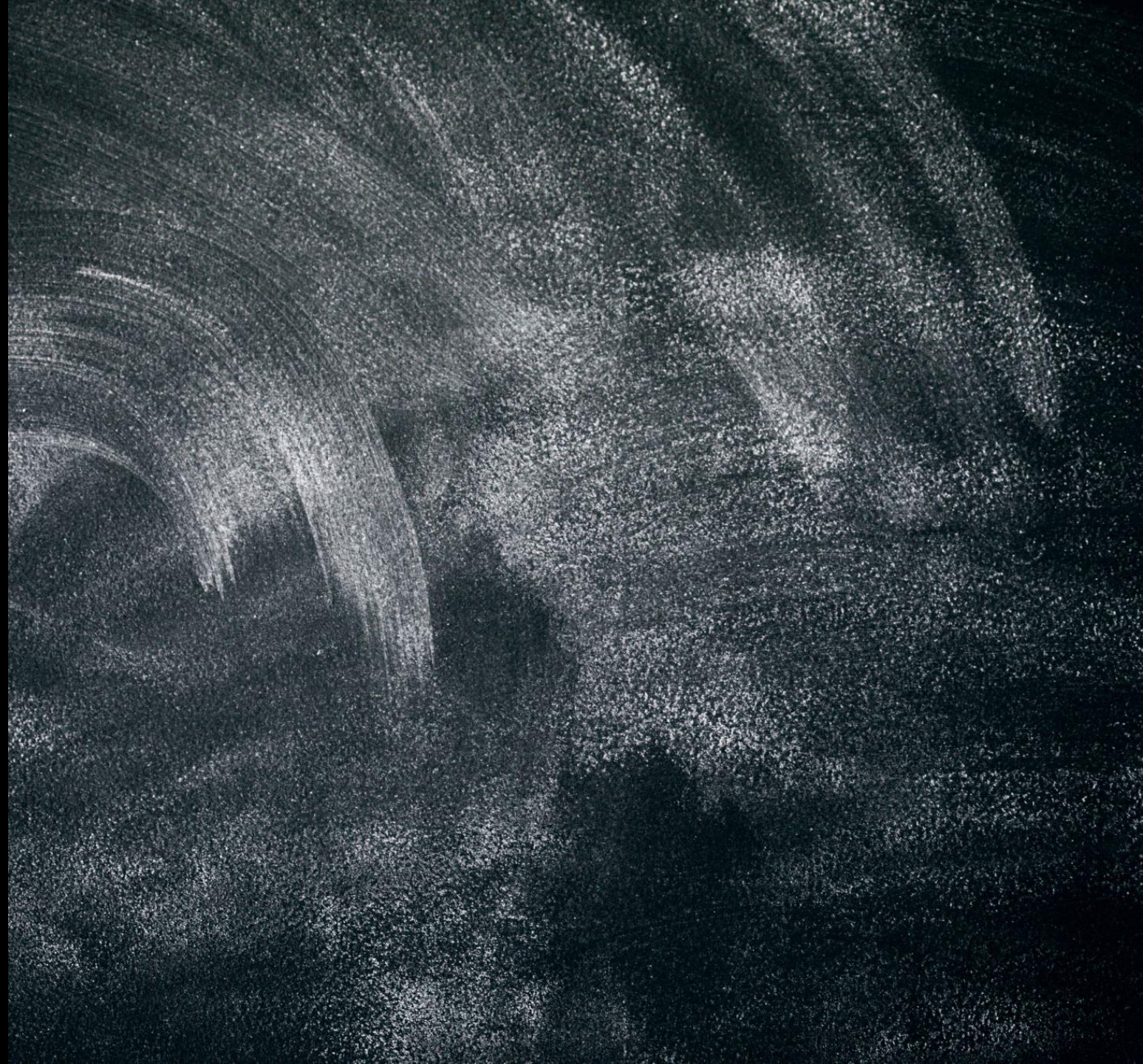

RACIAL BARRIERS TO HOME OWNERSHIP

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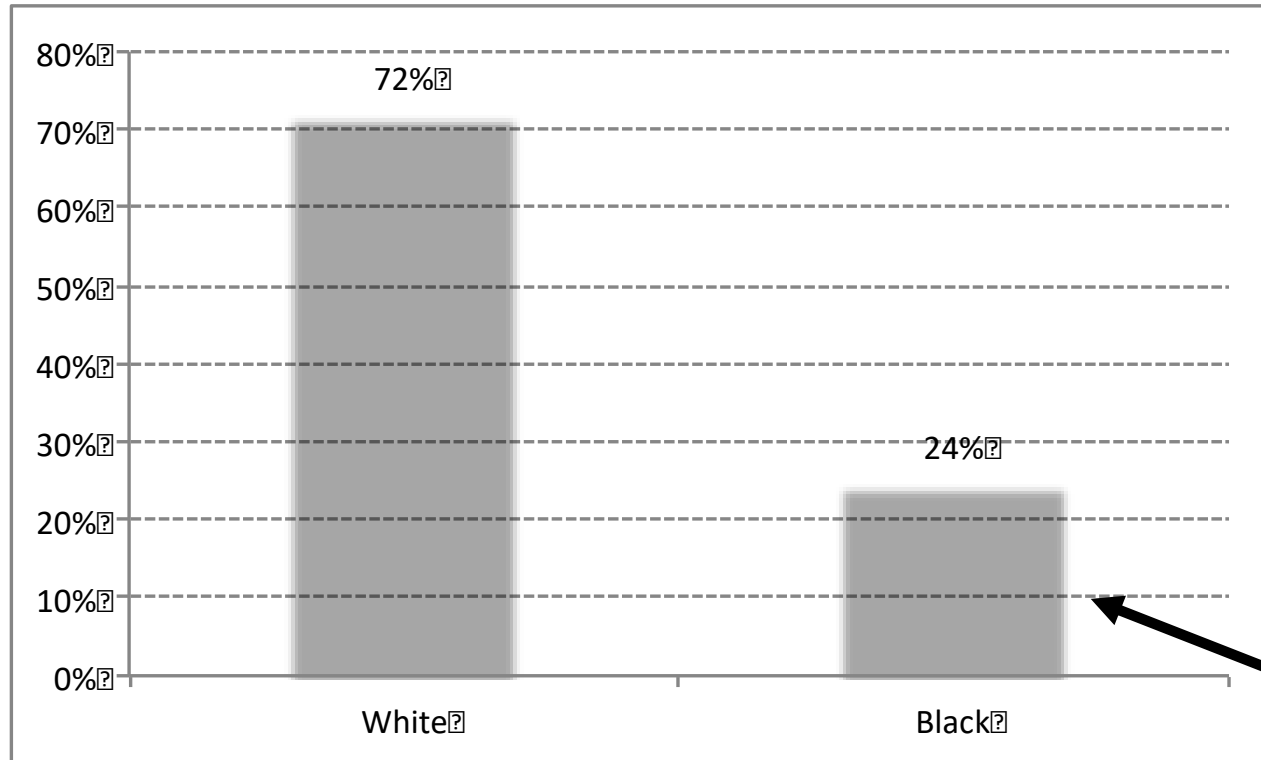
WHY HOMEOWNERSHIP MATTERS: HOUSING AND WEALTH

Housing equity is important component of wealth portfolio of most Americans families and an important vehicle for transmitting wealth from generation to generation.

Especially for minorities, accumulating wealth depend on housing wealth.

For Blacks, housing is 63% of total net worth. For whites, only 38.5%.

