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# Understanding and Addressing Racial and Ethnic Disparities In Housing

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December 2021

  
Bipartisan Policy Center



J. Ronald Terwilliger  
CENTER FOR HOUSING POLICY

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# Introduction

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**As America continues to combat the spread of COVID-19 and recover economically, we cannot lose sight of the need to address stark racial and ethnic disparities in housing—an area of immense importance to the strength and vitality of families and communities. The purpose of this paper is to highlight these disparities as the basis for charting a viable path forward.**

In the past, legalized housing discrimination helped to segregate communities by race. While legal decisions and federal civil rights legislation—such as the Fair Housing Act of 1968—worked to end many overtly discriminatory practices, research shows that some of the racial and ethnic disparities in housing observed today can be linked to this history and are perpetuated by a mix of government policies, economic factors, and individual prejudices and preferences.<sup>1</sup> Black Americans, along with Hispanics and other people of color, face disproportionately high housing cost burdens, entrenched patterns of segregation and concentrated poverty, and distinct challenges accessing homeownership and building family wealth. In fact, the gap between Black and white homeownership is greater today than in the 1960s, proof that decades of federal policies and initiatives have fallen short, demanding new, ambitious solutions.

Compounding these problems, the pandemic has triggered public health and economic crises with disproportionate impacts, particularly on low-income Black, Hispanic, and Indigenous households. A failure to acknowledge and address these impacts would be a lost opportunity as we collectively work to forge a “more perfect Union” that guarantees equal opportunity for all. The purpose of this report is to catalog some of the most striking disparities in housing with the hope that doing so will inspire action by concerned policymakers from both parties. Advancing bipartisan policies that can meaningfully close these gaps holds the promise of strengthening America, both economically and socially.

# Importance of Safe, Stable, and Affordable Housing

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It is difficult to overstate the importance of stable, affordable housing to personal and family welfare. That is why the racial and ethnic disparities that exist in housing should concern everyone: These gaps reinforce and perpetuate existing inequities and tear at America's social fabric.

**Housing is a basic necessity.** Like food and clothing, the shelter that a home provides is a basic necessity of life. With the security and privacy it offers, a home is also the platform from which a household engages the broader community. It is the place where families raise children and build lives together. The coronavirus pandemic only further elevated the importance of a home, which became a place to work and learn for so many families.

**Stable, affordable housing is crucial for well-being and economic opportunities.** Living in a stable home improves employment, health, and educational outcomes.<sup>2</sup> Stable housing is also particularly important for early childhood development. Research indicates that toxic stress triggered by housing instability for children ages 0-3 can have devastating lifelong effects, leading to learning, behavioral, and mental health problems.<sup>3</sup> Children with safe, stable housing perform better in school, and are less likely to face family separations, domestic violence, and psychological distress.<sup>4</sup> Affordable housing can also “vaccinate” families against negative health outcomes by providing stability and allowing scarce household resources to be used to pay for food, health care, and other essentials.<sup>5</sup> In fact, housing safety, stability, quality, and affordability are all deeply connected to health, with unmet housing needs having a direct and deleterious impact.<sup>6</sup> These needs and their connection to health take many different forms. For example:

- Those experiencing homelessness are more likely to experience severe and frequent mental and physical illness. Chronic illness is also itself a risk factor for homelessness.
- Hazards within the home environment, such as lead paint and asthma triggers, can cause or exacerbate health conditions.
- High housing costs are not only stressful, they can also force families to make difficult trade-offs between buying necessities like food and medicine and paying their rent, resulting in suboptimal health outcomes. In addition, what a household can afford often dictates where they can live. High housing costs can limit low-income families to communities with high crime or disproportionate environmental burdens, leading to poor health and premature mortality.

**Stable housing alone is not enough—families deserve to live in thriving communities.** Where a home is located matters. Living in a community with access to employment opportunities, good schools, nutritious food, transportation options, and health care providers can have a tremendously positive impact on a family and help serve as a springboard for upward economic mobility.

## Disparities in Income, Savings, and Wealth

**Income:** The net total flow of payments received by an individual or household over a certain period of time, including wages and salary. Analyses of income may reflect taxes and government transfer payments, such as Social Security, nutrition assistance, and rental assistance.

**Savings:** Income retained after paying taxes and spending money.

**Wealth:** The total value of accumulated assets held by an individual or household, including savings and capital.

There are persistent gaps in income and wealth across racial and ethnic groups in the U.S.—particularly between Black and white households. While income is unequal, wealth is even more unequal—an important distinction given the opportunities and choices that accumulated wealth can provide families in the present and the future. Black and white children tend to follow the wealth position of their parents, reproducing inequality across generations.<sup>7</sup> In fact, data shows that little to no progress has been made in reducing income and wealth inequalities between Black and white households over the past 70 years—and that close to half of all American households have less wealth today in real terms than the median household had in 1970.<sup>8</sup> As such, it is critical that policymakers understand the role that housing plays in driving and addressing such persistent disparities.

