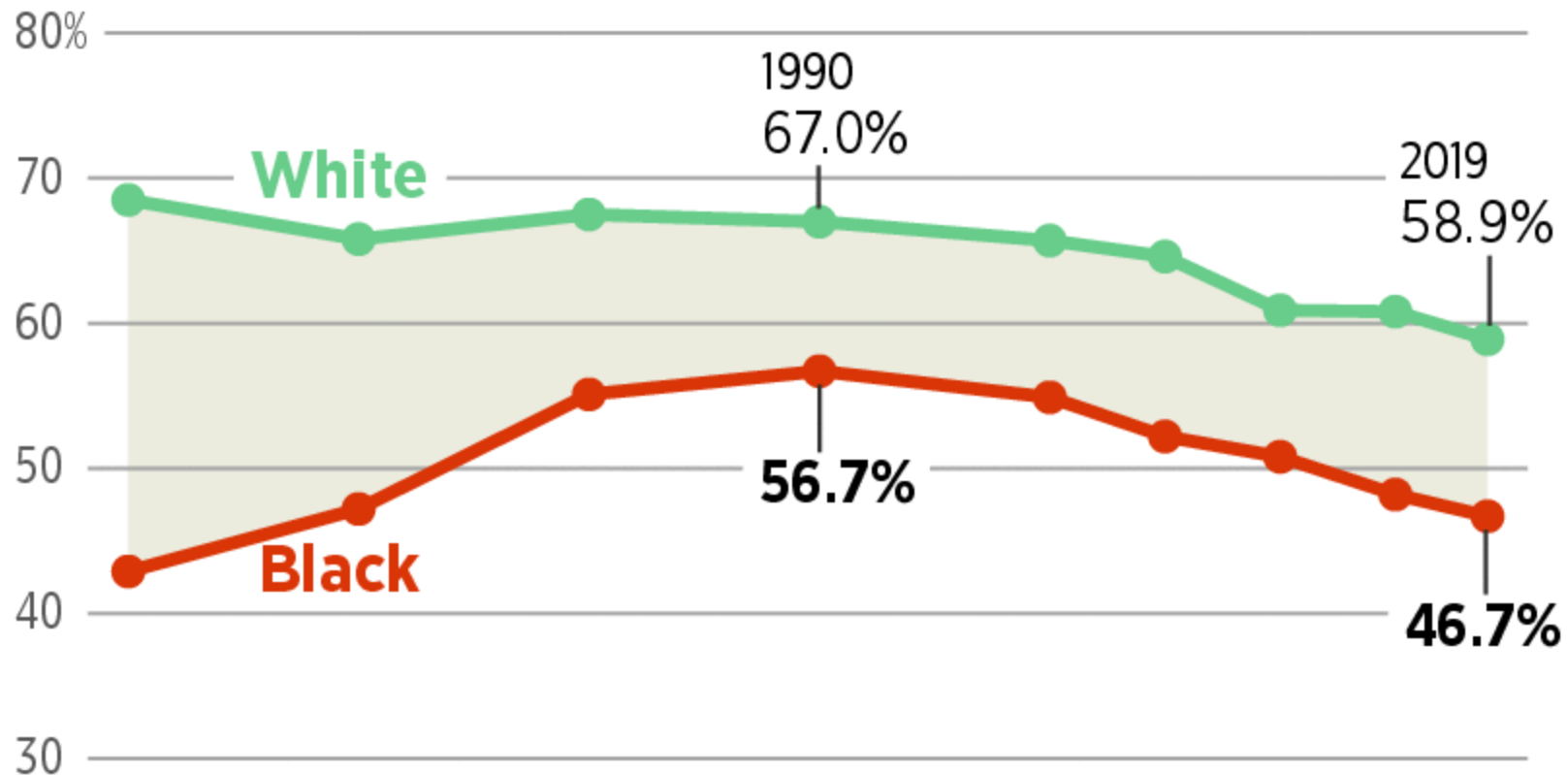


# Inequities drive racial gap among homeowners

Philadelphia Fed report urges support for Black residents.

