

# The racial barriers to owning a home

BY MICHAELLE BOND (STAFF WRITER)

The U.S. Justice Department and the attorneys general of Pennsylvania, New Jersey, and Delaware on Wednesday announced a "historic" settlement with a tristate-area mortgage lender accused of avoiding doing business in neighborhoods with a majority of people of color.

Trident Mortgage Co., which stopped originating mortgages in 2020 and admitted no wrongdoing as part of the settlement, agreed to invest more than \$20 million in serving aspiring home buyers in underserved communities.

Federal and state investigators alleged that Trident engaged in a form of modern-day redlining – a now-illegal practice in which mortgage lenders discriminate against neighborhoods with high shares of people of color.

To achieve the American dream of home ownership, Black and brown communities have to contend with both the lasting effects of policies of the past and present-day practices.

Here are some of the reasons home ownership and its benefits can be harder for communities of color to take advantage of in the Philadelphia region and across the country:

## Racial ownership gaps

White households are more likely to own a home than Black households. In Philadelphia, this gap in home ownership was slightly wider in 2019 than it was in 1990. In 2019, the home ownership rate among white families was about 59%, compared with about 47% for Black families, according to the Federal Reserve Bank of Philadelphia.

In Pennsylvania, the home ownership gap is larger and has been growing. About 73% of white Pennsylvanians own homes, compared with about 43% of Black Pennsylvanians.

In May, the state-affiliated Pennsylvania Housing Finance Agency published a report that highlighted the fact that people of color face more barriers to becoming homeowners. The agency added to calls in recent years for the real estate industry and regulators to remove roadblocks and make home buying and mortgage borrowing more equitable.

### Buying more difficult for Black homeowners

In 2019, the median white household in the United States had nearly eight times the wealth of the median Black household. White Philadelphia homeowners have a median household income of \$77,696, while Black homeowners' median household income stands at \$47,141, according to the Philadelphia Fed.

Black households' income has dropped as home prices have skyrocketed. On the whole, these households spend higher portions of their income on housing. So buying a home and making monthly payments are both more difficult for Black homeowners.

Mortgage lenders also are more likely to reject Black applicants.

Last year, the Philadelphia Fed said that Black Philadelphians will need both short-term support and long-term solutions to become and remain homeowners in the aftermath of the pandemic.

### Homes in Black areas are valued less

For a variety of reasons, homes in majority Black neighborhoods are valued less than similar homes in majority white neighborhoods. Governments have chosen not to invest in Black neighborhoods. Professionals in the real estate industry have discriminated against Black home buyers and sellers. Implicit and explicit housing policies have kept Black residents from home ownership and have segregated communities. Black homeowners are more likely to live in majority Black neighborhoods, where households make less income and have fewer amenities.

This contributes to racial wealth gaps, since home appreciation is the main way most families in the country grow wealth that they can pass on through the generations.

Conscious or unconscious bias in home appraisals can lead appraisers to undervalue properties owned by Black homeowners and strip them of their home equity. A Philadelphia task force on Wednesday published a report of steps the city, state, and federal government can take to combat this bias, including educating homeowners about their rights, diversifying the appraisal industry, and making the appraisal process more transparent.

[mbond@inquirer.com](mailto:mbond@inquirer.com)

215-854-4546

MichaelleBond