

RESEARCH REPORT

# A Landscape Scan of Homeownership for Households of Color

*Caitlin Young*

*Michael Neal*

*Janneke Ratcliffe*

*November 2022*



## ABOUT THE URBAN INSTITUTE

The nonprofit Urban Institute is a leading research organization dedicated to developing evidence-based insights that improve people's lives and strengthen communities. For 50 years, Urban has been the trusted source for rigorous analysis of complex social and economic issues; strategic advice to policymakers, philanthropists, and practitioners; and new, promising ideas that expand opportunities for all. Our work inspires effective decisions that advance fairness and enhance the well-being of people and places.

# Contents

<b>Acknowledgments</b>	<b>iv</b>
<b>Introduction</b>	<b>1</b>
<b>Why Don't Households of Color Achieve Homeownership on the Same Scale as White Households?</b>	<b>3</b>
Labor Market and Household Income Disparities	4
Rent Burdens	6
Down Payments	8
Access to Credit	8
Lack of Affordable Supply	9
Historic and Systemic Racism	11
<b>Shock Events Worsen the Ability of Households of Color to Achieve Homeownership</b>	<b>14</b>
Economic Cycles	14
The Emerging Risk of Climate Change	19
<b>How Can Policymakers Foster Homeownership among Households of Color?</b>	<b>23</b>
Steps Already Taken at the Federal Level	24
What Additional Steps Can the Federal Government Take?	26
State and Local Level	29
Other Key Stakeholders	34
<b>Achieving Homeownership Is Important, but So Is Benefiting from It</b>	<b>37</b>
<b>Notes</b>	<b>40</b>
<b>References</b>	<b>45</b>
<b>About the Authors</b>	<b>47</b>
<b>Statement of Independence</b>	<b>48</b>

# Acknowledgments

This report was funded by Living Cities. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute's funding principles is available at [urban.org/fundingprinciples](https://urban.org/fundingprinciples).

# Introduction

For many US households, homeownership is a primary mechanism for achieving financial stability and building wealth.<sup>1</sup> A home is often a family's largest asset; Black and Hispanic households, in particular, are less likely to have diverse assets and are more likely to rely on homeownership as a primary means of building wealth.<sup>2</sup> In particular, homeownership offers an opportunity to build significantly more wealth than is possible when renting. For instance, Black homeowners have a median net worth of \$113,300, but Black renters have a median net worth of \$1,830 (these figures are \$164,800 and \$5,800 for Hispanic homeowners and renters).<sup>3</sup> Additionally, fixed 30-year mortgage rates can hedge against inflation, ensuring that homeowners' housing payments do not increase regularly the way renters' often do. At the same time, inflation boosts home values, meaning the homeowner will receive wealth-building benefits without increased mortgage costs. And refinancing lowers a homeowner's mortgage payments and reduces the likelihood of being cost burdened.

Homeownership benefits not only individuals and households but communities as well. A portion of these benefits accrue to the local economy. Homeownership bolsters the community's treasury through taxes,<sup>4</sup> and homebuying typically generates a wave of economic activity, as people who purchase homes spend money on appliances, furnishings, and remodeling activities.<sup>5</sup> And this, in turn, creates jobs directly and indirectly throughout the local economy (Emrath 2020).

The benefits of homeownership can also extend to social aspects of a community. Homeownership plays a vital role in building strong, stable neighborhoods and corresponds with increased volunteerism, improved health, and less crime (Habitat for Humanity, n.d.; Rotolo, Wilson, and Hughes 2010).<sup>6</sup>

But households of color have lower homeownership rates than white households. These disparities reflect economic inequities that are rooted in historical and systemic racism. In this report, we illustrate how differences in income, rental costs, down payments, access to credit, and housing supply, combined with the role of historic and systemic racism, contribute to racial and ethnic disparities in homeownership. We also discuss how shock events such as economic recessions or natural disasters can worsen these inequities.

After outlining the scope of existing homeownership disparities, we offer public policy recommendations at the federal, state, and local levels to address the structural barriers households of color face and offer tools that can ensure they remain resilient in the face of shocks. We begin with recommendations to lay out the federal landscape in which policymakers at all levels are operating and the tools that are available. But we note that key innovations in homeownership and wealth-building

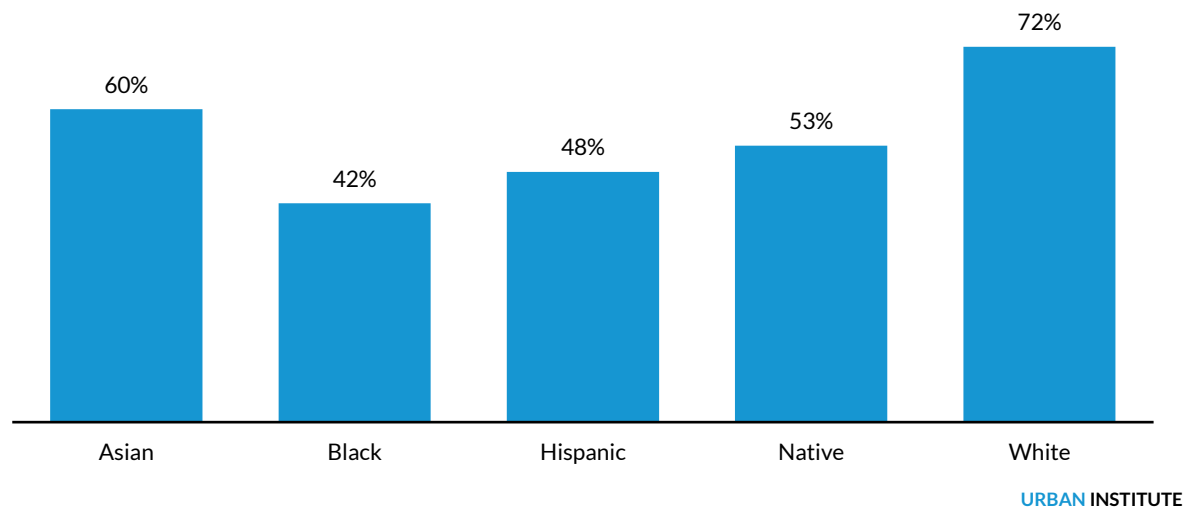
interventions often occur at the state and local levels. Local decisions about resource allocation and investment are key to ensuring all families have access to homeownership and its benefits.

Though our analysis focuses on attaining homeownership, we conclude with a discussion of the inequitable benefits of homeownership, including home value disparities by race and ethnicity. Research indicates that the benefits of homeownership do not accrue to households of color at the same level as white households. Though closing homeownership gaps is essential, we highlight this point to suggest that future research funded by Living Cities could help policymakers ensure that households of color can achieve homeownership and equitably benefit from it.

# Why Don't Households of Color Achieve Homeownership on the Same Scale as White Households?

In the United States, a long history of systemic racism has prevented households of color from achieving homeownership and its benefits on the same scale as white households. The white homeownership rate is 72 percent, which is 30 percentage points higher than the Black homeownership rate (42 percent), 24 percentage points higher than the Hispanic homeownership rate (48 percent), 19 percentage points higher than the Native homeownership rate (53 percent), and 12 percentage points higher than the Asian homeownership rate (60 percent) (figure 1). The Black-white homeownership gap is wider now than it was in 1960, when the Fair Housing Act had not yet been passed and housing discrimination was still legal.

**FIGURE 1**  
**Homeownership Rates, by Race or Ethnicity, 2019**



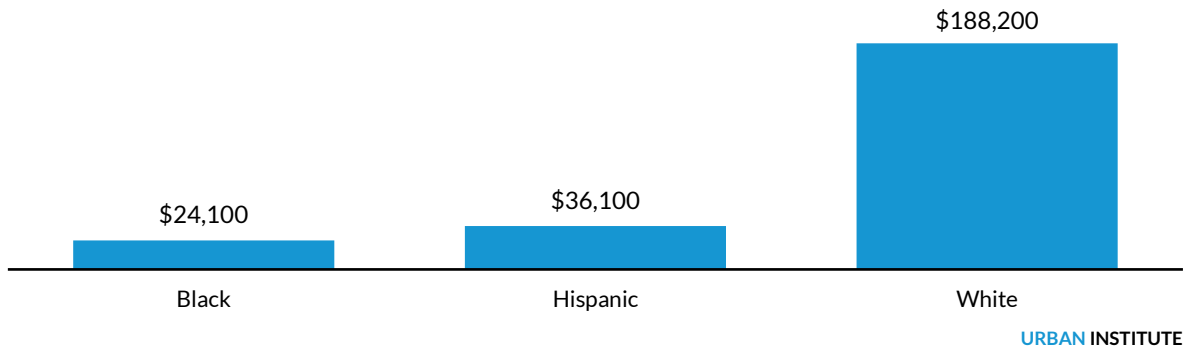
Source: 2019 American Community Survey.

These homeownership gaps partly reflect the structural barriers associated with achieving homeownership. But they are also attributable to the greater likelihood that households of color will lose homeownership as well. Research indicates that in the wake of the Great Recession, Black and

Hispanic homeowners were more likely to experience serious delinquency and to face foreclosure (Garriga, Ricketts, and Schlagenhauf 2017).

These homeownership disparities contribute to large and persistent racial wealth gaps. As of 2019, the median wealth of white families was \$188,200, compared with just \$24,100 for Black families and \$36,100 for Hispanic families (figure 2).<sup>7</sup> In relative terms, the median white family has more than seven times the wealth of the median Black family and more than five times the wealth of the median Hispanic family.

**FIGURE 2**  
**Median Household Wealth, by Race or Ethnicity, 2019**



**Source:** Board of Governors of the Federal Reserve analysis of the 2019 Survey of Consumer Finances.

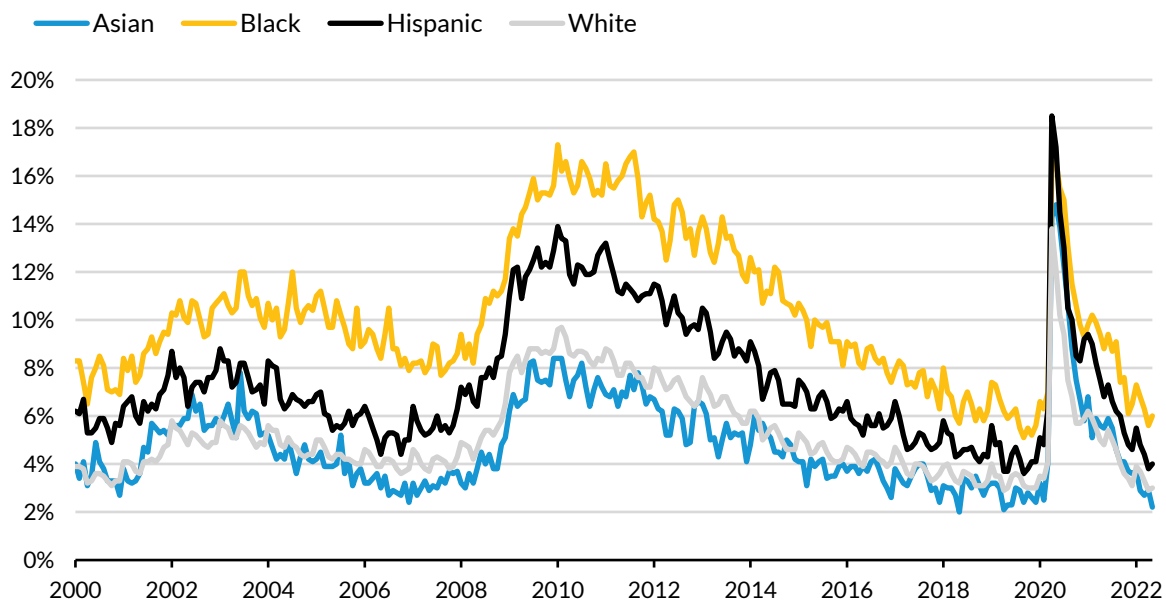
Many barriers prevent households of color from attaining equitable access to homeownership. Here, we break down the economic barriers to homeownership—labor market and household income disparities, rent burdens, down payments, access to credit, and lack of affordable supply—and the role of historic and systemic racism in housing and housing finance.

## Labor Market and Household Income Disparities

Employment is a key component of achieving and maintaining homeownership. But Black and Hispanic workers are more likely to be unemployed relative to their white and Asian counterparts. And the gap in unemployment rates is persistent. It prevails regardless of whether the economy faces an economic shock such as a recession or a pandemic (figure 3).



**FIGURE 3**  
**Monthly Unemployment Rates, by Race or Ethnicity**



URBAN INSTITUTE

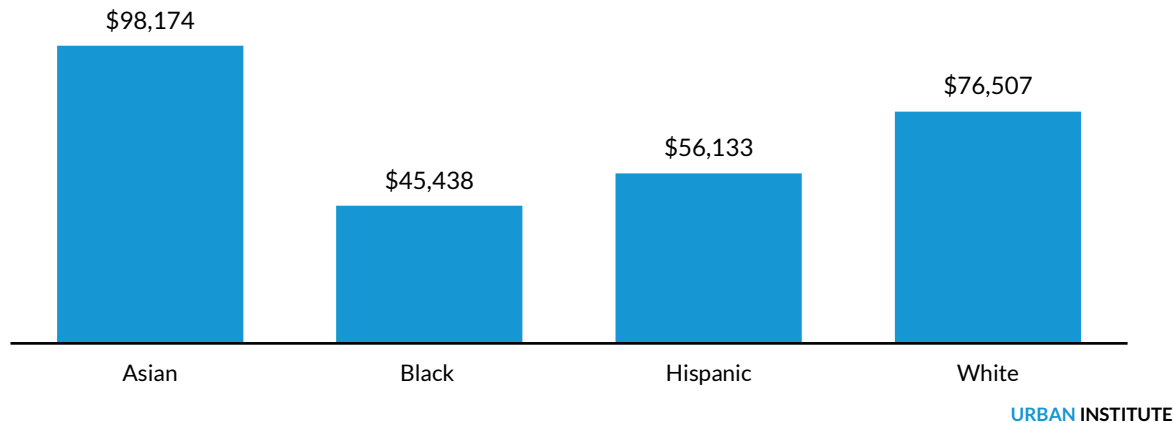
Source: Bureau of Labor Statistics.

Notes: Data through May 2022. Not seasonally adjusted.

But even when workers of color are employed, job quality is typically lower than it is for white workers. People of color are disproportionately employed in less stable and low-paying industries, such as hospitality, retail, and tourism (Langston, Scoggins, and Walsh 2020). They are also more likely to be gig workers;<sup>8</sup> wages from the gig economy are inconsistent and are more difficult for mortgage underwriters to validate.

In addition to low-quality jobs, Black and Hispanic workers receive low earnings, which can result in low incomes. The Urban Institute estimates that median earnings for non-Hispanic white workers were \$50,150, exceeding median earnings for Black workers (\$39,700) and Hispanic workers (\$37,900).<sup>9</sup> Only Asian workers had median annual earnings that exceeded those of white workers (\$65,500). But Asian households also have the largest within-group income inequality.<sup>10</sup> Although there are many high-income Asian households, there is also a large and significant proportion of low-income Asian households. In addition, many Asian households are concentrated in high-cost areas, which may contribute to their high earnings overall, but home prices and rents are typically high in these markets as well.<sup>11</sup> Earnings stemming from employment, in turn, contribute to household incomes that are so critical for homeownership.

