRIME LENDING BOOM

After an initial rise of black & Latino homeownership in the early 2000's, these minority populations were disproportionately hit by the housing bubble and "great recession." The Pew Research Center found that *"from 2005 - 2009 inflation-adjusted median wealth fell by 66% among Hispanic households and 53% among black households compared to just 16% among white[s],"* resulting in erasing 100% of wealth gains and sending the Wealth-Gap back to the same 20-to-1 ratio that existing in 1968 when the Fair Housing Act was first passed.** Regrettably, *"banks that once ignored minority communities were targeting them now to make money... [as] blacks and Latinos were more than twice as likely as comparable whites to receive high-cost [sub-prime] loans."* ***

2000

2020 / INEQUALITY REPEATS & REVERBERATES IN SOCIETY

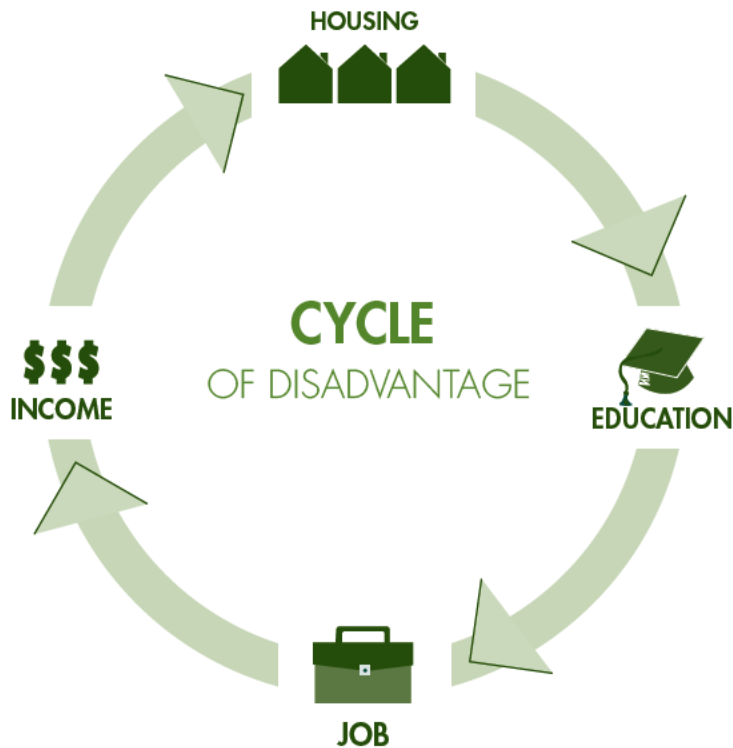
If you don't own a home, you don't have equity that increases overtime. If you don't have equity that increases overtime, you have less to leave your children - so this pattern persist and persevere from one generation to the next. Today, African American income is about 60% of white income. But, African American wealth is only 5 - 10% of the wealth of white wealth. Most middle class families in our country gain their wealth from the equity in their home. African Americans gained none of the equity appreciation that white families gained. This wealth has been bequeathed to today's generation. So, by the time discriminatory housing policy was banned, African Americans couldn't afford houses at the same level as white families who had gained wealth over the years.

2020

* Reveal: For People of Color, Banks are Shutting the Door to Homeownership; & Bloomberg CityLab: How the Fair Housing Act Failed Black Homeowners (2018)

** Pew Research Center: "Twenty-to-One: Wealth Gaps Rise to Record Highs Between Whites, Blacks & Hispanics" (2013)

*** Bloomberg CityLab: "The Dramatic Racial Bias of Sub-prime Lending During the Housing Boom" (2013).



ASSET-POOR VS. INCOME-POOR

One of the realities for families stuck in a cycle of disadvantage is limited margin (no margin for emergencies, and no margin to help families grow financially). Another way to describe having zero margin is **asset-poverty**, which is defined by Prosperity Now as “expanding the notion of poverty to include how much of a financial cushion a household has to weather a financial crisis such as a job loss, medical emergency or the need to fix a car. And the “**Asset Poverty Rate,**” which is higher than the income poverty rate in all 50 states, tells us the “percentage of households without sufficient net worth to subsist at the poverty level for three months in the absence of income.” A family can have a steady income, but have little to no assets or wealth. While income inequality is a stark reality in our nation, even more detrimental are the disparities in wealth (total assets minus total debt).

Today in the U.S., there is a sizable “Income Gap,” with **the typical/median white family earning 62.3% more than the typical black family.** However the “Wealth Gap”—or gap in assets—is truly staggering, with **the median white family having nearly 900% more wealth than the median black family.**¹ And this matters because studies reveal that assets help break this cycle of disadvantage, adding margin and new opportunities to a family’s future. Wealth is and has always been the foundation of financial security.