**Figure 1. Financial Status of Renter Households by Race and Ethnicity, 2019**

	American Indian and Alaska Native	Asian	Black	Hispanic or Latino	White
Renter Share	45%	39%	58%	52%	28%
Median Net Wealth	*	\$8,730	\$1,830	\$6,000	\$8,330
Median Cash Savings	*	\$5,000	\$1,050	\$1,500	\$2,500
Percent Housing Cost Burdened	43%	42%	54%	52%	42%

**Figure 2. Financial Status of Homeowner Households by Race and Ethnicity, 2019**

	American Indian and Alaska Native	Asian	Black	Hispanic or Latino	White
Homeowner Share	55%	61%	42%	48%	72%
Median Net Wealth	*	\$453,000	\$114,400	\$166,400	\$296,000
Median Cash Savings	*	\$16,000	\$4,400	\$4,080	\$13,000
Percent Housing Cost Burdened	22%	26%	29%	28%	19%

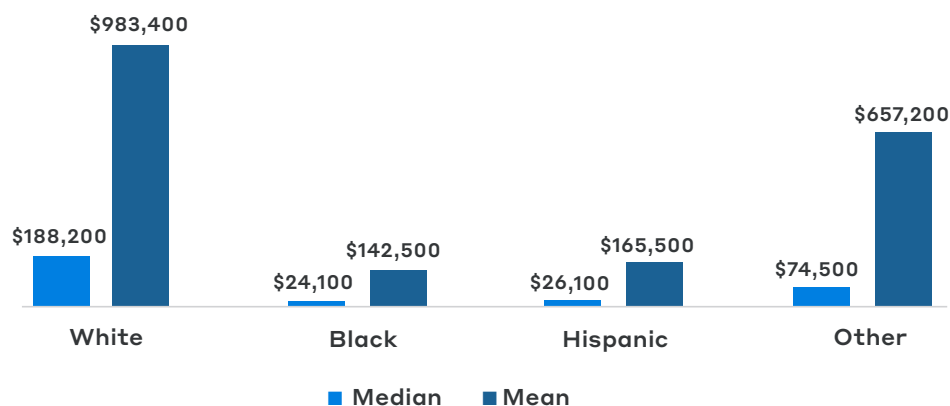
**Sources:** U.S. Census Bureau – American Community Survey, [Bureau of Labor Statistics](#), and [Harvard Joint Center for Housing Studies](#); based on author’s calculations

\* This information is not collected by the U.S. Census Bureau.

Nationally, Black households earned 61 cents per \$1 of white household median income in 2018. While this gap ranged by states—from 32 cents per \$1 in D.C. to 87 cents per \$1 in Hawaii and Maine—white median income is greater than Black median household income in all states.<sup>9</sup>

**The racial wealth gap is vast.** The median white family has nearly eight times as much wealth as the median Black family—a statistic largely unchanged in the past three decades.<sup>10</sup> According to a report by the American Enterprise Institute, Black families are also more than 16 times more likely than white families to experience three generations of poverty.<sup>11</sup> The persistence of the gap over decades strongly suggests the presence of significant obstacles to upward economic mobility.

**Figure 3. Net Worth by Race, 2019**



Source: [Board of Governors of the Federal Reserve System](#)

**Black and Hispanic households have disproportionately fewer savings and assets.** The racial wealth gap is not just the result of an imbalance of income. Even among similar, poverty-level income households, Black households have less overall wealth because they have lower average levels of savings and fewer assets. White households with poverty-level incomes have an average net worth of about \$18,000, while the median wealth of Black households at the same income level stands near zero or negative.<sup>12</sup> This is largely driven by differences in inherited wealth between white and non-white households. Because lower-income Black households have less wealth than low-income white households, they have less flexibility to purchase assets and accrue wealth through means other than income.

Because Black and Hispanic families are, on average, less financially secure—with higher debt-to-income ratios and less savings—they are also less able to weather financial shocks. Other racial and ethnic groups may be similarly situated too. For example, only 25% of American Indian and Alaska Natives said they are certain they could come up with \$2,000 if an unexpected need arose within the next month, compared with 45% of white Americans.<sup>13</sup>

**Black and Hispanic households were hit hardest by the Great Recession of 2008, with lasting effects.** The Great Recession of 2008 disproportionately harmed Black and Hispanic households. Between 2007 and 2010, Hispanic households lost 44% of their wealth, Black families lost 31%, and white families lost 11%. Before 2008, white Americans were typically four times as wealthy as non-white counterparts; after the Great Recession, they were six times as wealthy.<sup>14</sup> Families have still have not fully recovered from losses in wealth during the recession, and the recession's impact on racial disparities has endured.