**FIGURE 4**  
**Median Household Income, by Race or Ethnicity, 2019**



Source: 2019 American Community Survey.

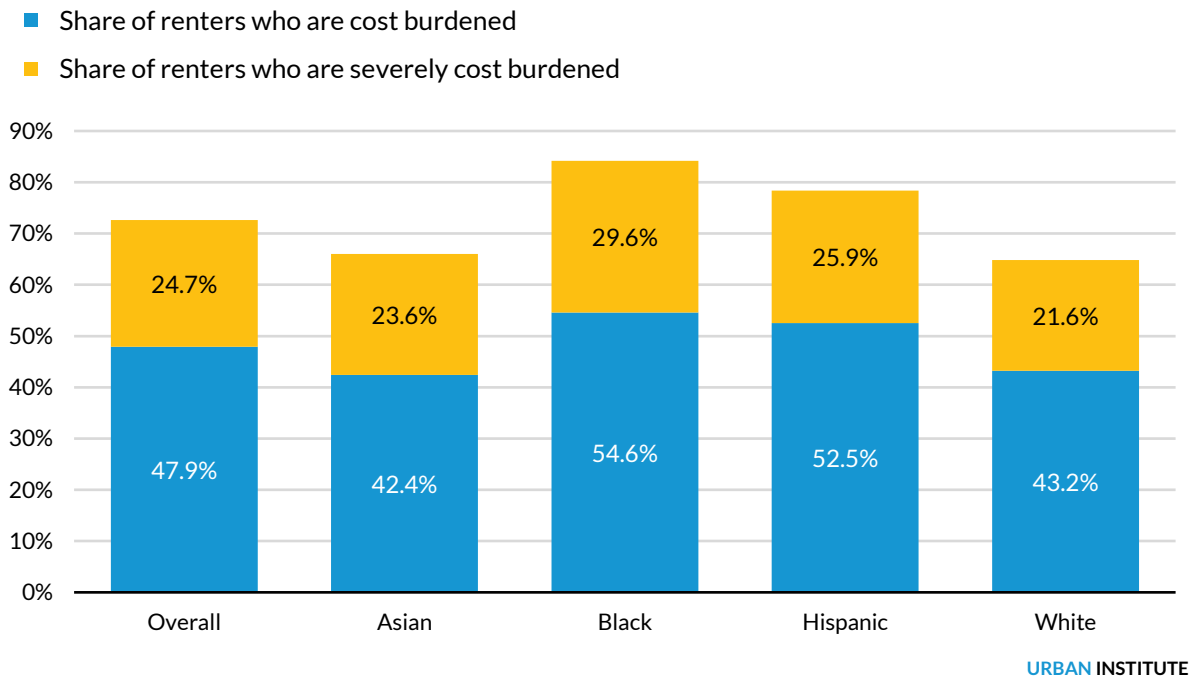
Labor market conditions are responsible for the job and income stability that is so critical for achieving and sustaining homeownership. Employment and earnings help renter households qualify for mortgages by strengthening their credit scores and limiting outstanding and delinquent consumer debt, such as credit cards, auto loans, and student loans. A competitive labor market experience also helps renters save for a down payment and prevents foreclosures and broader housing instability.

## Rent Burdens

Although income is a key determinant of homeownership outcomes, its benefits may be dampened by high rents. When rents are high and eat up a large share of household income, households are less able to save up for a down payment. Cost-burdened renters are those spending at least 30 percent of their monthly income on rent, and this burden disproportionately affects Black and Hispanic renters (figure 5). In 2019, 54 percent of Black renters and 52 percent of Hispanic renters were cost burdened, compared with 42 percent of white renters (Joint Center for Housing Studies of Harvard University 2021). The fact that more than half of Black and Hispanic renters are cost burdened means that at the median, the typical renter in this racial or ethnic category is cost burdened (figure 6).

FIGURE 5

Share of Cost-Burdened Renter Households, by Race or Ethnicity

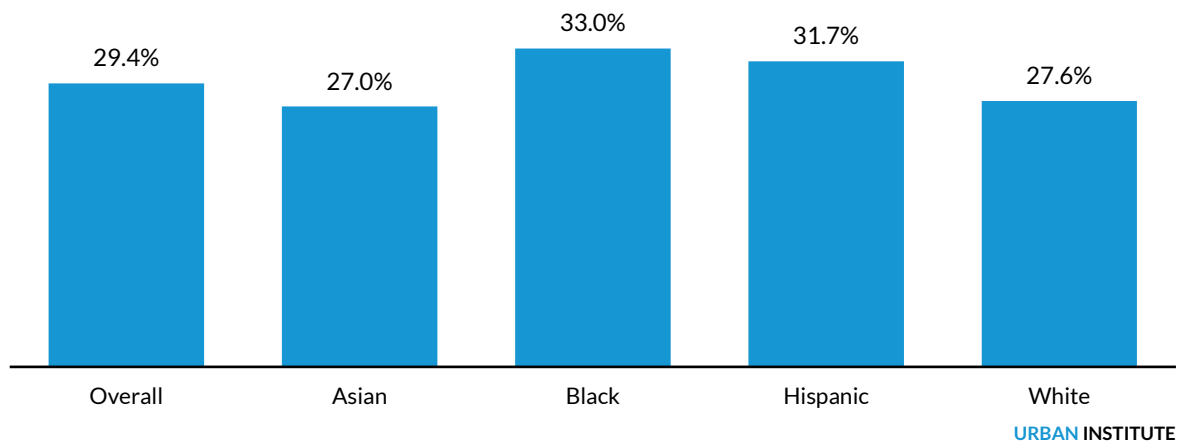


Source: 2019 American Community Survey.

FIGURE 6

Median Renter Cost Burden, by Race or Ethnicity

Median share of household income spent on rent



Source: 2019 American Community Survey.

A lack of affordable rental supply is a significant contributor to this problem. The National Low Income Housing Coalition estimates that the US has a shortage of 7 million rental homes affordable and

available to extremely low-income renters, or those with an income less than 30 percent area median income (National Low Income Housing Coalition 2022). And rental prices will likely continue to rise as demand outpaces supply.

High rents limit households' ability to save for a down payment. High rents may also introduce greater instability, as households struggle to meet their needs. The instability could result in missed payments and high debt, which lowers the likelihood that these households will qualify for a mortgage. Moreover, the risk of cost instability is heightened amid faster inflation.

## Down Payments

Renters, especially low-income renter households, often identify their inability to save for a down payment as a leading barrier to homeownership (Goodman et al. 2018). The disparity in down payments by race and ethnicity partly reflects low household incomes and high rents.

But generational dynamics also contribute to disparities in down payments. Because white families typically have greater wealth and are significantly more likely to have received an inheritance or gift, many white households have an easier time procuring funds for a down payment than households of color lacking individual or family wealth. As we will analyze further in our discussion of systemic racism, these wealth disparities largely result from historic discrimination that ushered many white families into homeownership, small business ownership, and sustainable investment, while denying households of color the same opportunities.

Additionally, although many states and localities offer down payment assistance (DPA) programs that can help cover costs for first-time homebuyers, better outreach about these programs is needed. Many potential homeowners believe that a 20 percent down payment is needed to purchase a home and do not know that DPA programs exist. Increasing consumer awareness could help move more households into homeownership.

## Access to Credit

Markers of creditworthiness, such as credit scores and debt-to-income ratios, are used in underwriting to determine a mortgage applicant's ability to repay. The inequities in credit scores and debt-to-income ratios are partly attributable to income and rental cost burdens.

But Black and Hispanic households have generally had less access to safe, regulated sources of credit.<sup>12</sup> People of color were denied equitable access to 30-year mortgages, revolving credit, and Federal Deposit Insurance Corporation-backed bank accounts; white people experienced easier access to these tools and were able to use them to build credit. People of color then had to rely on costlier, riskier, and often predatory alternatives that did not allow them to build strong credit in the same way.

As a result, Black and Hispanic households are more likely to be credit invisible or have unscored records (Brevoort, Grimm, and Kambara 2015). They also typically have lower credit scores than white households, even when comparing households with similar incomes. According to Freddie Mac calculations, as of January 2021, Hispanic households had a median VantageScore of 668, and Black households had a median score of 629, both significantly lower than the median score of 726 for white households. A separate 2018 Freddie Mac analysis of FICO scores found that 15.7 percent of white consumers had FICO scores below 620, compared with 21.9 percent of Hispanic consumers and 33.3 percent of Black consumers. Having a FICO score below 620 makes it more difficult for a household to obtain a mainstream mortgage.

## Lack of Affordable Supply

A lack of affordable rental supply forces renters to bear high cost burdens, hindering their ability to save for homeownership. There is also a shortage of affordable homes for sale, meaning even households that can save for a down payment may not be able to achieve homeownership. Asian and Hispanic households tend to live in high-cost markets with restricted supply.

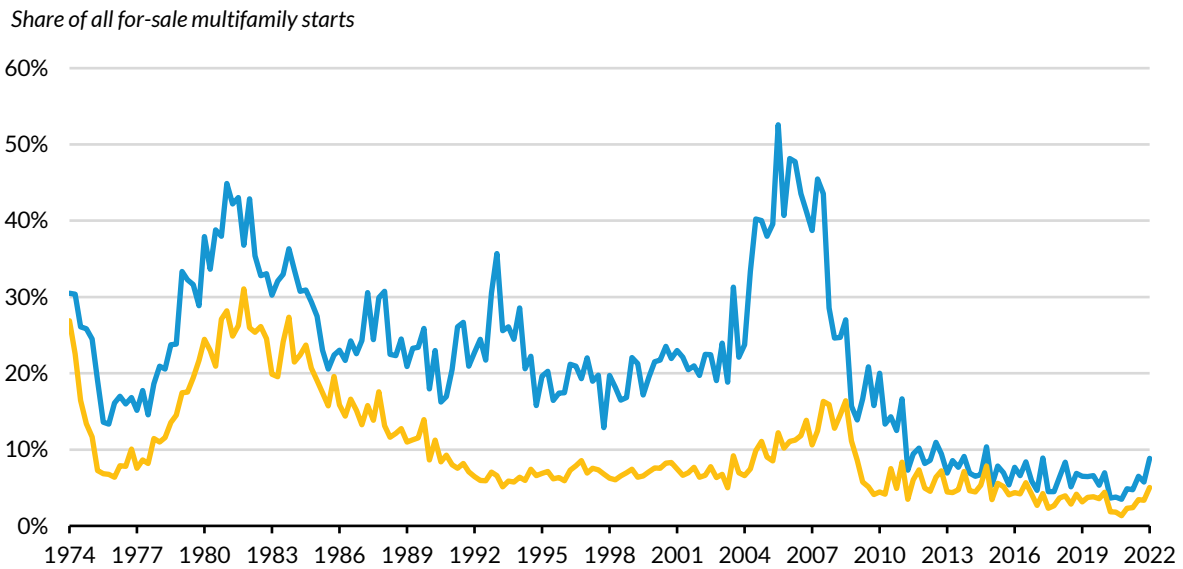
Freddie Mac estimates that the US has a 3.8 million-unit deficit in homes for sale (Khater, Kiefer, and Yanamandra 2021). The shortfall of affordable units reflects the convergence of multiple factors: restrictive zoning and building code policies, high material costs, construction labor shortages, and financing challenges, all leading to a lack of new construction (Kaul, Goodman, and Neal 2021).

The lack of supply is most prominent among affordable starter homes. Condominium and mobile home production remain at long-term lows. And these problems are magnified by the challenges buyers may face in obtaining financing to purchase these homes, particularly as more home purchases are paid for in cash. Meanwhile, among the single-family stock, investors have purchased and rented a growing portion of single-family starter homes (figures 7 and 8).

FIGURE 7

### For-Sale Multifamily Starts

- For-sale multifamily units as a share of all multifamily starts
- For-sale multifamily units as a share of all for-sale housing starts

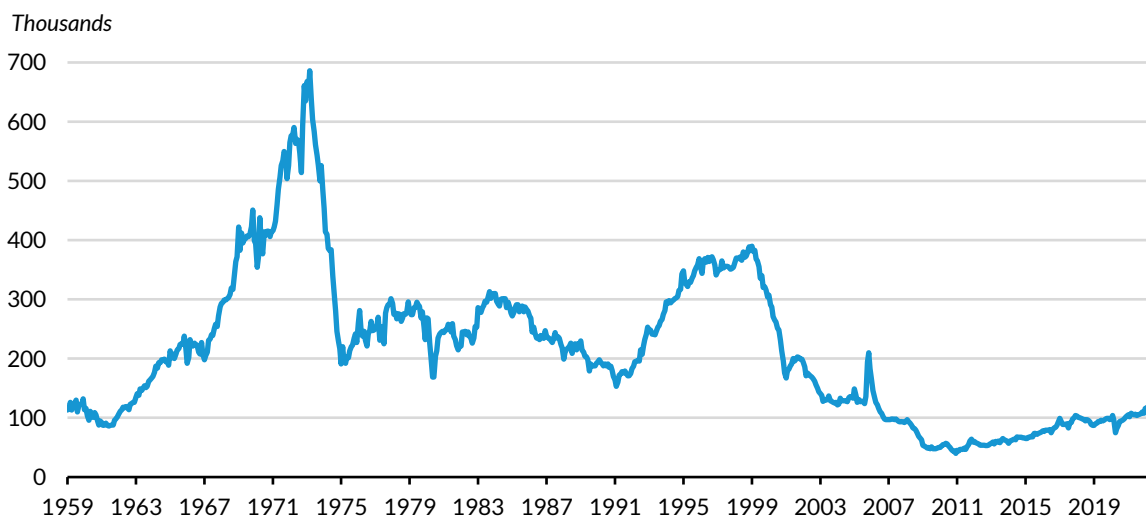


URBAN INSTITUTE

Source: Urban Institute calculations from US Census Bureau and US Department of Housing and Urban Development data.