## Growing Gap in Homeownership For Black Philadelphians



**Since 1990**, the gap in homeownership rates between Philadelphia's white and Black residents has widened.



SOURCE: Federal Reserve Bank of Philadelphia

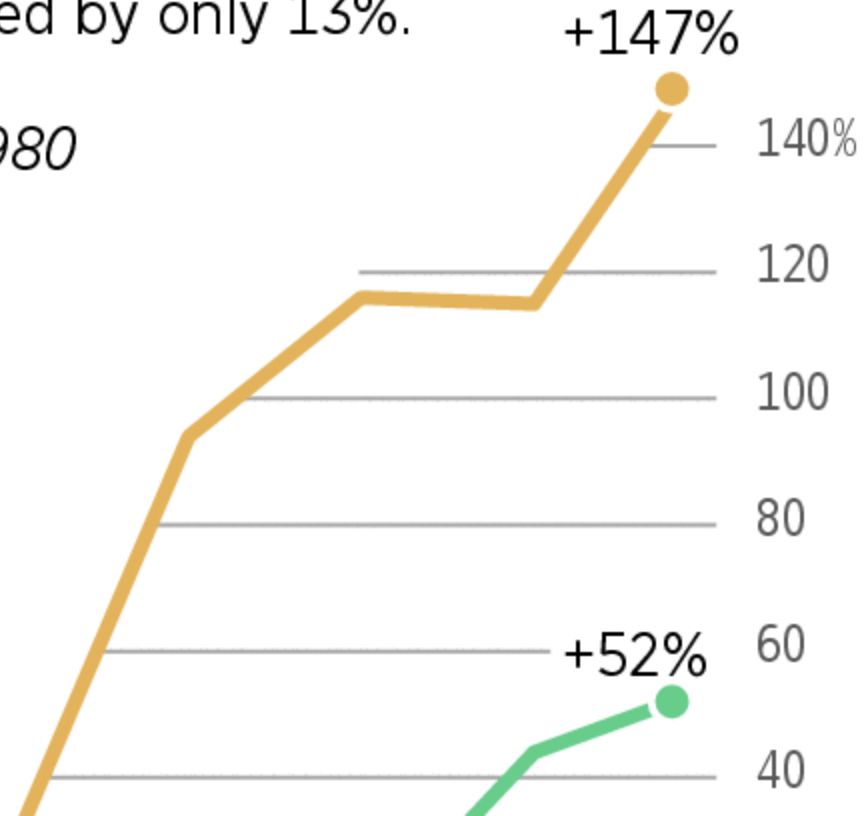
Staff Graphic

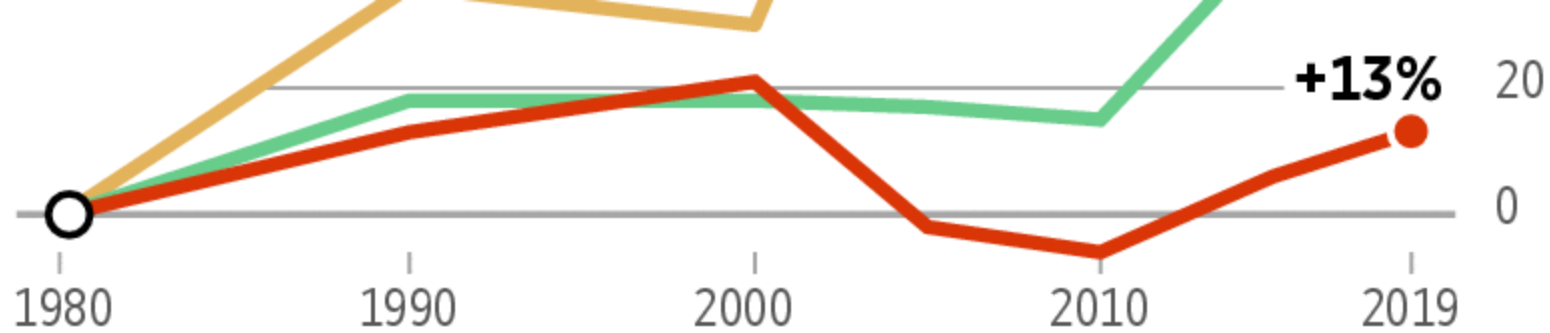
# Homes Becoming More Unaffordable for Black Residents

Since 1980, the median value of a home in Philadelphia has risen by 147%, while the median household income for Black residents has increased by only 13%.

*Percentage change since 1980*

- Median home value
- White median household income
- **Black median household income**





SOURCE: Federal Reserve Bank of Philadelphia

Staff Graphic

BY MICHAELLE BOND (STAFF WRITER)

Black Philadelphians will need both short-term support and long-term solutions to help them become homeowners in the aftermath of the pandemic and as racial homeownership gaps persist, according to the Federal Reserve Bank of Philadelphia.

Because of entrenched inequities in employment and income, owning a home is relatively more expensive for Black homeowners than for white homeowners, according to an October report from the Philadelphia Fed. That puts Black property owners at greater risk of losing their homes. Because of job segregation and barriers to building wealth, Black people are, in general, more vulnerable to economic downturns. They also have been disproportionately harmed by the pandemic.

"The COVID-19 pandemic makes it clear that homeownership continues to be far more precarious for Black homeowners in Philadelphia than their white counterparts," the report's authors wrote.