HOME OWNERSHIP RATES IN VERMONT

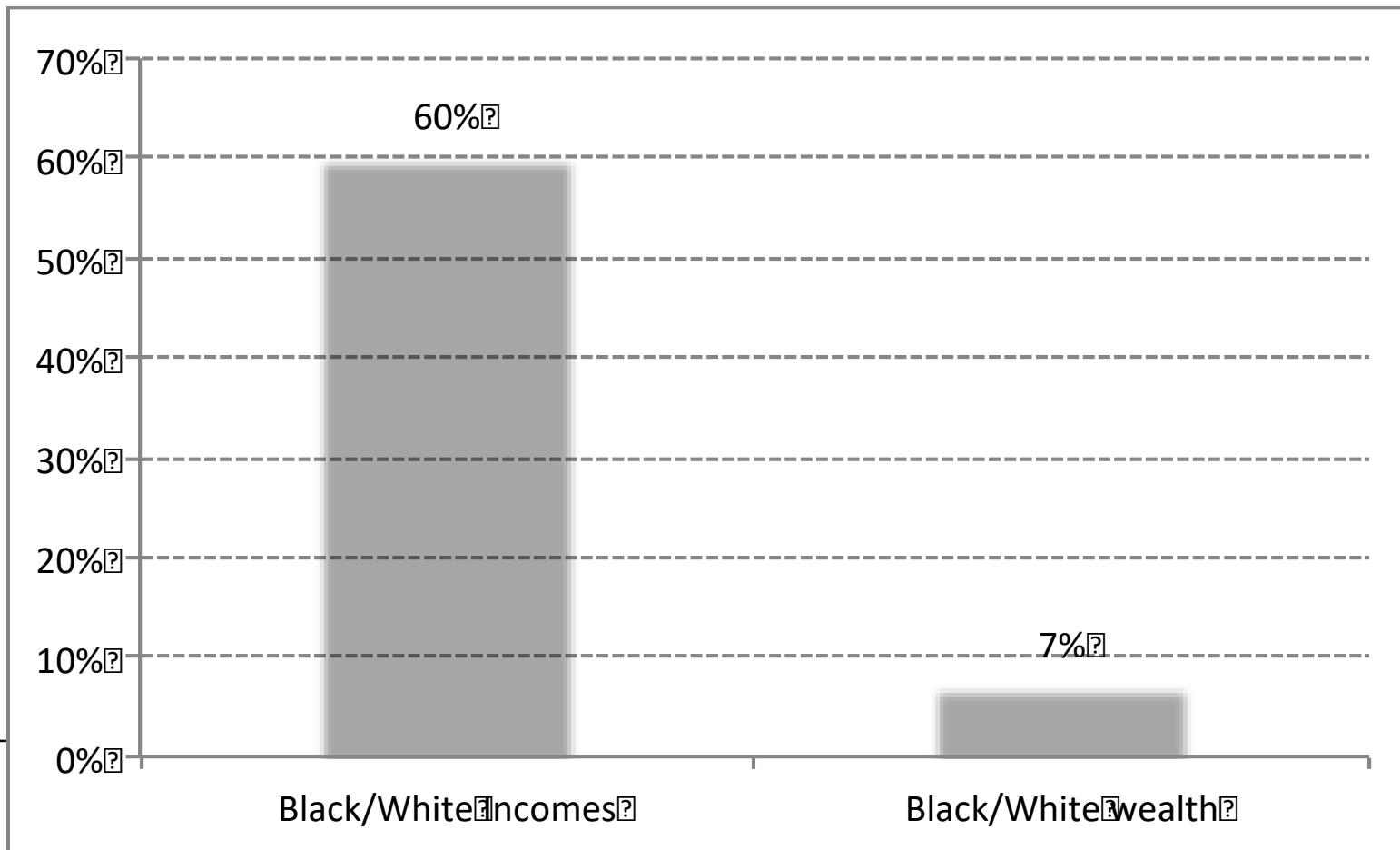


In Burlington, out of 6,000 owner-occupied homes, 17 were Black-owned in 2019.

That is, Blacks comprise about 7% of Burlington's population but just 0.3% of homeowners.

At national level, Black homeownership rate is 50% higher at **42%**

IN U.S., BLACKS HAVE FAR WEALTH THAN WHITES



The gap is in large part due to federal housing policy practiced in the mid-20th century.