FIGURE 8

### Manufactured Housing Shipments

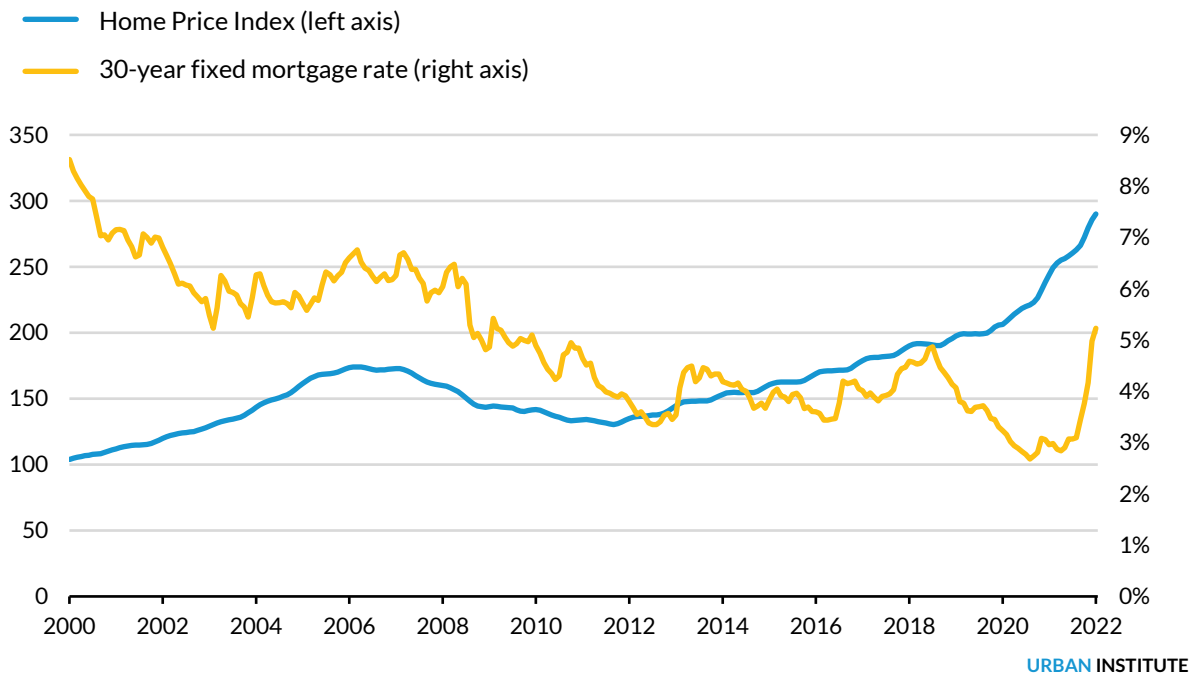


URBAN INSTITUTE

Source: US Census Bureau.

These shortages, combined with low interest rates in 2020 and 2021 and movements related to work-from-home policies, have helped boost home prices. Today, home prices continue to rise. These high costs were previously offset by solid income growth that occurred in response to tight labor market conditions and historically low interest rates. But interest rates have risen dramatically over the past year, further worsening affordability (figure 9). Given that Black and Hispanic households are more likely to rent than own and typically have lower incomes and less wealth, reduced affordability will disproportionately affect households of color seeking to achieve homeownership.

**FIGURE 9**  
**Home Prices and Mortgage Rates**



**Sources:** Freddie Mac and Black Knight.

**Note:** The home price index is calculated by Black Knight, a technology, data, and analytics provider to the mortgage lending, servicing, and real estate industries.

## Historic and Systemic Racism

The barriers to homeownership that households of color face did not develop in a vacuum; rather, the US has a long history of racism in access to homeownership. Racial discrimination and the ongoing effects of occupational segregation persist in the labor market, resulting in low incomes for workers of color. Evidence also suggests that Black workers in particular are the first to lose their jobs during

recessions and are less likely to be promoted than their white counterparts (Couch and Fairlie 2010; Wilson and Roscigno 2016).

Racial discrimination has also persisted as a pervasive problem in the rental market. The US Department of Housing and Urban Development's (HUD's) use of paired testing has revealed that Black, Hispanic, and Asian renters are both told about and shown fewer housing units than equally qualified white renters (Turner et al. 2013). Another study found that property managers in Chicago, Los Angeles, Louisville, Houston, and Providence are least likely to respond to prospective Black and Hispanic tenants searching for rental housing (Christensen, Sarmiento-Barbieri, and Timmins 2021). Other studies have shown that prospective renters of color are asked to make larger security deposits. Stronger discriminatory constraints on renters of color are also associated with higher levels of residential segregation and larger gaps in intergenerational income mobility.

Despite the economic challenges that give rise to racial and ethnic homeownership disparities, many adults ages 18 to 45 in markets throughout the country are considered mortgage ready. But racial prejudice in the mortgage industry and broader for-sale housing sector have curtailed homeownership for households of color.

For a long time, explicit racial discrimination was legal, and even after being made illegal with the passage of the 1968 Fair Housing Act, the legacies of systemic racism continue to affect homeownership opportunities for people of color. In the early 1930s, the Federal Housing Administration (FHA) began its racist practice of redlining, under which it refused to insure mortgages in or near Black neighborhoods.<sup>13</sup> Black neighborhoods were the primary targets, but other neighborhoods of color were also deliberately excluded from mortgage lending as well. The Home Owners' Loan Corporation developed maps that the federal government, loan officers, appraisers, and real estate professionals used to evaluate mortgage lending risk, designating white neighborhoods in green to indicate their creditworthiness and Black neighborhoods in red to indicate that they were too risky to insure.

While denying homeownership opportunities to Black households, the federal government guaranteed loans for white homebuyers and supported the mass production of starter homes for white households. Redlining and other racist practices resulted in resources and investment flowing into white communities while Black communities were subject to devaluation and disinvestment. Local restrictive covenants also explicitly denied people of color the ability to live in certain homes or neighborhoods.<sup>14</sup> Many formerly redlined communities remain segregated and continue to experience a dearth of equitable investment.<sup>15</sup>



Systemic racism continues to affect homeownership and wealth outcomes for people of color, particularly Black and Hispanic households. In the lead-up to the foreclosure crisis, predatory lenders disproportionately targeted Black and Hispanic households, resulting in huge losses of wealth. Real estate agents rely on predominantly white social networks<sup>16</sup> and have been shown to practice steering, or influencing a buyer's choice of neighborhood or community based on protected characteristics. Appraisers use the sales comparison approach to estimate home values, which pulls forward the effects of historic racism in home valuation and perpetuates undervaluation in communities of color (Howell and Korver-Glenn 2018). And even facially neutral technology such as automated valuation models, which could reduce human bias in appraisals, produce larger magnitudes of error in majority-Black neighborhoods (Neal et al. 2020).

The ongoing impacts of systemic racism on homeownership, left unaddressed, will continue to compound across generations. White families that had access to homeownership generations ago have been able to build wealth to pass on to their children, which helped those children attain homeownership and build wealth, and so on. Removing barriers to homeownership for households of color will be key to ensuring financial stability and building wealth for all Americans.

# Shock Events Worsen the Ability of Households of Color to Achieve Homeownership

Households of color often experience worse homeownership outcomes because of structural barriers, such as systemic discrimination in employment and mortgage underwriting, that reduce their ability to purchase a home, increase the likelihood of entering foreclosure, and contribute to persistently worse disparities over time. These disparities tend to be exacerbated by shock events that often disproportionately hurt historically marginalized groups.

## Economic Cycles

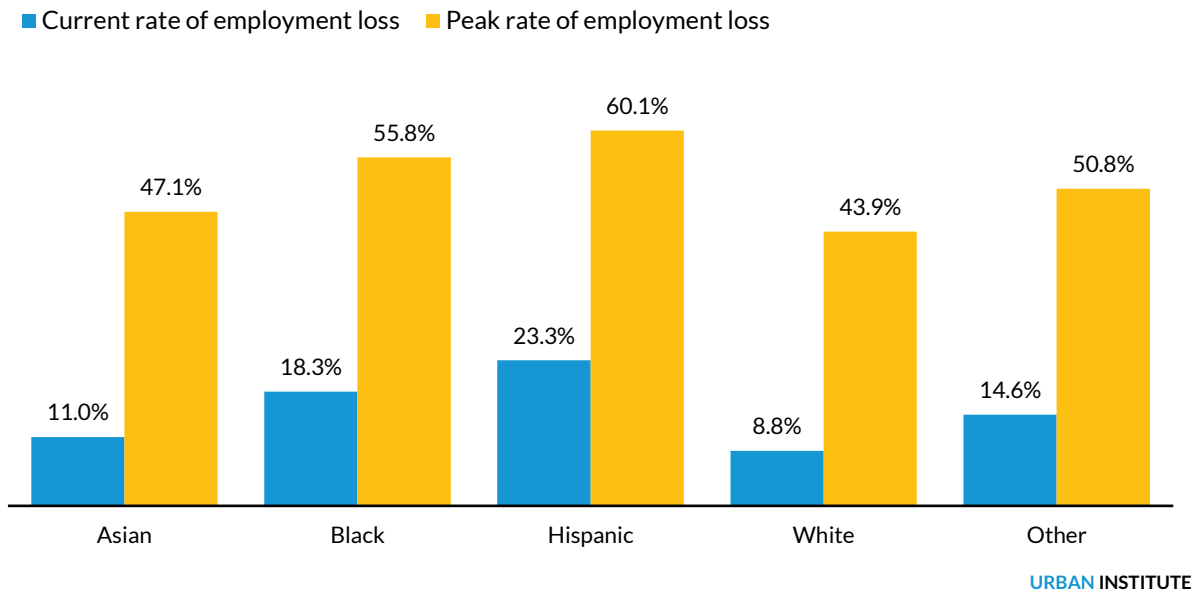
Although inequities by race and ethnicity are persistent, economic downturns can lead to even worse outcomes for people of color, and their recovery may be slower. In some instances, the racial or ethnic gap across selected housing indicators that prevailed before an economic downturn may be wider even after the subsequent economic recovery and expansion. These dynamics indicate that the seemingly short-term impacts of recessions can have long-term implications for racial and ethnic gaps in housing.

During the COVID-19 pandemic, the national unemployment rate soared from 3.5 percent in February 2020 to 6.0 percent by April 2021. But the share of jobless workers was greater among Black and Hispanic workers than among white workers. And even amid an economic recovery, joblessness is greater among Black and Hispanic workers relative to white workers. As of May 2022, the gap between the white and Hispanic unemployment rates is 1 percentage point, and the Black-white gap is 3 percentage points. This partly reflects the structural barriers that result in higher unemployment over time. But at the same time, the unemployment rate for Black and Hispanic workers rose even faster than the rate for white workers, widening the racial and ethnic gap in the unemployment rate as the recession deepened.

Workers of color were also more likely to experience a loss of employment income during the pandemic recession. A loss of income affects a household's ability to achieve homeownership and to sustain it. Although the incidence of lost employment income has fallen as the economic expansion continues, workers of color remain more likely to experience this threat to financial stability. Most

recently, 9 percent of surveyed workers reported experiencing a loss of employment income from April 27 through May 9, 2022. But Hispanic workers (23 percent) and Black workers (18 percent) were more likely to report having lost employment income. Additionally, 11 percent of Asian workers and 15 percent of other nonwhite workers reported a loss of employment income. Meanwhile, only 9 percent of white workers reported a loss of employment income (figure 10).

**FIGURE 10**  
**Current and Peak Rates of Employment Loss during the Pandemic Recession, by Race or Ethnicity**



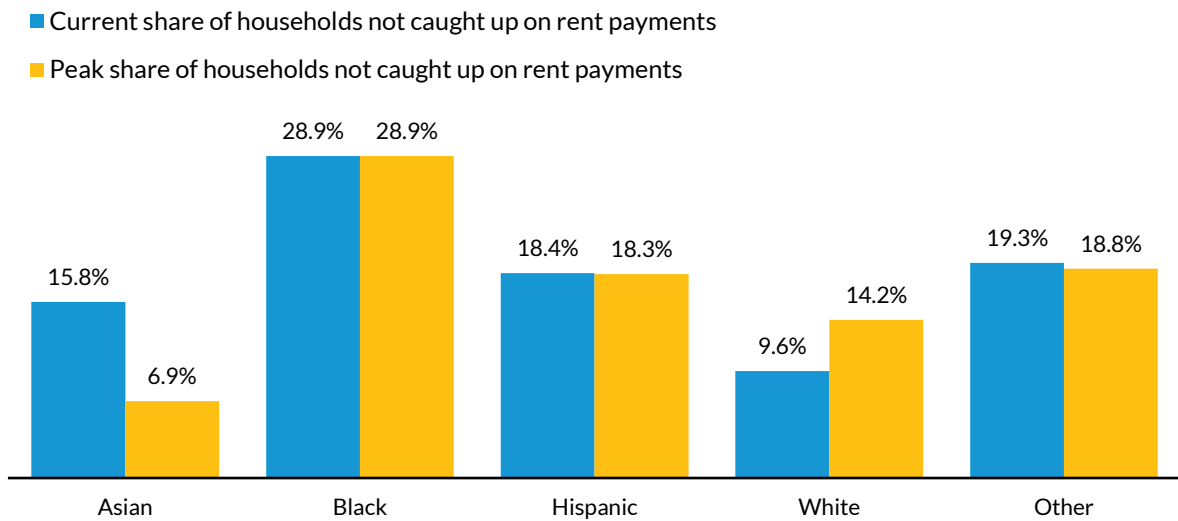
**Source:** US Census Bureau Household Pulse Survey.

**Notes:** Peak employment loss rates are from surveys conducted May 14 through May 19, 2020 (week 3 of the Household Pulse Survey). Current employment loss rates are from surveys conducted April 27 through May 9, 2022 (week 45).

The pandemic recession also disproportionately affected the ability of renters of color to make their rent payments. Again, the ability to make one’s rent payments has improved as the unemployment rate has declined, but it remains higher for renters of color relative to white renters. Most recently, renter survey results indicate that Black renters (29 percent), Hispanic renters (18 percent), Asian renters (16 percent), and other nonwhite renters (19 percent) were more likely to report not being caught up on their rent payments in comparison with white renters (10 percent) (figure 11). The inability to pay one’s rent suggests there are no discretionary financial resources to save for a down payment or to meet consumer debt obligations.

FIGURE 11

Current and Peak Shares of Households Behind on Rent, by Race or Ethnicity



URBAN INSTITUTE

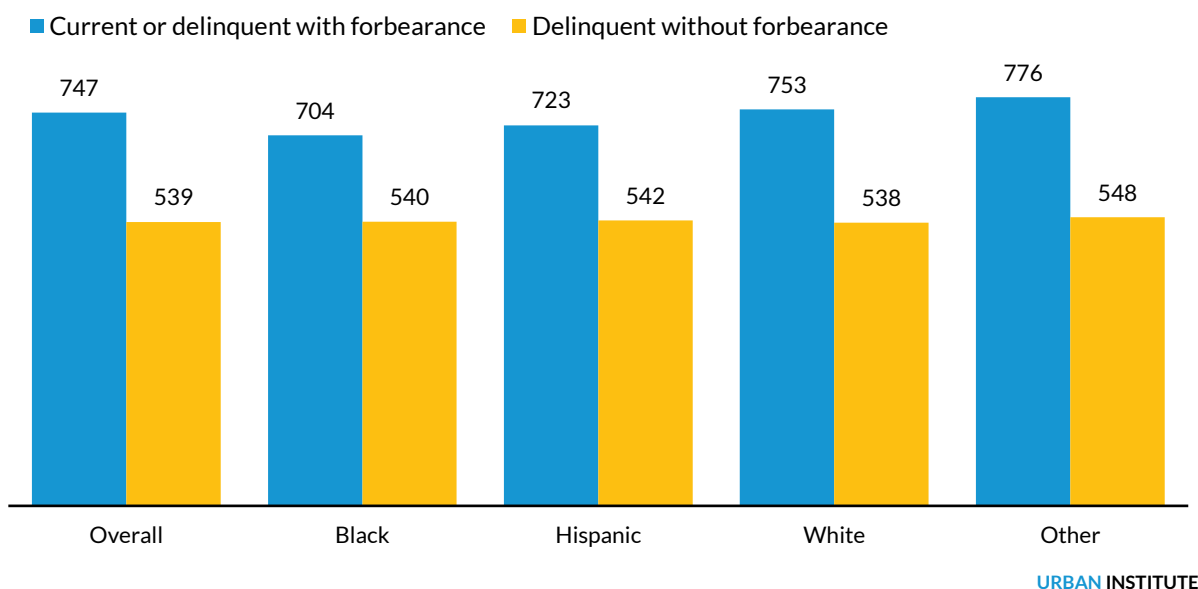
Source: US Census Bureau Household Pulse Survey.