The gap in homeownership rates for Black and white Philadelphians in 2019 was slightly wider than it was 30 years ago, according to a new report the Philadelphia Fed released Monday. Homes are most people's largest assets and help build generational wealth.

In 2019, 47% of Black Philadelphians owned homes, compared to 59% of white residents.

The gap is a cause for concern for the economy as a whole, said Theresa Singleton, senior vice president and community affairs officer at the Federal Reserve Bank of Philadelphia and coauthor of the report. Too often, disparity

in homeownership "is viewed as an issue of a specific demographic group when it has larger economic implications." Strong homeownership rates contribute to communities' economic stability and growth.

Black residents today face social, economic, and financial barriers to homeownership as well as the lasting effects of historical discrimination that blocked Black residents from buying homes. The Black homeownership rate in the city has steadily declined over the last three decades. During that time, the white homeownership rate also has declined, but the gap has remained relatively steady.

"I was a little surprised by the consistency in the gap in homeownership rate," said Lei Ding, community development senior economic adviser at the Federal Reserve Bank of Philadelphia and coauthor of Monday's report. In light of the pandemic highlighting inequities and renewed policy focus on equity and structural racism, "it might be the right time now to right this historical wrong," he said.

Ways to narrow the home ownership gap include increasing Black residents' household income, the supply of affordable homes, and access to mortgages, according to the Philadelphia Fed researchers. Along with short-term support such as homeownership counseling and down payment assistance, policymakers must reimagine structures, such as the credit system, that were designed decades ago to impede Black homeownership and still operate as intended, Singleton said.

### Less income

White Philadelphia homeowners have a median household income of \$77,696, while Black homeowners' median household income stands at \$47,141, according to Philadelphia Fed researchers' analysis of U.S. Census Bureau data.

In the last two decades, Philadelphia home values soared while the income of Black households dropped. Philadelphia's median home value jumped from 2.5 times the median income of Black households to more than five times their income, according to the Philadelphia Fed. The home value to income ratio for white homeowners in 2019 is roughly what it was for Black homeowners in 2000 before much of the home value boom.

Stephanie Butler, director of housing counseling at the Mount Airy Community Development Corp., said her clients are dealing with low wages, high debt, and little savings. To help improve Black homeownership rates, she said one possible step is for Philadelphia to sell vacant properties to community organizations that could improve and sell them for prices residents can afford.

While Black homeowners in Philadelphia pay a couple hundred dollars less per month on average for homeownership expenses such as mortgage payments, property taxes, and utilities, they spend a greater share of their incomes on these expenses, according to Philadelphia Fed researchers. Black households pay a median of about 20% of their income, compared to about 17% for white households.

"This isn't just a housing issue," Singleton of the Philadelphia Fed said. "This is a job and labor market issue." In considering solutions to structural problems, policymakers need to be mindful of how problems intersect and address

their root causes, she said.

Reflecting racial divides among Philadelphia's neighborhoods, Black homeowners are likely to live in majority Black neighborhoods, where residents earn less income, face longer commutes to work, are less likely to have internet access at home that could help with job searches, and are more likely to have lower valued homes, a result of a legacy of disinvestment and discriminatory lending policies.

### Access to mortgages

In 2020, financial institutions were 2.7 times more likely to deny loans to Black mortgage applicants in Philadelphia than white applicants, according to the Philadelphia Fed.

"They don't blatantly do the redlining anymore. They find another way," said Butler, who has spent nearly three decades as a housing counselor. "The banks will continue to find a way, unfortunately, to have a barrier in place, which is 9½ times out of 10 going to affect Black homeownership."

Limited credit histories and low credit scores among aspiring Black homeowners help drive the racial home ownership gap, according to the Philadelphia Fed. In the city last year, lenders cited credit history as a reason for denying 16% of rejected white applicants but 29% of rejected Black applicants.

Lenders take into account credit blemishes such as past medical bills that are more likely to hit Black residents, Butler said.

One possible solution to increase Black borrowers' access to loans outside of a system that wasn't designed for them is to give them credit for rent payments and other monthly expenses, the Philadelphia Fed researchers said. In September, the government-backed mortgage financier Fannie Mae started allowing lenders to consider applicants' rental payments. In the short term, the Philadelphia Fed researchers said, the credit ratings of those who needed help during the pandemic should be protected.

Black neighborhoods are more susceptible to risky loan products and were hit harder by the housing collapse that preceded the Great Recession. People who saw their families and friends lose their homes to foreclosure may be more hesitant to become homeowners.

Ding, of the Philadelphia Fed, said Black homeowners need support and access to sustainable loan products.

The mortgage delinquency rate for Black homeowners jumped from 12% in March 2020 to 20% in May 2020, according to the Philadelphia Fed. By the start of this year, 19% continued to be behind on payments, compared to 6% or less of white mortgage holders.

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