A BRIEF HISTORY OF RACIAL HOUSING DISCRIMINATION

Vehicles by which residential segregation created:

1. The FHA and Redlining
2. GI Bill
3. Urban renewal, highways
4. Restrictive covenants and steering
5. Block busting
6. Mob violence between 1896-1948
7. Exclusionary zoning

Government's role

The diagram consists of a red-bordered box containing a list of seven items. To the right of the list is a smaller red-bordered box containing the text 'Government's role'. Four dark green arrows originate from the right side of the 'Government's role' box and point to the first four items of the list: 'The FHA and Redlining', 'GI Bill', 'Urban renewal, highways', and 'Restrictive covenants and steering'. The remaining three items, 'Block busting', 'Mob violence between 1896-1948', and 'Exclusionary zoning', do not have arrows pointing to them from this box.

REDLINING G REDLINING NG REDLINING G

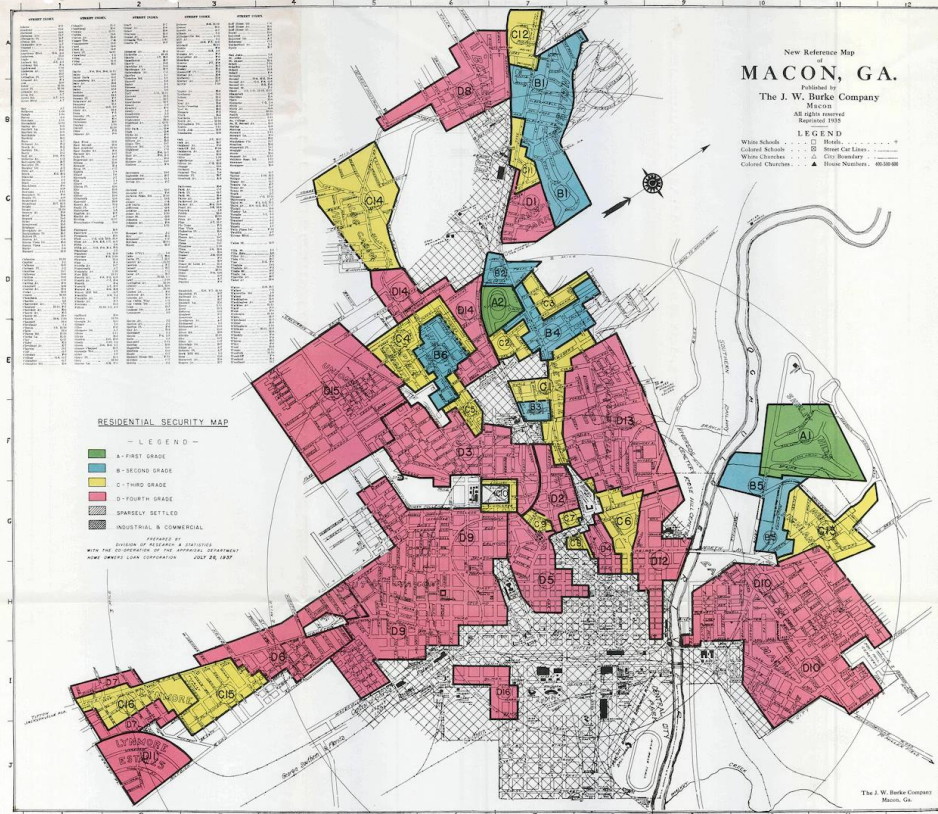
- Government's practice of refusing to back mortgages in neighborhoods based on race/ethnicity.
 - The **Federal Housing Administration** (FHA) established by the National Housing Act of 1934 to regulate **interest rates** and **mortgage terms** after the banking crisis of the 1930s.
 - Through the FHA, the government **began to insure mortgages** issued by qualified lenders, **providing mortgage lenders protection from default.**
 - If a borrower failed to make their payments, the FHA was required to cover the unpaid balance.
-

REDLINING

Government surveyors graded neighborhoods in 239 cities, color-coding them green for “best,” blue for “still desirable,” yellow for “definitely declining” and red for “hazardous.” Mixed race neighborhoods were considered “definitely declining.”