Notes: Peak employment loss rates are from surveys conducted May 7 through May 12, 2020 (week 2 of the Household Pulse Survey). Current employment loss rates are from surveys conducted April 27 through May 9, 2022 (week 45).

The instability the pandemic recession caused not only impaired households' ability to pay rent but threatens their ability to meet other liabilities, which may, in turn, lower their credit scores. But swift federal action reduced the recession's impact on overall credit scores (Fulford, Rush, and Wilson 2021). On one hand, forbearance, particularly for student loans and mortgages, helped households with these types of debt maintain their credit scores. At the same time, households not benefiting from forbearance may have experienced a significant credit score decline. Figure 12 demonstrates that homeowners in forbearance have significantly higher median credit scores than homeowners who are delinquent but not in forbearance.

FIGURE 12

Median Credit Scores among Mortgage Homeowners, by Forbearance Status



Source: Urban Institute calculations of credit bureau data.

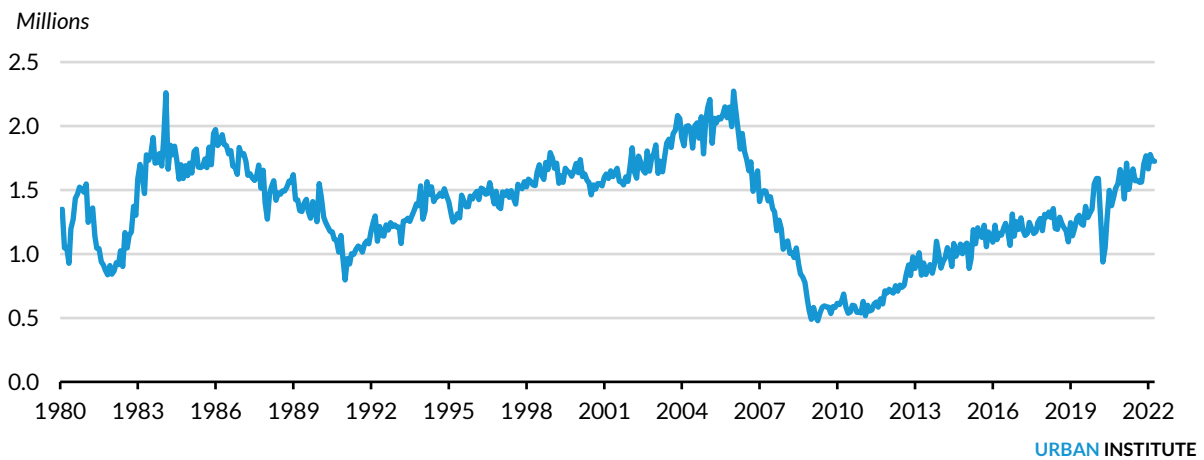
Note: Credit scores are VantageScores and range from 300 to 850.

Additionally, many lenders further tightened their standards—which were already constrained dating back to the foreclosure crisis—in response to the pandemic recession. Tighter standards, such as a higher credit score needed to access a loan, lock many households out of debt markets. And by curtailing access to credit, the ability of households of color, particularly renters, to weather this crisis may have been impaired, further worsening the recession’s impact and potentially lengthening their recovery.

The pandemic recession also affected housing supply. On the residential construction side, housing starts initially declined dramatically but recovered quickly and strongly (figure 13). But key resource challenges builders faced still kept them from producing affordable housing, such as smaller single-family homes, condominiums, and mobile homes. Among existing homes, which are historically more affordable than new homes, the months’ supply of homes continued to fall, touching a low of 1.6 months in January 2022 (figure 14). These affordability losses may particularly affect households of color, who have less wealth and are less likely to be able to afford a high down payment.

FIGURE 13

Seasonally Adjusted Monthly Housing Starts



Source: US Census Bureau.

FIGURE 14

Months' Supply of Existing Homes on the Market



Source: National Association of Realtors.

Investor purchases of single-family homes have increased in the wake of the pandemic recession. Prior research suggests that a similar trend followed the Great Recession, with investor purchases reducing the affordable supply of for-sale housing and boosting the supply of rental housing, thereby contributing to a lower homeownership rate. It appears that this trend, which disproportionately affected neighborhoods of color and neighborhoods with low incomes, could be repeating itself. But we

note that as home prices have reached record highs, corporate buyers may be purchasing homes that otherwise would not be bought by households seeking homeownership because of property condition.

## The Emerging Risk of Climate Change

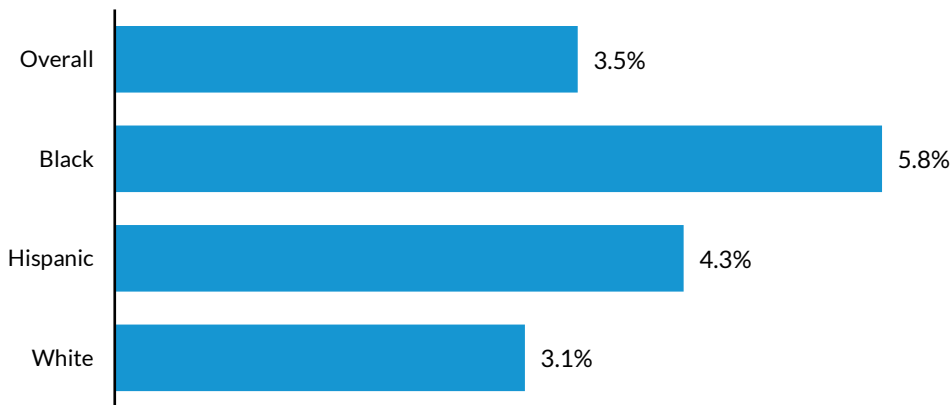
A growing threat to racial equity within homeownership is related to climate change. Over the past century, the average temperature has risen to risky levels, which has direct and indirect implications for homeownership. Although much of the concern has focused on flood risk, other climate-related disasters, such as wildfires, could have adverse implications for housing.

Over the past century, rising temperatures have contributed to “heat islands,” urbanized areas that experience higher temperatures than outlying areas.<sup>17</sup> Buildings, roads, and other manmade infrastructure absorb and reemit the sun’s heat more than natural landscapes such as forests and water bodies. Heat islands can lead to increased energy consumption, elevated emissions of air pollutants and greenhouse gases, compromised human health and comfort, and impaired water quality.<sup>18</sup>

Research indicates that in cities across the country, Black, Hispanic, and Indigenous families live in warmer neighborhoods relative to white families, in large part because of historic segregation and racism in urban planning decisions.<sup>19</sup> For instance, historic disinvestment in communities of color means these neighborhoods are still less likely to have heat-offsetting features such as parks and adequate tree cover. Amid the risks that heat exposure poses, living on a heat island can contribute to mold and other adverse effects<sup>20</sup> that can threaten the adequacy of a living space (Neal et al. 2020). Black and Hispanic households are more likely to live in inadequate housing (figure 15). And in turn, inadequate housing can increase the user costs of homeownership for families of color by increasing the need for home improvements or by quickening the depreciation of the housing structure.

FIGURE 15

Share of Homeowners Living in Moderately or Severely Inadequate Housing, by Race or Ethnicity



URBAN INSTITUTE

Source: National Association of Realtors.

At the same time, rising temperatures can raise sea levels and heighten flood risk, particularly in the wake of natural disasters. Research suggests that Black and Hispanic people are more likely to live in high-risk flood zones (Bakkensen and Ma 2020). Flood risk has implications for both securing a mortgage and for sustaining homeownership.

Flood risk could make homebuying more expensive. Mortgage interest rates, which partly reflect credit risk, may rise as lenders insulate their portfolios by charging borrowers more for a mortgage. In addition, insurance may become even more costly with the increased threat of flooding, either through more disasters or disasters of greater severity.

Flood risk could also lead to market failure. Not knowing the full costs of flood risk, lenders may decide not to lend in areas where they suspect the propensity of flooding to be high. Or insurers may decide not to provide insurance in such areas. If these steps are taken, homebuying in areas thought to be most affected by flooding could ground to a halt.

There is a racial equity angle. Because Black and Hispanic families are more likely to be exposed to flood risk, the lines demarcating this risk could result in fewer loans made in these communities. And as with heat islands, these lines often resemble those of the redlined maps of the 1940s and 1950s.<sup>21</sup> This is sometimes referred to as “bluelining.”

The risk of climate change also has implications for housing supply. Building homes that are more resilient to natural disasters could increase homeownership costs. Builders or homeowners will face the



expenses of such activities as raising the home further off the ground. Preventive measures such as incorporating more “green” materials and appliances into a home may garner additional expenses as well.

Not only does climate have implications for housing, but housing, through energy use, can affect the climate (Dubois et al. 2019). Not building new housing also has implications for climate. Half the nation’s single-family housing stock was built in 1980 or earlier (Neal and Reynolds 2021). Absent improvements, these homes often use energy sources, such as natural gas, that are more harmful to the climate and are less efficient to use.<sup>22</sup>

Although some stylized facts at the intersection of climate, housing, and racial equity have emerged through research, there is still much we do not know. This partly reflects inadequate data. Critics have noted that the federal government’s floodplain maps, which determine which households are at risk of flooding, are inaccurate.<sup>23</sup> At the same time, research continues to quantify the risk of flooding for lenders’ balance sheets (Beckett 2021). Most progress has been made in flooding, but the implications of other natural disasters, such as wildfires, are gaining additional attention.<sup>24</sup>

---

## BOX 1

### A Note on Technology

Although not the focus of this report, it is valuable to recognize that changes in the way mortgages are sourced, underwritten, and serviced are all being driven by technology. These changes are typically geared toward increasing efficiency but sometimes come at the cost of equity. For example, increasing reliance on online lending and a decrease in bank branches can limit access for households who are not able or comfortable with conducting financial transactions electronically. Similarly, the increased use of credit scores and automated underwriting has made it more cumbersome to evaluate loans where the borrower does not have a traditional credit file or W-2 wage-earning job. Although automation and artificial intelligence hold promise to remove human bias from the process, there is also a risk that biases will be baked into black box models. For example, automated valuation models, which remove the role of the human appraiser, were found to have higher error as a percentage of property value in predominantly Black neighborhoods than in predominantly white ones.<sup>a</sup> Although it is outside the scope of this report to review emerging technologies in the mortgage space, efforts are under way to harness their equity-enhancing potential. One of these is the National Fair Housing Alliance’s Tech Equity Initiative.<sup>b</sup> And the Federal Housing Finance Agency (FHFA) recently announced the creation of a new Office of Financial Technology, whose objectives include “support[ing] the Agency in developing strategies for FHFA’s regulated entities to advance housing finance fintech and innovation in a safe and sound, responsible, and equitable manner.”<sup>c</sup>

<sup>a</sup>Linna Zhu, Michael Neal, and Caitlin Young, “Revisiting Automated Valuation Model Disparities in Majority-Black Neighborhoods: New Evidence Using Property Condition and Artificial Intelligence” (Washington, DC: Urban Institute, 2022).

<sup>b</sup>“Our Programs: Tech Equity,” National Fair Housing Alliance, accessed October 6, 2022, <https://nationalfairhousing.org/program/tech-equity-initiative/>.

<sup>c</sup>Federal Housing Finance Agency, “FHFA Announces Office of Financial Technology,” news release, July 18, 2022, <https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-Office-of-Financial-Technology.aspx>.

# How Can Policymakers Foster Homeownership among Households of Color?

Homeownership affects several economic sectors nationally and locally. As a result, the federal government oversees some pieces of the homebuying and homeownership process, while state and local governments influence other parts.

Policies to expand the availability of mortgage credit, including alternative underwriting, are largely determined at the federal level through agencies such as the Federal Housing Administration, the FHFA (which regulates Fannie Mae and Freddie Mac), and the Veterans Administration (VA), and rules implementing the Community Reinvestment Act are promulgated by the federal banking regulators. In contrast, state and local government agents generally develop policies directly targeting zoning regulations and building codes. Subsidies to support homeownership can be implemented at any level of government or can involve coordination between them. Some cities and states raise local funds to increase homeownership. But they may also channel federal funds to support local housing goals, so it is useful for local policymakers to understand the federal landscape and the tools it provides.

Another approach to public policy is to consider policies that support homeownership by increasing the ability of households of color to purchase a home against policies targeting homeownership preservation. Generally, policies to purchase a home are developed for stable periods, while policies supporting preservation are often implemented in response to shock events. But support for home renovation is one area where policies are often designed for stable periods as opposed to in response to a shock event.

Below, we discuss federal, state, and local levers for closing the racial homeownership gap. State and local governments are at the forefront of innovation in this area, but we start with the federal policy landscape because of the dominant role the federal government plays in housing finance. In 2021, the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac securitized close to 60 percent of all mortgages made, and when FHA and VA lending is included, government-related channels accounted for more than three-quarters of all mortgages. FHA and VA lending in particular, which excluded Black households in their early years, has since become a key tool for Black homeownership, accounting for more than half of purchase mortgages to Black borrowers in 2020.

# Steps Already Taken at the Federal Level

## Policies Supporting Homeownership through Home Purchases

It is worth pointing out that federal policymakers have implemented several policies aimed at boosting homebuying for households of color. The FHFA announced that in addition to its Duty to Serve requirements<sup>25</sup> and affordable housing goals,<sup>26</sup> Fannie Mae and Freddie Mac will be required to submit equity plans detailing the steps they will take to address racial homeownership gaps and disinvestment in communities of color.<sup>27</sup> If the GSEs treat equity as part of their business strategy—embedding it directly into their policies and practices—rather than treating the plans as another ad hoc requirement, they will have greater potential for reaching households and homeowners of color (Ratcliffe, Stegman, and Reynolds 2021).

To support homebuying, alternative data sources used in mortgage underwriting—typically rental, utilities, or telecommunications payments—have gained traction as a potential method of expanding access to mortgage credit. People of color typically have weaker traditional credit characteristics, so allowing underwriters to use additional markers of creditworthiness could serve a greater swath of potential homeowners and help them purchase homes.<sup>28</sup> Along these lines, in August 2021, Fannie Mae announced it would begin allowing rental payments to be incorporated into mortgage applications for borrowers with credit scores of at least 620. Freddie Mac and the FHA could follow suit and begin accepting rental payment data in underwriting.