The Road to Zero, Prosperity Now’s research paper, puts it this way:

Wealth is the buffer families need when faced with unexpected economic shocks like a lost job or a broken-down car. Wealth is also the capital available to families to take advantage of economic opportunities, like buying a home, saving for college or investing in the stock market. Ultimately, wealth can be the difference between a family maintaining and strengthening their economic status or flailing in economic insecurity.

Former Federal Reserve Board Chair, Janet Yellen, wrote in a 2015 Federal Reserve publication that “A larger lesson from the financial crisis, of course, is how important it is to promote asset-building, including saving for a rainy day, as protection from the ups and downs of the economy... The Federal Reserve’s mission is to promote a healthy economy and strong financial system, and that is why we have promoted and will continue to promote asset-building.”

¹ Economic Policy Institute: [50 years after the Kerner Commission Report](#)



ASSETS, CREATING MARGIN

So, we know assets provide margin and opportunity for growth and investment. Often times, families stuck in the cycle of disadvantage have never had access to the tools or foundation needed to gain an asset.

Accessing an asset in this country requires certain tools and foundations (for example, a job that provides income above and *beyond* your needs - which often required some foundation of education, OR investment from parents or friends, history of good credit - which often requires the foundation of financial literacy and education).

Education and savings are some of the most important tools that can help to close both the "income gap" and the "wealth gap" in the United States. The Center on Budget and Policy Priorities concluded that "*compelling evidence reveals that poverty and inequality create barriers to educational opportunity,*" (Bernstein, 2013) but the Center on Social Development has found that low-income students with just \$500 in college saving are 3x's more likely to enroll in college and 4x's more likely to graduate.

And while a college degree results in a large earnings boost (college graduates earn 80% higher wages than those with just high school degrees), the difference in median net worth—or wealth—is substantially greater.

The median net-worth of a college graduate is 318% higher than that of a high school graduate. So parental assets lead to greater access to college and a college education leads to greater assets, but it all starts with having—or being able to access—the right foundations and tools.

INEQUALITY

There is a growing economic divide in our communities and nation. **One driving force for this economic divide is asset-poverty.** One might logically assume that wealth trends would simply follow income trends (families that make more money, have more wealth). But, that's not actually true. White households in the middle-income quintile (those earning \$37,201-\$61,328 annually) own nearly eight times as much wealth (\$86,100) as middle-income Black earners (\$11,000) and ten times as much wealth as middle-income Latino earners (\$8,600).¹ This disconnect in income earned and wealth owned is visible across the entire income spectrum between these groups. So, why do some communities have significantly less asset-wealth than others?

Studies show that barriers to homeownership have been the single largest driver of the continued racial wealth gap—more than income level or educational attainment.² And While Homeownership rose across all racial demographics from 2001 to 2006—and then subsequently declined for all races from 2006 to 2016—the overall rate of decline for black families was nearly 5x greater than for white families (Urban Institute, 2018). *"In fact, **black homeownership rates are now at levels similar to those before the passage of the Fair Housing Act in 1968, while rates are up for every other group.**"*³

BENEFITS OF HOMEOWNERSHIP

Homeownership is a part of the American dream for a reason - **homeownership (and before that, land ownership) has been the largest driver of wealth in our nation.** In 2013, the typical/median homeowner's net worth was \$195,400 compared to the typical renter's net worth of just \$5,400. In other words, **the median homeowners is 3,500% or 36x's wealthier than the median renter.**⁴ There are many other factors at play here, but even after these numbers are controlled for age, race and income-level, similarly situated homeowner families are still 12x's wealthier than an otherwise identical renting family.

Homeownership also has profound social benefit. High rates of homeownership in a community increases the investment in—and stability of—a neighborhood, which increases home values, which in turn increases the tax base, improving the education system and attracting businesses, grocery stores, sound financial institutions to a neighborhood. Homeownership also creates stability for families - increasing the rate at which children graduate high school and college. **This means that the longer homeownership has been in your family, or your neighborhoods, the greater opportunity that family or neighborhood experiences.** And the opposite is true too. We know now that housing policies in the U.S. have had a profound impact on which families and neighborhoods have seen the most economic and social benefit from homeownership.



¹ Institute for Policy Studies: ["The Road to Zero Wealth"](#) (Collins, Asante-Muhammed, Hoxie, Nieves, 2017)

² Institute on Assets and Social Policy: [The Roots of the Widening Racial Wealth Gap](#) (Shapiro, Meschede, Osoro, 2013)

³ Urban Institute: ["A closer look at the fifteen-year drop in black homeownership."](#) (Goodman, McCargo, Zhu, 2018)

⁴ Center for Responsible Lending of Federal Reserve Board's [Survey of Consumer Finances \(as cited by New York Times\)](#)