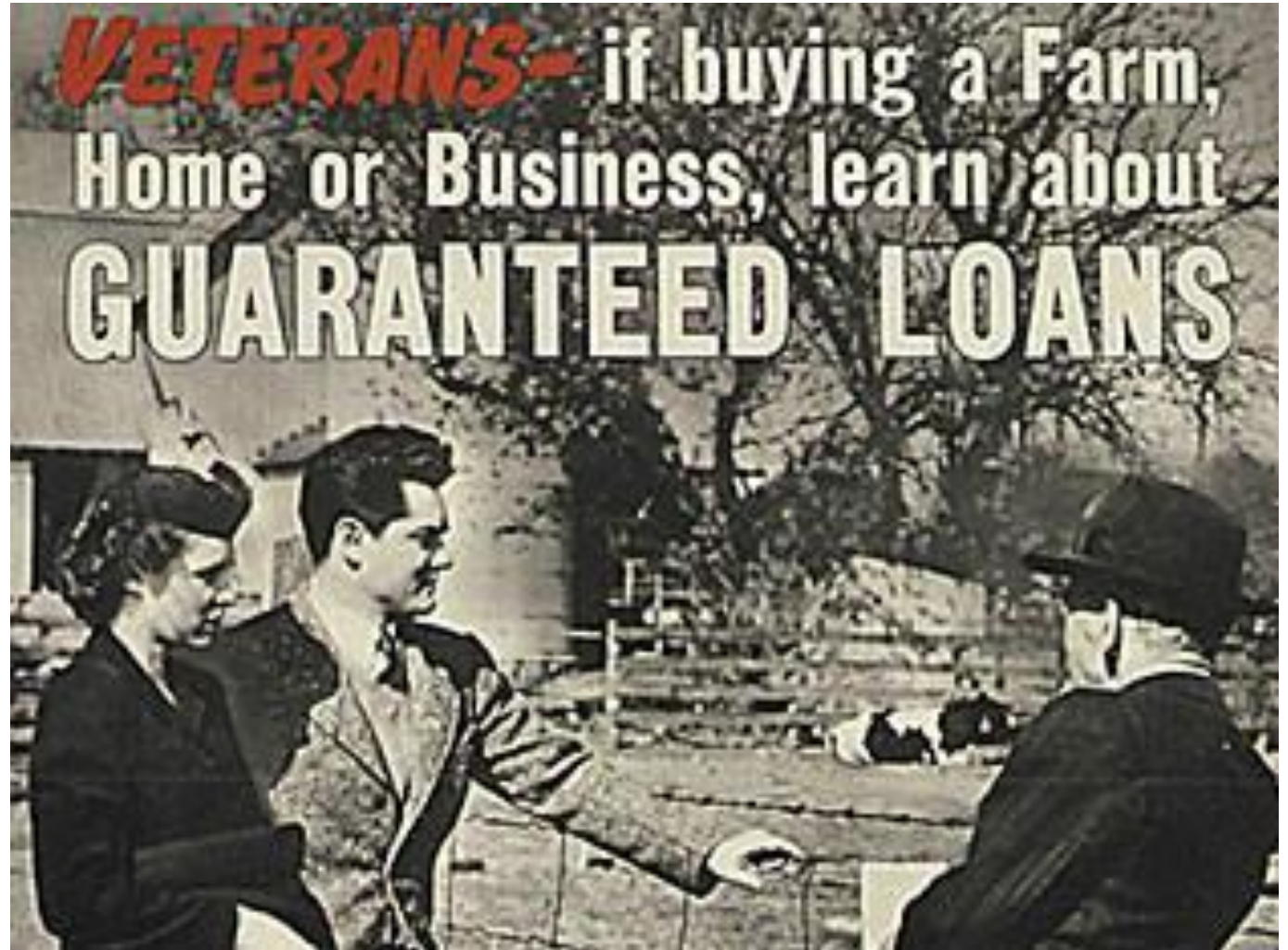
“Redlined” areas were discounted by banks as credit risks, in large part because of the residents’ racial and ethnic demographics.

The federal government was largely responsible for redlining, and the banks complied.



SERVICE MEN'S READJUSTMENT ACT (GI BILL)

- Higher education financing, housing and unemployment benefits which Black service members were either met with resistance or denied benefits altogether.