In addition, the FHA recently changed its rules regarding student loan debt to further boost homebuying among households of color. Previously, the FHA assumed borrowers with student loan debt were paying 1 percent of their loan balance every month. The new FHA policy assumes they are paying 0.5 percent, which more closely reflects what borrowers actually pay each month. The new FHA rules are simpler (and match those already in place at Fannie Mae and Freddie Mac), so that lenders now either use the actual payment reported on a credit report if above zero or the 0.5 percent calculation. A smaller role for student loan payments should reduce debt-to-income calculations for FHA borrowers, many of whom are nonwhite, and help them qualify for a mortgage.

Although housing supply is typically a local issue, the federal government has a role to play in increasing affordable supply. In May 2022, the Biden administration released its Housing Supply Action Plan to ease housing costs.<sup>29</sup> Components of the plan include rewarding jurisdictions with reformed zoning and land-use policies, deploying new financing mechanisms to build and preserve affordable

housing, and working with the private sector to address supply chain challenges. The plan also includes a commitment to expand existing federal programs such as the Low-Income Housing Tax Credit program and the HOME Investment Partnerships Program that focus on affordable rental supply. If implemented effectively, these measures could allow more households to move from renting to homeownership.

## **Policies Supporting Homeownership through Preservation**

The federal government also has programs to help with homeownership preservation. HUD's 203(k) program enables homeowners to finance the purchase or refinancing of a home and rehabilitation costs through a single mortgage or to finance the rehabilitation of their current home.<sup>30</sup> Fannie Mae supports renovations through its HomeStyle program, while Freddie Mac boosts improvements through its CHOICERenovation and CHOICEReno eXPress programs.<sup>31</sup> But reports suggest that the renovation loans do not provide much flexibility to the borrower once the work plan is agreed to, and most of the programs are cumbersome to navigate.<sup>32</sup>

The federal government has also responded to shock events. Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020, Congress implemented mortgage forbearance, which barred lenders and servicers from reporting homeowners who were behind on their mortgage as delinquent borrowers, helping them maintain homeownership. This supported the credit scores of homeowners affected by the pandemic. In addition, forbearance is a key policy tool supporting homeowners in the wake of natural disasters.<sup>33</sup>

The federal government also implemented an eviction moratorium and a foreclosure moratorium through the CARES Act. These policies helped renters and homeowners remain in their homes. In contrast to the Great Recession, the forbearance and foreclosure moratoriums were key factors behind the low foreclosure rate through the pandemic (Neal and Pang 2021). Congress also dramatically expanded unemployment insurance assistance through the CARES Act, which helped many families, homeowners included, meet their expenses.

As the nation's economy emerged from the pandemic recession and some federal policies lapsed, the federal government implemented policies to help vulnerable families whose recovery historically lags nationwide averages. These policies include loss mitigation policies for borrowers, and the American Rescue Plan Act of 2021 created the Emergency Rental Assistance Program and the Homeowner Assistance Fund.

To combat the impact of climate change, HUD recently released its Agency Climate Adaptation and Resilience Plan<sup>34</sup> in response to the administration's Executive Order on Tackling the Climate Crisis at Home and Abroad.<sup>35</sup> As part of this plan, which has yet to be implemented, HUD will update climate risk data and research, reduce climate-related financial risks in mortgage lending, strengthen disaster recovery and resilience, and target equity in its climate approach.

## What Additional Steps Can the Federal Government Take?

Although the federal government has taken several steps already, more can still be done to further support homeownership among households of color. In the following sections, we provide examples of federal policies that could be used to support home purchases and preservation. The broad policy areas align with the key structural and shock events described above that often contribute to lower homeownership rates among households of color.

### Down Payment Assistance

One area for federal action is to fund down payment assistance, especially for first-generation homebuyers, who are overwhelmingly households of color.<sup>36</sup> The federal government could also provide guidelines that standardize DPA programs. Requirements differ across locally based programs in terms of income or credit score. Many programs focus on first-time homebuyers, but some do not. In addition, the uses of assistance can vary. Some programs cover only down payment costs, while others provide assistance for down payments and closing costs. Some provide forgivable loans, and others are soft seconds. All require their own paperwork and approval process. This can create confusion and red tape and limit uptake. By taking advantage of its role in mortgage lending, the federal government could standardize these programs, making it easier for realtors and lenders to steer borrowers to programs that fit. Standardization does not mean there should be only one type of program but that the type of program and borrower qualifications must be easily identifiable for borrowers and lenders, and the processes for accessing them should be streamlined and more efficient.

### Credit

Some federally regulated mortgage institutions are beginning to better identify borrowers who meet their risk tolerances through the use of alternatives to traditional credit scores. But they could take

more steps to expand mortgage access to households who have been historically excluded by the traditional credit system, particularly credit-invisible borrowers. Fannie Mae could expand its alternative data usage by allowing credit-invisible borrowers' positive rental data to count for inclusion in their underwriting system. (Currently, a minimum credit score of 620 is required.) And recent alternative underwriting efforts could be expanded by implementing automated validation of nontraditional tradelines (e.g., telecommunications and utilities) in the FHA's and GSEs' underwriting systems.

Additionally, federal housing finance institutions have a role to play in determining the availability of mortgage credit. They could significantly increase homeownership among households of color by expanding the credit box to allow for a marginally higher overall probability of default. Current lending standards remain tight relative to a period of more stable conditions before the housing boom and bust from 2004 to 2008.<sup>37</sup> The tightened credit standards reflect, in large part, the underwriting standards Fannie Mae and Freddie Mac require to purchase these loans from private-sector lenders and servicers. Easing standards by lowering credit score thresholds is likely to produce slightly more defaults but would give more families the opportunity to build wealth.

## Rental and For-Sale Supply

Although the role of the federal government's housing agencies in the supply of for-sale housing is limited when compared with state and local governments, there are still actions it can take that can boost supply. For example, the FHA could ease financing restrictions related to condominium and manufactured housing purchases that, in turn, could boost demand and encourage more production.<sup>38</sup> The federal government has other levers outside the housing space. It could expand immigrant work visas and support more education for the trades. The federal government could also reduce tariffs on Canadian lumber, which has contributed to its high cost. Policies such as these could expand the availability of resources for construction.

The federal government has already articulated steps it hopes to take to boost housing supply.<sup>39</sup> Although the federal government is not in charge of local zoning decisions, it can provide communities incentives to reform their land-use policies and spur affordable housing development, reward communities that eliminate restrictive policies, and limit funding to communities that continue exclusionary land-use practices. Federal agencies could also offer technical assistance and provide guidance for policies to remove these barriers.

## Home Improvements for Preservation

In combination with down payment assistance, federal policymakers could provide a savings account for renovation needs. The financial and nonfinancial costs of homeownership can often shock first-time homebuyers. Housing counseling can alert these homebuyers to the new responsibilities of homeownership, but having additional financial assistance can smooth the early bumps.

The federal government does provide home improvement and renovation financing through the FHA and the GSEs. But these renovation loan programs have more limitations and are more expensive than traditional mortgages. For instance, the FHA 203(k) program's standard version for structural repairs requires the borrower to hire a HUD consultant to oversee the renovation. The federal government could improve renovation financing by designing and implementing pilot programs that are more streamlined and less cumbersome than current financing programs. These pilots could include direct government expenditures to subsidize costs or government partnerships with home improvement companies or building supply companies.<sup>40</sup>

## Economic Cycles

Amid economic downturns, credit standards often tighten, largely reflecting lenders' desire to reduce the possibility of default. But tightened standards limit the ability of some homeowners to lower their mortgage interest rate, access housing equity, and sustain homeownership through an economic downturn. The federal government should develop streamlined refinance programs that do not require employment or income verification; these programs would allow borrowers to take advantage of lower interest rates, while reducing the risk to the insuring entity.<sup>41</sup> The government could also offer limited cash-out refinances, which allows for streamline cash-out refinances, to the extent the cash out does not increase the risk to the insuring entity. Finally, although the success of forbearance policies was partly dependent on housing market conditions entering the pandemic recession, making it a permanent option could prevent tens of thousands of foreclosures per year (Alexandrov, Goodman, and Tozer 2022).

## Climate Change and Natural Disasters

In addition to the steps the federal government has already taken on climate change, more should be considered.<sup>42</sup> Thoughtful consideration of the impacts on racial equity should be an integral part of policymaking on climate and environmental issues. For example, all environmental and related hazards are not necessarily considered when assessing risk for properties with GSE-securitized loans. On one



hand, updating practices to more accurately assess climate risk is important to ensure homeowners understand the risks of their property's location and are not caught off guard by future depreciation. But it is also true that structural racism has made it more likely for people of color to live in homes or neighborhoods with greater environmental risk, and pricing based on that climate risk could therefore disproportionately burden them. For homeowners facing these environmental risks, one solution may be federal housing subsidies for necessary repairs and updates to adapt to and be resilient to changing climate conditions.

## State and Local Level

States and localities are at the forefront of innovative efforts to boost homeownership for households of color. They have several policy levers to pull that can foster racial equity in homeownership, and many municipalities have already implemented policies toward this end. We cannot catalog all the efforts under way, but in this section, we outline policies and offer examples for peer locales to consider. That said, local policymaking is highly place-based and context-specific, and we note that these policies may not be relevant to or inclusive of all jurisdictions.

### Household Income

Households of color often have lower incomes than white households, but local governments can pull policy levers to remedy these inequalities. One way to increase a household's income is through improving workforce equity. Through its Workforce Equity Initiative, the City of Seattle seeks to eliminate racial disparities and achieve equity for the city's employees through programs that spawn leadership accountability, targeted recruitment, access to training, and leadership development.

Other cities offer employer-assisted housing programs through which employers can help their employees with housing costs.<sup>43</sup> New York City's Housing Support Program offers funding for housing-related expenses (including down payments or existing mortgage costs) to certain certified teachers working in high-need schools.<sup>44</sup>

Additional formal education could also boost workers' incomes but could burden them with significant student loan debt. Maryland's SmartBuy 3.0 program provides up to 15 percent of the home purchase price for the borrower to pay off their outstanding student debt, with a maximum payoff amount of \$30,000;<sup>45</sup> Illinois has a similar program. This program helps households make education investments to increase earnings and allows them to use any accumulated wealth toward a down

payment instead of paying off student loan debt. The program is partially indexed to home price appreciation. In addition to the first mortgage used to purchase the home, the lender will also extend a second, interest-free loan to close the homebuyer's student loan debt account. This loan is not secured by the property and is forgivable over five years at 20 percent per year. But the full student loan debt must be paid off at the time of home purchase, and the program cannot be used for a partial student loan payment. Further, the program has a high credit score requirement, making it inaccessible for many borrowers of color.

## **Affordable Rental Housing**

In addition to income supports, local governments can expand the availability of affordable rental housing. The Atlanta city government announced that it planned to create or preserve 20,000 affordable homes by 2026 and increase overall supply.<sup>46</sup> Officials plan to accomplish this by leveraging vacant public land for housing, creating and expand housing affordability tools, and revising the local zoning code.

In Chicago, the Affordable Housing Opportunity Fund was established using fees collected from developers through the city's Affordable Requirements Ordinance.<sup>47</sup> Developers of residential housing projects pay the fees in lieu of including affordable units in their new developments or near them. The in-lieu fees are deposited into the fund and used by the city to support affordable housing opportunities across Chicago. Half the funds are used for the construction, rehabilitation, or preservation of affordable housing or may be used for other housing programs. To date, the funds have helped create and preserve more than 2,700 units of affordable rental housing in 31 developments citywide.

## **Down Payment Assistance and Below-Market Interest Rates**

Many states and localities have DPA programs to foster homeownership. An estimated 2,527 active DPA programs across the country help cover some or all costs for first-time homebuyers (Goodman et al. 2018). For example, through the Massachusetts Housing Finance Agency, first-time homebuyers in Massachusetts can qualify for down payment assistance of 10 percent of a home's purchase price up to \$50,000 in expensive communities and up to \$30,000 elsewhere across the state.<sup>48</sup>

The City of Alexandria's Office of Housing announced the availability of Sponsoring Partnerships and Revitalizing Communities (SPARC) funds to provide first-time homebuyers with permanent financing for their home purchase.<sup>49</sup> SPARC funding supports the city's efforts to increase affordable

homeownership for income-qualified first-time homebuyers. This funding is made possible by Virginia Housing (formerly the Virginia Housing Development Authority) and applies only to Virginia Housing mortgages. SPARC funds reduce Virginia Housing mortgage loans 1 percent lower than Virginia Housing's published first-time homebuyer mortgage interest rate. SPARC financing does not require repayment. To qualify for SPARC financing with the city's Flexible Homeownership Assistance Program, participants must complete a Virginia Housing-sponsored homebuyer training class, followed by a two-hour individual counseling session.

It would be impossible to list all the state and local government programs that provide DPA programs or even to give examples that illustrate all the locally driven variations of these programs. One helpful resource is Down Payment Resource, which connects homebuyers and professionals to local DPA programs.<sup>50</sup> Even the sources of funds for local government DPA programs vary. Some localities rely on HUD's Community Development Block Grant Program, which provides annual grants and is typically limited to recipients earning up to 80 percent of the area median income.<sup>51</sup> Other DPA programs are paid out of the state or city budget. And some combine funding from various sources. For instance, San Diego's DPA program is funded by a combination of federal, state, and city funds.<sup>52</sup>

## **Affordable For-Sale Supply**

In addition to boosting affordable rental housing, many local governments have the power to improve affordable for-sale supply.

One common method of increasing access to homeownership is through land banks and community land trusts. Baltimore officials have announced a second notice of funding availability for community land trusts for single-family homeownership. The city's Department of Housing and Community Development is making up to \$4 million available for community land trust initiatives through its Affordable Housing Trust Fund. Under the land trust model, a nonprofit organization owns the land and sells the home on the property to qualified buyers at a below-market price. The land trust's ownership ensures the home will remain affordable for 99 years. When a buyer purchases a home from the land trust, they agree to sell the home only to another low-income household, and they split any equity with the land trust. This model keeps homes in the hands of the community, which helps it carry out its long-term vision of helping residents build equity in their neighborhoods, while keeping homeownership affordable.

To boost Philadelphia's affordable housing inventory and help low-income residents build generational wealth through homeownership, the city is employing a land bank model.<sup>53</sup> The Turn the

Key program is funded through a portion of the \$400 million Neighborhood Preservation Initiative, which the city council passed in 2020. The city will build 1,000 3-bedroom, 1.5-bathroom homes using city-owned public lands. Mortgages on these homes will be prioritized for first-time homebuyers and will cost about \$1,200 per month.

Additionally, city officials in Newark, New Jersey, have provided additional supply through its land bank. The Newark Land Bank strategically acquires, maintains, and repurposes vacant, abandoned, and foreclosed properties and efficiently returns them to productive use. Specifically, the Newark Land Bank acquires and repurposes properties with an aim toward boosting homeownership.

Cities also have the ability to make land available, which can reduce its cost. The Washington, DC, Department of Housing and Community Development stabilizes neighborhoods by decreasing the number of vacant and abandoned residential properties in the District and by transforming vacant or abandoned residential properties into homeownership opportunities for residents at all income levels.<sup>54</sup>

Local zoning and land-use policies are key for fostering the preservation and construction of affordable housing supply. Some states and cities—notably, Minneapolis and Oregon and California—have eliminated single-family zoning to allow for denser housing construction.<sup>55</sup> In localities with limited land available for expansion, allowing for infill development can expand the supply and ease rising housing costs. But for zoning reforms to be effective, state and local governments must address the challenge of fostering affordable financing and development.

The City of Phoenix provides gap financial assistance for the development of new affordable rental and single-family for-sale housing (City of Phoenix Housing Department 2022). Because of housing construction's sensitivity to variations in broader market conditions, the city assists projects that meet various housing production goals, including the provision of affordable housing for low-income residents. Loan amounts are generally capped at \$1 million, and applicants must demonstrate that rent proceeds or other funding sources will allow for adequate reserves to meet capital needs for at least 40 years. Applicants must demonstrate an expectation that any loan can be repaid within its scheduled term or at the end of the term in the case of a surplus cash loan consistent with the housing department's underwriting assumptions.

## **Responses to Economic Cycles and Natural Disasters**

Locales also took action to address homeownership in response to the pandemic recession. Wayne County, home of Detroit, implemented a moratorium on property tax foreclosures.<sup>56</sup> This could be

particularly important amid mounting evidence that homeowners of color, particularly Black homeowners, pay comparatively more in property taxes relative to white homeowners.

In general, cities and states have become the primary distributors of the federal aid offered throughout the pandemic, such as the Homeowners Assistance Fund. To receive funds for their residents, states were required to develop plans to identify and assist eligible at-risk homeowners. As a result, many states developed individualized distribution programs to understand and meet their residents' specific needs.

And in response to climate disasters, the City of Houston offers up to \$30,000 to income-qualified Houstonians who are first-time homebuyers, who have not owned a home in the past three years, or are replacing a home that was damaged by Hurricane Harvey.<sup>57</sup> The assistance represents a no-interest, forgivable loan secured by a lien.

On the supply side, the Florida Housing Finance Corporation (Florida Housing) approved funding for 23 developments in hurricane-affected counties in response to Hurricanes Irma and Michael.<sup>58</sup> To facilitate this process, Florida Housing requests applications offering Community Development Block Grant Disaster Recovery and Rental Recovery Loan Program funding for the construction of both affordable and workforce housing.

## **Need for Culturally Specific Approaches and Explicit Targeting**

Cities and states can consider tailoring their policies to their populations' needs. One area of concern is that even though many localities offer housing or homeownership subsidies to residents, households with less access to resources are less likely to learn about or be able to access these programs for their homeownership needs. One way to mitigate this effect is for localities to be thoughtful and deliberate in targeting their subsidy programs. In localities with large Hispanic immigrant populations, considerations such as not requiring immigration status and altering mortgage applications to accommodate multilingual, multigenerational households could increase housing-related service uptake and homeownership. And in localities with large Black populations, supporting Black-led lenders and financial service providers could reduce discrimination against Black applicants, especially since community development financial institutions (CDFIs) and minority depository institutions (MDIs) are more likely to offer loan products with more flexible underwriting.

Without explicit targeting, housing investments may not close the gap and may even exacerbate displacement and gentrification. States and localities are increasingly explicit in their efforts to address

the racial disparities in homeownership. The City of Boston partners with the Massachusetts Affordable Housing Alliance to serve first-generation homebuyers. First-generation homeowners are disproportionately Black and Hispanic.<sup>59</sup> The DC Mayor's Office convened a Black Homeownership Strike Force in summer 2022 to address the legacies of discriminatory policies and practices that have hampered access to homeownership for Black households.<sup>60</sup> The San Francisco mayor's February 2021 "Dream Keeper" announcement included \$10 million to provide housing stability and promote homeownership for Black households.<sup>61</sup> And, in 2021, Evanston, Illinois, became the first US city to offer slavery reparations to Black residents, in the form of \$25,000 housing grants that can cover home repair or property costs.<sup>62</sup> This type of policymaking recognizes the impacts of structural racism and works to ensure that households of color, who have been historically most excluded from homeownership, are being adequately served.

To address the lingering impacts of disinvestment in communities of color, policymakers can work to ensure that public investments are equitably distributed across communities and that neighborhoods of color have fair access to public resources. And generally speaking, policymakers should focus on developing strategies that respond to their communities' goals, needs, histories, and priorities and that have both a short- and long-term focus. For example, if the goal is to increase homeownership rates for people of color, consider how to support and sustain homeownership in the long run so that owning a home remains an asset and wealth-building tool, not a financial burden. Listening to community members and grounding policy in their experiences is vital for boosting and sustaining homeownership and narrowing racial equity gaps.

## Other Key Stakeholders

Policymakers are not the only institutional actors with the tools to foster homeownership among households of color. Private-sector anchor institutions, nonprofit developers, private investors, and local nonprofit advocacy groups all have a role to play.

Labor market conditions affect income and household capacity to qualify for homeownership. In that regard, industry leaders and employers can take steps to challenge the impacts of implicit bias and discrimination against people of color in the workplace. To foster more equitable advancement opportunities for people of color, public and private employers should implement internal procedures to address bias in hiring, promotion, and work culture.

In addition, the housing and housing finance industry is overwhelmingly white,<sup>63</sup> which, when combined with evidence of racial prejudice,<sup>64</sup> suggests that potential for continued racism (Operario and Fiske 1998). One way to limit the impact of racism is to diversify the industry. More diversity among builders, loan officers, appraisers, and other professions would improve homeownership outcomes for people of color.

In addition, there are several steps large financial institutions could take. Most notably, these institutions could develop or expand special purpose credit programs. Under federal law, lenders are permitted to design and implement these programs to extend credit to a class of persons or places who would otherwise be denied credit or would receive it on less favorable terms, under certain conditions.<sup>65</sup> Most recently, the National Fair Housing Alliance and the Mortgage Bankers Association jointly unveiled a special purpose credit program toolkit designed to help institutions implement these programs in support of homeownership among households of color.<sup>66</sup>

Financial institutions can also boost lending to households and communities of color through the Community Reinvestment Act, under which banks receive credit for mortgage lending to individuals and communities with low incomes. But communities with low incomes and communities of color are not the same (Goodman et al. 2021). As a result, lenders will still need to consciously ensure that mortgages reach applicants of color.

There are additional steps financial institutions can take to boost homeownership among households of color outside of federal programs. Depository institutions could hire more loan officers of color who may be better positioned to facilitate the mortgage process with applicants of color. In addition, banks could enhance outreach, especially for credit-ready borrowers, by partnering with local community organizations serving communities of color. Large financial institutions can also begin to participate in or increase their participation in the US Department of the Treasury's Mentor-Protégé Program, in which large banks provide support to smaller institutions, such as MDIs.<sup>67</sup>

Nongovernment institutions can also help expand affordable supply. Developers, particularly nonprofit or mission-oriented organizations, can work with local governments to construct affordable homes for renters and homeowners. And community land trusts are nonprofit, community-based organizations governed by a board of residents and public representatives that ensure long-term housing affordability. These organizations allow households with low incomes to achieve homeownership and build wealth.

Policymakers should also seek to foster the creation and activities of MDIs. These organizations typically serve predominantly communities of color and, as community banks, engage in relationship

banking that can expand access to credit for homeowners of color (Neal and Walsh 2020). If properly resourced, CDFIs and MDIs can improve private-sector investment in neighborhoods of color.

But there are very few MDIs, and many of them face specific challenges that may warrant additional assistance. MDIs often need technology updates to remain competitive with large banks. In addition, MDIs are often not able to sell their loans to Fannie Mae or Freddie Mac, which limits their mortgage lending volume. MDIs focusing on vulnerable communities put these institutions at risk in the event of a shock.

The larger network of CDFIs could help the activities of MDIs reach a bigger scale. And in the wake of the pandemic and the murders of George Floyd and Breonna Taylor, CDFIs have received significant financial support. But the national coverage of CDFIs is not evenly distributed around the country. In addition, the smallest CDFIs still struggle with the volume and types of funding resources.

Several steps can be taken to strengthen CDFIs and MDIs (Theodos et al. 2021). Capital investments need to be longer than 10 years and need to be provided at a low cost. And a larger proportion of CDFI funding needs to be in the form of grants as opposed to low-cost debt. Strengthening and modernizing MDIs' institutional infrastructure can improve their competitiveness and reach. In addition, connecting MDIs to secondary markets through the GSEs Fannie Mae and Freddie Mac can help them and CDFIs serve communities of color without having to raise additional scarce capital.

Finally, local governments can partner with private organizations to expand access to homeownership for households of color. One effective public-private partnership is CONVERGENCE Memphis, an initiative led by the Mortgage Bankers Association and the Tennessee Housing Development Agency to increase Black homeownership in the Memphis area.<sup>68</sup> The combination of government and private resources has allowed for financial education courses and improved outreach to Black renters and homebuyers. Local governments can partner with lenders, developers, and other housing providers to improve the supply, financing, and general access to homeownership for households of color.

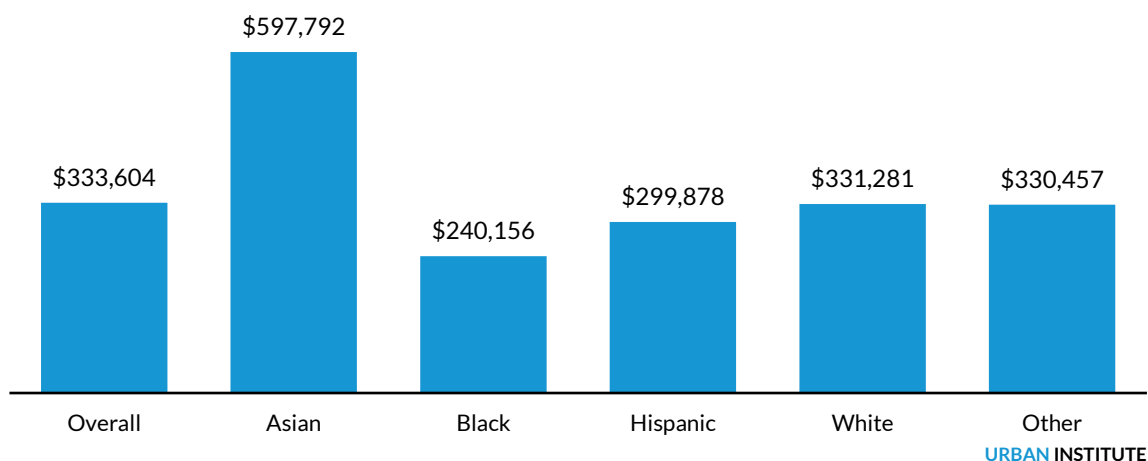


# Achieving Homeownership Is Important, but So Is Benefiting from It

Finally, although achieving homeownership is key for financial stability and wealth building, ensuring homeownership's benefits are equitable is necessary as well. Currently, people of color tend to receive fewer benefits from homeownership than white households. And this reflects disparities in household economics as well as systemic racism.

For example, Black and Hispanic homeowners are more likely to own less expensive homes. This is attributable to household-level factors such as income, property-level conditions such as the number of bedrooms, and neighborhood factors such as perceptions of crime and school quality. Although some evidence suggests that home values in Black and Hispanic communities have appreciated faster, they remain below home values in white communities.<sup>69</sup> And although the homes owned by Asian homeowners are more expensive, this largely reflects greater likelihood that they live in high-cost neighborhoods. Controlling for neighborhood effects reduces the gap between Asian and white homeowners significantly.

**FIGURE 16**  
**Average Home Values, by Race or Ethnicity**



Source: 2019 American Community Survey.

In addition, Black and Hispanic homeowners usually have less housing equity than white homeowners (Neal et al. 2020). This partly reflects the impact of lower home values, but these households of color are also more likely to have a mortgage. And when they do, the typical amount of debt is greater relative to what white homeowners hold. Part of the reason Black and Hispanic households have less equity is because they are more likely to secure FHA mortgages. Although FHA mortgages reduce barriers to achieving homeownership, the lower down payment reduces the equity that homeowner starts with.

The user cost framework provides a more comprehensive model of homeownership's benefits. In addition to home prices, the user costs of homeownership account for the benefits of itemizing the mortgage for federal tax purposes. In addition to mortgage debt, user costs include the depreciation of housing, maintenance costs, and property taxes in the calculation. Investing returns are also included because a household could rent and invest in financial markets instead of purchasing a home.

Research indicates that Black and Hispanic homeowners have higher user costs of homeownership (Golding, Aronowitz, and Choi 2020). This means homeownership's benefits relative to renting are lower for households of color. Part of the difference is attributable to lower home values and more mortgage debt, but it also reflects a greater propensity to live in inadequate housing and to pay relatively more in property taxes (Avenancio-León and Howard 2020). At the same time, Black and Hispanic investors tend to be more risk averse, which protects against loss during down times but limits gains during good times (Choudhury 2002).

Household-level racial and ethnic economic disparities in income are important both for achieving homeownership and for benefiting from it through being able to afford more expensive homes. And these inequities are informed by a history of systemic racism.

But racism within the mortgage and housing industry has also limited the benefits of homeownership for homeowners of color. This includes steering by real estate agents that results in homes being purchased by families of color in less-desirable and lower-valued neighborhoods; zoning policies placing industrial sites near neighborhoods of color, lowering their desirability, living adequacy, and home values (Shertzer, Twinam, and Walsh 2014); redlining, which limited neighborhood investment in communities of color;<sup>70</sup> and racial prejudice among white appraisers, who represent 96 percent of appraisers, that can give rise to greater appraisal error in communities of color (Narragon et al. 2021).<sup>71</sup>

Several steps can be taken at every level of government to combat racial and ethnic inequities in homeownership's benefits (Neal et al. 2021). Local policies that boost equitable job outcomes can help

close income gaps. Expanding educational opportunity for the trades can increase the labor pool for the construction industry and provide middle-class wages for workers of color entering the industry. Harnessing the role of MDIs and CDFIs can spur additional lending in communities of color and combining DPA with renovation assistance can boost homeownership for households of color and help households sustain homeownership and build housing equity.