RESTRICTIVE COVENANTS

- Racially restrictive covenants refer to contractual agreements that prohibit from owners from selling, leasing, or renting property to a particular group of people, usually African Americans.
- To prevent people of color from purchasing homes in white communities.
- A covenant is a legally enforceable “contract” imposed upon the buyer of property.
- A reaction to the Great Migration of Southern Blacks to the North.

STEERING BY REAL ESTATE AGENTS AND DEVELOPERS

- The practice of real estate brokers guiding prospective home buyers towards or away from certain neighborhoods based on their race.
 - Illegal under the Fair Housing Act of 1968 but still happens.
-

BLOCKBUSTING

- A method of manipulating homeowners to sell their homes at a lower price by falsely convincing them that racial minorities are moving into their once segregated neighborhood.
- Example:
 - A real estate agent hires a Black woman to walk her dog in an all-white neighborhood. He then places his real estate card in all the mailboxes on the block, offering to buy their houses right away at a discounted price.
 - The goal is to convince the property owners that he is "helping them out," because their home values will decline due to the influx of minorities in the area.

21ST CENTURY HOUSING DISCRIMINATION

- Zoning
- The Segregation “Tax”
- Appraisal discrimination
- Lending discrimination
- Discrimination in buying/renting



EXCLUSIONARY ZONING

- In the post 1917 period, cities hired planning professionals to fashion legally defensible racial zoning plans.
 - **Exclusionary zoning** – restrict land use.
 - Some require that neighborhoods consist exclusively of single-family homes
 - Or that homes in some areas have minimum lot sizes or minimum square footage requirements.
 - Widely used in the Northeast
-

THE SEGREGATION TAX

- Segregation “tax” – Homes appreciate more slowly in segregated and racially-changing neighborhoods.
 - Once more than 10% of one’s neighbors are Black, home values decline. As the % of Black neighbors increases, the property’s value plummets even further.
 - This gap in home values, or “**segregation tax**” on Black homeowners, primarily results from white preference for white neighborhoods, driving up housing prices.
 - The higher the segregation, the wider the Black/white gap.
-

“YOUR HOME’S VALUE IS BASED ON RACISM”

Black Homeowners Face Discrimination in Appraisals



The value of Stephen Richmond's home in a Hartford, Conn., suburb jumped after he removed family photos and movie posters, and had a white neighbor stand in for him during a second appraisal. Monica Jorge for The New York Times

HOUSING AUDITS TO TEST FOR DISCRIMINATION

- Matched pairs
- The pair is equally qualified for housing
- Have the same characteristics, training, etc.
- Differ on race or ethnicity
- Audit teams successively inquire about an advertised housing unit

Discrimination if minority auditors are given less favorable treatment than their equally qualified teammates.

VERMONT HOUSING AUDIT RESULTS 2011

- ***Telephone response*** to rental ads: in 39% of paired tests, subjects demonstrated discrimination against the tester of color or showed preferential treatment for white tester
 - ***In-person visits***: 31% showed preferential treatment for white renter
-

LOWER MORTGAGE DISCRIMINATION IN VERMONT

- Only four states have **higher approval ratings** for Black loan applicants than white ones
- Vermont has rates of **96% for Blacks** to **90% for whites**
 - Idaho, Hawaii, and Montana also have higher Black rates



BLACKS PAY HIGHER INTEREST RATES (US 2017)

20% of loans to Blacks were “higher priced” as defined by the government, compared with 7% of loans to non-Hispanic whites

Higher priced means they carried annual percentage rates (APRs) that were at least 1.5 percentage points above the “average prime offer rate” for loans of a similar type

THE GREAT RECESSION AND HOUSING DISCRIMINATION

- Blacks and Hispanics were super-**excluded** from access to quality housing and homeownership prior to Great Recession
 - In run up to Great Recession, Blacks and Hispanics were super-**included in predatory lending**. Financial institutions and government bore responsibility for this.
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GOVERNMENT POLICIES: FROM HARM TO REPAIR

- H232 and H273: Can redress prior harms through their policies
 - Diverse membership essential but can be tokenism.
 - As important as diverse representation is impact.