# Notes

- <sup>1</sup> This report was drafted in spring 2022. Most of the data cited here are the latest available as of May or June 2022.
- <sup>2</sup> Ana Hernández Kent and Lowell Ricketts, “Wealth Gaps between White, Hispanic, and Black Families in 2019,” *On the Economy* (blog), Federal Reserve Bank of St. Louis, January 5, 2021, <https://www.stlouisfed.org/on-the-economy/2021/january/wealth-gaps-white-black-hispanic-families-2019>.
- <sup>3</sup> Median net worth estimates are based on Urban Institute calculations of 2019 Survey of Consumer Finances data.
- <sup>4</sup> David Logan, “Property Taxes Account for Largest Share of State and Local Revenue in 2021” *Eye on Housing* (blog), National Association of Home Builders, March 21, 2022, <https://eyeonhousing.org/2022/03/property-taxes-account-for-largest-share-of-state-and-local-revenue-in-2021/>.
- <sup>5</sup> Natalia Siniavskaia, “How a Home Purchase Boosts Consumer Spending,” *Eye on Housing* (blog), National Association of Home Builders, June 6, 2022, <https://eyeonhousing.org/2022/06/how-a-home-purchase-boosts-consumer-spending-2>.
- <sup>6</sup> See also Sean Krieg, “Homeownership Decreases Violent Crime,” Mid City Redevelopment blog, January 18, 2021, <https://www.midcityredevelopment.org/blog/increasing-homeownership-decreases-violent-crime>.
- <sup>7</sup> Neil Bhutta, Andrew C. Chang, Lisa J. Dettling, and Joanne W. Hsu, “Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances,” *FEDS Notes* (blog), Board of Governors of the Federal Reserve System, September 28, 2020, <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>.
- <sup>8</sup> Risa Gelles-Watnick and Monica Anderson, “Racial and Ethnic Differences Stand Out in the U.S. Gig Workforce,” Pew Research Center, December 15, 2021, <https://www.pewresearch.org/fact-tank/2021/12/15/racial-and-ethnic-differences-stand-out-in-the-u-s-gig-workforce>.
- <sup>9</sup> “Labor Force Characteristics by Race and Ethnicity, 2020,” US Bureau of Labor Statistics, accessed October 6, 2022, <https://www.bls.gov/opub/reports/race-and-ethnicity/2020/home.htm>. The Bureau of Labor Statistics provides information on median weekly earnings. According to the bureau, median weekly earnings for white, Black, Hispanic, and Asian workers were \$1,433, \$1,166, \$1,230, and \$1,650, respectively. To estimate annual earnings, we use the standard practice of multiplying weekly earnings by 50 to calculate annual earnings.
- <sup>10</sup> Rakeshi Kochhar and Anthony Cilluffo, “Income Inequality in the U.S. Is Rising Most Rapidly among Asians,” Pew Research Center, July 12, 2018, <https://www.pewresearch.org/social-trends/2018/07/12/income-inequality-in-the-u-s-is-rising-most-rapidly-among-asians>.
- <sup>11</sup> Jeff Guo, “The Asian American ‘Advantage’ That Is Actually an Illusion,” *Washington Post*, December 29, 2016, <https://www.washingtonpost.com/news/wonk/wp/2016/12/29/the-asian-american-advantage-that-is-actually-an-illusion/>.
- <sup>12</sup> Liam Reynolds, Vanessa G. Perry, and Jung Hyun Choi, “Closing the Homeownership Gap Will Require Rooting Systemic Racism Out of Mortgage Underwriting,” *Urban Wire* (blog), Urban Institute, October 13, 2021, <https://www.urban.org/urban-wire/closing-homeownership-gap-will-require-rooting-systemic-racism-out-mortgage-underwriting>.
- <sup>13</sup> Terry Gross, “A ‘Forgotten History’ of How the U.S. Government Segregated America,” NPR, May 3, 2017, <https://www.npr.org/2017/05/03/526655831/a-forgotten-history-of-how-the-u-s-government-segregated-america>.

- <sup>14</sup> See the website for the University of Minnesota’s Mapping Prejudice project at <https://mappingprejudice.umn.edu/>.
- <sup>15</sup> Ryan Best and Elena Mejía, “The Lasting Legacy of Redlining,” *FiveThirtyEight*, February 9, 2022, <https://projects.fivethirtyeight.com/redlining>.
- <sup>16</sup> Michael Neal and Peter J. Mattingly, “Increasing Diversity in the Appraisal Profession Combined with Short-Term Solutions Can Help Address Valuation Bias for Homeowners of Color,” *Urban Wire* (blog), Urban Institute, July 1, 2021, <https://www.urban.org/urban-wire/increasing-diversity-appraisal-profession-combined-short-term-solutions-can-help-address-valuation-bias-homeowners-color>.
- <sup>17</sup> “Heat Island Effect,” United States Environmental Protection Agency, accessed October 6, 2022, <https://www.epa.gov/heatislands>.
- <sup>18</sup> “Heat Island Impacts,” United States Environmental Protection Agency, accessed October 6, 2022, <https://www.epa.gov/heatislands/heat-island-impacts>.
- <sup>19</sup> Kaitlin Sullivan, “Black, Latino, and Indigenous Communities Hit Hardest by Heat Waves,” *Everyday Health*, October 8, 2020, <https://www.everydayhealth.com/healthy-living/black-latinx-and-indigenous-communities-hit-hardest-by-heat-waves>.
- <sup>20</sup> “Could Climate Change Increase the Risk of Mold in Housing?” Joint Center for Housing Studies of Harvard University, September 15, 2020, <https://www.jchs.harvard.edu/calendar/could-climate-change-increase-risk-mold-housing>.
- <sup>21</sup> Lindsey Jacobson, “Banks Consider Climate Risk for Home Loans, a Process Called ‘Underwaterwriting’ or ‘Blue-Lining,’” *CNBC*, September 20, 2021, <https://www.cnbc.com/2021/09/20/blue-lining-and-underwaterwriting-banks-consider-climate-change-risk.html>.
- <sup>22</sup> “Use of Energy Explained: Energy Use in Homes,” US Energy Information Administration, accessed October 6, 2022, <https://www.eia.gov/energyexplained/use-of-energy/homes.php>.
- <sup>23</sup> Kevin T. Smiley, “Outdated and Inaccurate, FEMA Flood Maps Fail to Fully Capture Risk,” *Urban Edge* (blog), Kinder Institute for Urban Research at Rice University, September 30, 2020, <https://kinder.rice.edu/urbanedge/2020/09/30/flooding-Harvey-outdated-and-inaccurate-fema-flood-maps-fail-capture-risk>.
- <sup>24</sup> “Highlights From ‘Fueling the Flames,’” First Street Foundation, May 16, 2022, <https://firststreet.org/research-lab/published-research/article-highlights-from-fueling-the-flames>.
- <sup>25</sup> “Duty to Serve: Making Affordable Homeownership Available to Every Single Family,” Freddie Mac Single-Family, accessed October 6, 2022, <https://sf.freddie.mac.com/working-with-us/affordable-lending/duty-to-serve/overview>.
- <sup>26</sup> “Fannie Mae and Freddie Mac Affordable Housing Goals,” Federal Housing Finance Agency, last updated August 16, 2022, <https://www.fhfa.gov/PolicyProgramsResearch/Programs/AffordableHousing/Pages/Affordable-Housing-FNMandFRE.aspx>.
- <sup>27</sup> Federal Housing Finance Agency, “FHFA Announces Equitable Housing Finance Plans for Fannie Mae and Freddie Mac,” news release, September 7, 2021, <https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-Equitable-Housing-Finance-Plans-for-Fannie-Mae-and-Freddie-Mac.aspx>.
- <sup>28</sup> Michael Stegman and Kelly Thompson Cochran, “Using Rental Payments in Mortgage Decisions Could Create a More Inclusive Housing Finance System,” *Urban Wire* (blog), Urban Institute, April 6, 2022, <https://www.urban.org/urban-wire/using-rental-payments-mortgage-decisions-could-create-more-inclusive-housing-finance>.

- <sup>29</sup> White House “President Biden Announces New Actions to Ease the Burden of Housing Costs,” press release, May 16, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/16/president-biden-announces-new-actions-to-ease-the-burden-of-housing-costs>.
- <sup>30</sup> “203(k) Rehab Mortgage Insurance,” US Department of Housing and Urban Development, accessed June 9, 2022, [https://www.hud.gov/program\\_offices/housing/sfh/203k/203k--df](https://www.hud.gov/program_offices/housing/sfh/203k/203k--df).
- <sup>31</sup> See “HomeStyle Renovation,” Fannie Mae, accessed October 6, 2022, <https://singlefamily.fanniemae.com/originating-underwriting/mortgage-products/homestyle-renovation>; “CHOICERenovation Mortgages,” Freddie Mac, accessed October 6, 2022, <https://sf.freddiemac.com/working-with-us/origination-underwriting/mortgage-products/choicerenovation>; and “CHOICEReno eXPress FAQ,” Freddie Mac, accessed October 6, 2022, <https://sf.freddiemac.com/faqs/choicerenomaxpress-faq>.
- <sup>32</sup> Laurie Goodman and Edward Golding, “Institutional Investors Have a Comparative Advantage in Purchasing Homes That Need Repair,” *Urban Wire* (blog), Urban Institute, October 20, 2021, <https://www.urban.org/urban-wire/institutional-investors-have-comparative-advantage-purchasing-homes-need-repair>.
- <sup>33</sup> Freddie Mac “Freddie Mac Confirms Disaster Relief Policies as Hurricane Harvey Approaches Texas,” news release, August 25, 2017, <https://freddiemac.gcs-web.com/news-releases/news-release-details/freddie-mac-confirms-disaster-relief-policies-hurricane-harvey>.
- <sup>34</sup> US Department of Housing and Urban Development, “HUD Releases Agency Climate Adaptation and Resilience Plan,” press release, October 7, 2021, [https://www.hud.gov/press/press\\_releases\\_media\\_advisories/hud\\_no\\_21\\_168](https://www.hud.gov/press/press_releases_media_advisories/hud_no_21_168).
- <sup>35</sup> “Executive Order on Tackling the Climate Crisis at Home and Abroad,” White House, January 27, 2021, <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/27/executive-order-on-tackling-the-climate-crisis-at-home-and-abroad>.
- <sup>36</sup> Jung Hyun Choi and Janneke Ratcliffe, “Down Payment Assistance Focused on First-Generation Buyers Could Help Millions Access the Benefits of Homeownership,” *Urban Wire* (blog), Urban Institute, April 7, 2021, <https://www.urban.org/urban-wire/down-payment-assistance-focused-first-generation-buyers-could-help-millions-access-benefits-homeownership>.
- <sup>37</sup> “Housing Credit Availability Index,” Urban Institute, last updated August 8, 2022, <https://www.urban.org/policy-centers/housing-finance-policy-center/projects/housing-credit-availability-index>.
- <sup>38</sup> Michael Neal and Laurie Goodman, “The Housing Market Needs More Condos. Why Are So Few Being Built?” *Urban Wire* (blog), Urban Institute, January 31, 2022, <https://www.urban.org/urban-wire/housing-market-needs-more-condos-why-are-so-few-being-built>.
- <sup>39</sup> See, for example, White House, “President Biden Announces New Actions to Ease the Burdens of Housing Costs,” press release, May 16, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/16/president-biden-announces-new-actions-to-ease-the-burden-of-housing-costs/>.
- <sup>40</sup> Laurie Goodman and Edward Golding, “Institutional Investors Have a Comparative Advantage in Purchasing Homes That Need Repair,” *Urban Wire* (blog), Urban Institute, October 20, 2021, <https://www.urban.org/urban-wire/institutional-investors-have-comparative-advantage-purchasing-homes-need-repair>.
- <sup>41</sup> Kris Gerardi, Lauren Lambie-Hanson, Paul Willen, Laurie Goodman, and Susan Wachter, “Recession Remedies: Lessons Learned from Housing Policy during COVID-19,” Brookings Institution, April 27, 2022, <https://www.brookings.edu/essay/lessons-learned-from-housing-policy-during-covid-19>.
- <sup>42</sup> Janneke Ratcliffe, Carlos Martín, and Ellen Seidman, “Three Ways the Housing Finance System Can Protect All Homeowners from the Escalating Effects of Climate Change,” *Urban Wire* (blog), Urban Institute, May 13, 2021,

<https://www.urban.org/urban-wire/three-ways-housing-finance-system-can-protect-all-homeowners-escalating-effects-climate-change>.

- 43 “Employer-Assisted Housing Programs,” Local Housing Solutions, accessed October 6, 2022, <https://localhousingsolutions.org/housing-policy-library/employer-assisted-housing-programs>.
- 44 “Housing Support Program for Mathematics, Science and Special Education Teachers,” New York City Department of Education, accessed October 6, 2022, <http://teachnycprograms.net/hsp/proginfo.php>.
- 45 “Maryland SmartBuy Program,” Maryland Department of Housing and Community Development, Maryland Mortgage Program, accessed June 9, 2022, <https://mmp.maryland.gov/Pages/SmartBuy/default.aspx>.
- 46 “Housing Affordability Action Plan,” City of Atlanta Mayor’s Office, accessed October 6, 2022, <https://www.atlantaga.gov/government/mayor-s-office/projects-and-initiatives/housing-affordability-action-plan>.
- 47 “Affordable Housing Opportunity Fund,” City of Chicago, accessed October 6, 2022, <https://www.chicago.gov/city/en/depts/doh/provdrs/developers/svcs/ahof.html>.
- 48 “Down Payment Assistance,” MassHousing (Massachusetts Housing Finance Agency), accessed October 6, 2022, <https://www.masshousing.com/home-ownership/homebuyers/down-payment-assistance>.
- 49 “Homebuyer Resources,” City of Alexandria, Virginia, last updated September 26, 2022, <https://www.alexandriava.gov/housing-services/homebuyer-resources>.
- 50 See the website for Down Payment Resource at <https://downpaymentresource.com>.
- 51 “Community Development Block Grant Program,” US Department of Housing and Urban Development, accessed October 6, 2022, [https://www.hud.gov/program\\_offices/comm\\_planning/cdbg](https://www.hud.gov/program_offices/comm_planning/cdbg).
- 52 “First-Time Homebuyers,” San Diego Housing Commission, accessed October 6, 2022, <https://www.sdhc.org/housing-opportunities/first-time-homebuyers>.
- 53 Maggie Mancini, “Philadelphia to Build 1,000 Affordable Houses as Part of New Homeownership Program,” Philly Voice, May 1, 2022, <https://www.phillyvoice.com/philadelphia-affordable-housing-new-homes-neighborhood-preservation-initiative-city-council>.
- 54 “Transforming Vacant and Blighted Properties,” Washington, DC, Department of Housing and Community Development, accessed October 6, 2022, <https://dhcd.dc.gov/PADD>.
- 55 Alexander von Hoffman, “Single-Family Zoning: Can History Be Reversed?” *Housing Perspectives* (blog), Joint Center for Housing Studies of Harvard University, October 5, 2021, <https://www.jchs.harvard.edu/blog/single-family-zoning-can-history-be-reversed>.
- 56 Sarah Rahal, “Detroit City Council Wants Wayne Co. Property Tax Moratorium Extended through 2022,” *Detroit News*, March 29, 2022, <https://www.detroitnews.com/story/news/local/detroit-city/2022/03/29/detroit-city-council-wayne-county-property-tax-moratorium-extension/7204876001>.
- 57 “Harvey Homebuyer Assistance Program,” City of Houston, accessed October 6, 2022, <https://recovery.houstontx.gov/hbap/>.
- 58 “Florida Housing Board Approves Funding in Hurricanes Irma and Michael Impacted Counties,” Florida Housing Finance Corporation, accessed October 6, 2022, <https://www.floridahousing.org/eventitem/2019/12/14/press-releases/florida-housing-board-approves-funding-in-hurricanes-irma-and-michael-impacted-counties>.
- 59 Choi and Ratcliffe, “Down Payment Assistance Focused on First-Generation Buyers.”

- <sup>60</sup> Executive Office of DC Mayor Muriel Bowser, “Mayor Bowser Launches Black Homeownership Strike Force to Combat Racial Wealth Gap,” press release, June 9, 2022, <https://mayor.dc.gov/release/mayor-bowser-launches-black-homeownership-strike-force-combat-racial-wealth-gap>.
- <sup>61</sup> Office of San Francisco Mayor London Breed, “Mayor London Breed Announces Spending Plan for Historic Reinvestment in San Francisco’s African-American Community,” news release, February 25, 2021, <https://sfmayor.org/article/mayor-london-breed-announces-spending-plan-historic-reinvestment-san-franciscos-african>.
- <sup>62</sup> Char Adams, “Evanston Is the First U.S. City to Issue Slavery Reparations. Experts Say It’s a Noble Start,” NBC News, March 26, 2021, <https://www.nbcnews.com/news/nbcblk/evanston-s-reparations-plan-noble-start-complicated-process-experts-say-n1262096>
- <sup>63</sup> Michael Neal and Peter J. Mattingly, “Increasing Diversity in the Appraisal Profession Combined with Short-Term Solutions Can Help Address Valuation Bias for Homeowners of Color,” *Urban Wire* (blog), Urban Institute, July 1, 2021, <https://www.urban.org/urban-wire/increasing-diversity-appraisal-profession-combined-short-term-solutions-can-help-address-valuation-bias-homeowners-color>.
- <sup>64</sup> Chandra Broadnax and James Wylie, “Reducing Valuation Bias by Addressing Appraiser and Property Valuation Commentary,” *FHFA Insights* (blog), Federal Housing Finance Agency, December 14, 2021, <https://www.fhfa.gov/Media/Blog/Pages/Reducing-Valuation-Bias-by-Addressing-Appraiser-and-Property-Valuation-Commentary.aspx>.
- <sup>65</sup> Tim Lambert, “Using Special Purpose Credit Programs to Serve Unmet Credit Needs,” Consumer Financial Protection Bureau blog, July 19, 2022, <https://www.consumerfinance.gov/about-us/blog/using-special-purpose-credit-programs-to-serve-unmet-credit-needs/>.
- <sup>66</sup> “MBA, NFHA Launch Online Toolkit for Special Purpose Credit Programs in Underserved Communities,” Mortgage Bankers Association, June 21, 2022, <https://newslink.mba.org/mba-newslinks/2022/june/mba-nfha-launch-online-toolkit-for-special-purpose-credit-programs-in-underserved-communities/>.
- <sup>67</sup> “Treasury Bank Mentor-Protégé Program,” Bureau of the Fiscal Service, accessed May 24, 2022, <https://fiscal.treasury.gov/treasury-bank-mentor-protege-program/>.
- <sup>68</sup> “CONVERGENCE Memphis Launches New Nonprofit Organization,” Mortgage Bankers Association, April 12, 2022, <https://newslink.mba.org/cmfn-newslinks/2022/april/mba-newslink-friday-apr-8-2022/convergence-memphis-launches-new-nonprofit-organization>.
- <sup>69</sup> Treh Manhertz, “Home Value Disparities between Races Are Shrinking, but Remain Very Wide,” Zillow Research, December 19, 2020, <https://www.zillow.com/research/home-values-by-race-2020-28478>.
- <sup>70</sup> Brenda Richardson, “Redlining’s Legacy of Inequality: Low Homeownership Rates, Less Equity for Black Households,” *Forbes*, June 11, 2020, <https://www.forbes.com/sites/brendarichardson/2020/06/11/redlinings-legacy-of-inequality-low-homeownership-rates-less-equity-for-black-households>.
- <sup>71</sup> See also Broadnax and Wylie, “Reducing Valuation”; and “Employed Persons by Detailed Occupation, Sex, Race, and Hispanic or Latino Ethnicity,” US Bureau of Labor Statistics, last updated January 20, 2022, <https://www.bls.gov/cps/cpsaat11.htm>.



# References

- Alexandrov, Alexei, Laurie Goodman, and Ted Tozer. 2022. *Normalizing Forbearance*. Washington, DC: Urban Institute.
- Avenancio-León, Carlos, and Troup Howard. 2020. *The Assessment Gap: Racial Inequalities in Property Taxation*. Working paper. Washington, DC: Washington Center for Equitable Growth.
- Bakkensen, Laura A., and Lala Ma. 2020. "Sorting over Flood Risk and Implications for Policy Reform." *Journal of Environmental Economics and Management* 104:102362. <https://doi.org/10.1016/j.jeem.2020.102362>
- Beckett, Sean. 2021. *The Impact of Climate Change on Housing and Housing Finance*. Washington, DC: Mortgage Bankers Association, Research Institute for Housing America.
- Brevoort, Kenneth P., Philipp Grimm, and Michelle Kambara. 2015. *Data Point: Credit Invisibles*. Washington, DC: Consumer Finance Protection Bureau Office of Research.
- Choudhury, Sharmila. 2002. *Racial and Ethnic Differences in Wealth Holdings and Portfolio Choices*. Working Paper 95. Washington, DC: Social Security Administration, Office of Policy, Office of Research, Evaluation, and Statistics.
- Christensen, Peter, Ignacio Sarmiento-Barbieri, and Christopher Timmins. 2021. *Racial Discrimination and Housing Outcomes in the United States Rental Market*. Working Paper 29516. Cambridge, MA: National Bureau of Economic Research.
- City of Phoenix Housing Department. 2022. *Affordable Housing Loan Program and Underwriting Guidelines*. City of Phoenix.
- Couch, Kenneth A., and Robert Fairlie. 2010. "Last Hired, First Fired? Black-White Unemployment and the Business Cycle." *Demography* 47 (1): 227–47. <https://doi.org/10.1353/dem.0.0086>
- Dubois, Ghislain, Benjamin Sovacool, Carlo Aall, Maria Nilsson, Carine Barbier, Alina Herrmann, Sébastien Bruyère, et al. 2019. "It Starts at Home? Climate Policies Targeting Household Consumption and Behavioral Decisions Are Key to Low-Carbon Futures." *Energy Research and Social Science* 52:144–58. <https://doi.org/10.1016/j.erss.2019.02.001>.
- Emrath, Paul. 2020. "National Impact of Home Building and Remodeling: Updated Estimates." Washington, DC: National Association of Home Builders.
- Fulford, Scott, Marie Rush, and Eric Wilson. 2021. *Changes in Consumer Financial Status during the Early Months of the Pandemic: Evidence from the Second Wave of the Making Ends Meet Survey*. Washington, DC: Consumer Financial Protection Bureau.
- Garriga, Carlos, Lowell R. Ricketts, and Don E. Schlagenhauf. 2017. "The Homeownership Experience of Minorities during the Great Recession." *Federal Reserve Bank of St. Louis Review* 99 (1): 139–67.
- Golding, Edward, Michelle Aronowitz, and Jung Hyun Choi. 2020. *The Unequal Costs of Black Homeownership*. Cambridge, MA: Massachusetts Institute of Technology, Golub Center for Finance and Policy.
- Goodman, Laurie, Alanna McCargo, Edward Golding, Bing Bai, and Sarah Stochak. 2018. *Barriers to Accessing Homeownership: Down Payment, Credit, and Affordability—2018*. Washington, DC: Urban Institute.
- Goodman, Laurie, Linna Zhu, Ellen Seidman, Janneke Ratcliffe, and Jun Zhu. 2021. *Should the Community Reinvestment Act Consider Race?* Washington, DC: Urban Institute.
- Habitat for Humanity. n.d. "The Health Benefits of Homeownership." Atlanta: Habitat for Humanity.
- Howell, Junia, and Elizabeth Korver-Glenn. 2018. "Neighborhoods, Race, and the Twenty-First-Century Housing Appraisal Industry." *Sociology of Race and Ethnicity* 4 (4): 473–90. <https://doi.org/10.1177%2F2332649218755178>

- Joint Center for Housing Studies of Harvard University. 2021. *The State of the Nation's Housing 2021*. Cambridge, MA: Joint Center for Housing Studies of Harvard University.
- Kaul, Karan, Laurie Goodman, and Michael Neal. 2021. *The Role of Single-Family Housing Production and Preservation in Addressing the Affordable Housing Supply Shortage*. Washington, DC: Urban Institute.
- Khater, Sam, Len Kiefer, and Venkataramana Yanamandra. 2021. "Housing Supply: A Growing Deficit." McLean, VA: Freddie Mac.
- Langston, Abbie, Justin Scoggins, and Matthew Walsh. 2020. *Race and the Work of the Future: Advancing Workforce Equity in the US*. Oakland, CA: PolicyLink.
- Narragon, Melissa, Danny Wiley, Doug McManus, Vivian Li, Kangli Li, Xue Wu, and Kadiri Karamon. 2021. "Racial and Ethnic Valuation Gaps in Home Purchase Appraisals." McLean, VA: Freddie Mac.
- National Low Income Housing Coalition. 2022. *The Gap: A Shortage of Affordable Homes*. Washington, DC: National Low Income Housing Coalition.
- Neal, Michael, and Daniel Pang. 2021. *How Newark, New Jersey, Provides a Template for Targeting the Homeowner Assistance Fund*. Washington, DC: Urban Institute.
- Neal, Michael, and John Walsh. 2020. "The Potential and Limits of Black-Owned Banks." Washington, DC: Urban Institute.
- Neal, Michael, Jung Hyun Choi, and John Walsh. 2020. *Before the Pandemic, Homeowners of Color Faced Structural Barriers to the Benefits of Homeownership*. Washington, DC: Urban Institute.
- Neal, Michael, Jung Hyun Choi, Kathryn Reynolds, Joseph Schilling, Gideon Berger, Elizabeth Champion, and Caitlin Young. 2021. *Why Do Households of Color Own Only a Quarter of the Nation's Housing Wealth When They Compose a Third of the Nation's Households?* Washington, DC: Urban Institute.
- Neal, Michael, and Liam Reynolds. 2021. *Housing Supply Chartbook: December 2021*. Washington, DC: Urban Institute.
- Neal, Michael, Sarah Strochak, Linna Zhu, and Caitlin Young. 2020. "How Automated Valuation Models Can Disproportionately Affect Majority-Black Neighborhoods." Washington, DC: Urban Institute.
- Operario, Don, and Susan T. Fiske. 1998. "Racism Equals Power Plus Prejudice: A Social Psychological Equation for Racial Oppression." In *Confronting Racism: The Problem and the Response*, edited by Jennifer L. Eberhardt and Susan T. Fiske, 33–53. Thousand Oaks, CA: Sage Publications.
- Ratcliffe, Janneke, Michael Stegman, and Kathryn Reynolds. 2021. "The FHFA's Equitable Housing Finance Plans for Fannie Mae and Freddie Mac: Equity Should Be a Primary Business Consideration for the GSEs." Washington, DC: Urban Institute.
- Rotolo, Thomas, John Wilson, and Mary Elizabeth Hughes. 2010. "Homeownership and Volunteering: An Alternative Approach to Studying Social Inequality and Civic Engagement." *Sociological Forum* 25 (3): 570–87.
- Shertzer, Allison, Tate Twinam, and Randall P. Walsh. 2014. *Race, Ethnicity, and Discriminatory Zoning*. Working Paper 20108. Cambridge, MA: National Bureau of Economic Research.
- Theodos, Brett, Steven Brown, Michael Neal, Ellen Seidman, and Shena Ashley. 2021. "A New Era of Racial Equity Community Development Finance: Leveraging Private and Philanthropic Commitments in the Post-George Floyd Period." Washington, DC: Urban Institute.
- Turner, Margery Austin, Rob Santos, Diane K. Levy, Doug Wissoker, Claudia Aranda, and Rob Pitingolo. 2013. *Housing Discrimination against Racial and Ethnic Minorities 2012*. Washington, DC: US Department of Housing and Urban Development.
- Wilson, George, and Vincent J. Roscigno. 2016. "Public Sector Reform and Occupational Mobility." *Work and Occupations* 43 (3): 259–93. <https://doi.org/10.1177%2F0730888416654203>.

# About the Authors

**Caitlin Young** is a policy analyst in the Housing Finance Policy Center at the Urban Institute. She graduated from the University of North Carolina at Chapel Hill with double majors in political science, for which she received highest honors, and in economics. She authored her senior thesis on the impact of state social welfare policy on recidivism outcomes. Before joining Urban, she interned with the Center for Community Self-Help, a community development financial institution.

**Michael Neal** is a principal research associate in the Housing Finance Policy Center. Previously, he worked at Fannie Mae, where he was a director of economics in the Economic and Strategic Research division. Before his service at Fannie Mae, Neal was the assistant vice president at the National Association of Home Builder's Economic and Housing Policy department. As a housing economist, Neal has an in-depth knowledge of housing market trends and has provided expert analysis and commentary on housing to media outlets around the country. Previously, Neal worked for Congress's Joint Economic Committee, the Federal Reserve System, the Congressional Budget Office, and Goldman Sachs. Neal has a bachelor's degree in economics from Morehouse College and a master's degree in public administration from the University of Pennsylvania.

**Janneke Ratcliffe** is vice president for housing finance policy at the Urban Institute. She joins the Housing Finance Policy Center's leadership team to manage execution of the center's mission. Over a career that spans industry, the nonprofit sector, academic research, and the federal government, her work focuses on increasing access to financial systems that foster economic security and prosperity. Ratcliffe came to Urban from the Consumer Financial Protection Bureau, where she served as assistant director, leading its Office of Financial Education. Previously, she was the executive director of the University of North Carolina Center for Community Capital, leading "transformative research on how mortgage markets and financial services can better promote financial security and economic opportunity." Ratcliffe has also served at GE Capital Mortgage, the Center for American Progress, and Self-Help, where she was instrumental in high-impact programs in affordable and Community Reinvestment Act mortgages and community development finance. Ratcliffe serves on the Consumer Affairs Advisory Council of the Mortgage Bankers Association, and she is a member of the National Community Stabilization Trust Board of Managers. She is a graduate of the University of North Carolina at Chapel Hill, where she studied economics and French.

## STATEMENT OF INDEPENDENCE

The Urban Institute strives to meet the highest standards of integrity and quality in its research and analyses and in the evidence-based policy recommendations offered by its researchers and experts. We believe that operating consistent with the values of independence, rigor, and transparency is essential to maintaining those standards. As an organization, the Urban Institute does not take positions on issues, but it does empower and support its experts in sharing their own evidence-based views and policy recommendations that have been shaped by scholarship. Funders do not determine our research findings or the insights and recommendations of our experts. Urban scholars and experts are expected to be objective and follow the evidence wherever it may lead.



500 L'Enfant Plaza SW  
Washington, DC 20024

[www.urban.org](http://www.urban.org)