Some of the loss in Black wealth can be attributed to predatory lending, as Black households were disproportionately steered toward riskier, subprime loans prior to the recession that were inferior to the mortgage products for which they should have qualified.<sup>15</sup> After controlling for borrower, loan, and geographic factors, Black and Hispanic households that were approved for loans in 2006 were 2.4 times more likely to receive a subprime loan than white applicants.<sup>16</sup> Households with subprime loans saw their wealth devastated in the 2008 crisis. Black families were also more likely to buy homes at the peak of the housing bubble, at higher rates than white families, and thus stood to lose more as prices crashed.<sup>17</sup>

Black and Hispanic homeowners also hold a greater percentage of their net worth in home equity: 67% for Hispanic homeowners and 57% for Black homeowners, compared with only 41% for white homeowners.<sup>18</sup> As a result, when an economic crisis reduces home values or leads to widespread foreclosures, the consequences are especially devastating to Black and Hispanic homeowners—as experienced in 2008.

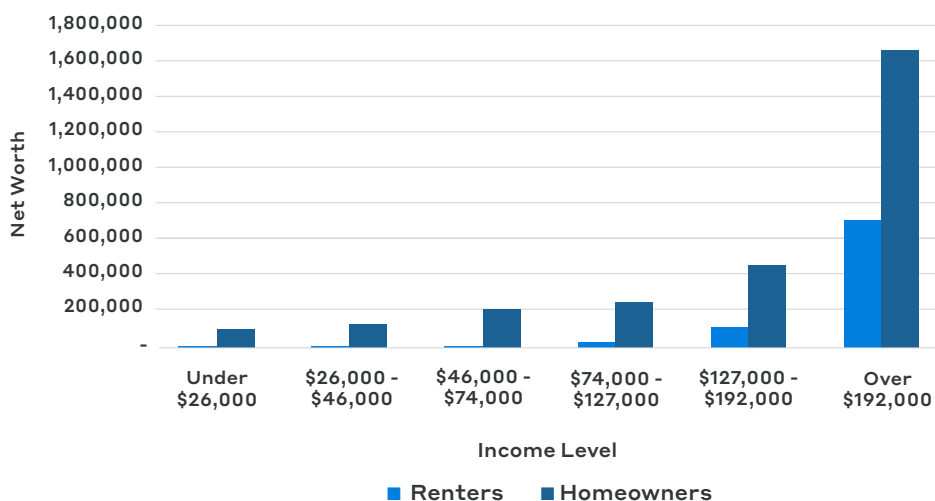
**Figure 4. Median Homeowner and Renter Household Wealth, 2019**



Source: [First American](#)

**Disparities in homeownership and wealth are deeply related.** The median homeowner household has 40 times the wealth of the median renter household, as shown in Figure 4.<sup>19</sup> Homeownership is the primary wealth-building tool for low- and middle-income Americans. Housing wealth was the greatest contributor to net worth across all income groups from 2016 to 2019, accounting for 32% of the overall household wealth increase in the United States.<sup>20</sup> For lower-income homeowners, housing wealth increased more than all other asset types combined.<sup>21</sup>

**Figure 5. Median Net Wealth of Homeowners and Renters by Income Group, 2019**



Source: [First American](#)

**Homes owned by Black and Hispanic homeowners are undervalued.**

Coming out of the Great Recession, year-over-year home value growth first turned positive in 2012, but not uniformly. Some communities of color faced relatively slower growth for years, including house price growth, which resulted in a huge amount of lost wealth and opportunity. According to a Zillow analysis of home values in communities with different racial compositions, the typical home owned by Black and Hispanic homeowners, even after recently strong price appreciation, is 16.2% and 10.2% less valuable, respectively, than the typical U.S. home overall.<sup>22</sup>

Researchers have found that differences in home and neighborhood quality do not fully account for these unequal home values. For example, a report from the Brookings Institution concluded that homes of similar quality in neighborhoods with similar amenities are worth 23% less (\$48,000 per home on average) in majority Black neighborhoods compared with those with very few or no Black residents.<sup>23</sup> This has led to \$156 billion in lost aggregate value for Black households.<sup>24</sup> A study from Freddie Mac similarly found that home purchase appraisals consistently undervalue homes in predominantly Black and Hispanic neighborhoods compared with homes in white neighborhoods, reducing the wealth-building benefits of homeownership, even when taking structural and neighborhood characteristics into consideration.<sup>25</sup>

**Some homeowners of color pay more to be homeowners—making it harder to build wealth at the same rate as white homeowners.**

A comprehensive report from MIT from 2020 assessed the unequal costs of Black homeownership, finding that a host of factors cause Black homeowners to pay more on average in mortgage interest payments (\$743/year), mortgage insurance

premiums (\$550/year)<sup>i</sup>, and property taxes (\$390/year)—totaling \$13,464 over the life of the loan and amounting to an average of \$67,320 in lost retirement savings for Black homeowners.<sup>26</sup> While acknowledging that a long history of discrimination has contributed to these disparities, the researchers point to several additional factors:

- Multiple layers of risk premiums that disadvantage those with lower credit scores and down payments
- Refinance rates that are higher for white homeowners than Blacks and lead to differential prepayment rates
- Lower appraisals in Black communities
- Diminished competition among originators in Black communities
- Steering Black homeowners into higher-cost mortgage products
- Higher rejection rates that discourage Black homeowners from shopping around to refinance and secure lower interest rates

Research similarly indicates that American Indian and Alaska Natives living on or nearby reservations face the highest cost of home financing of any race.<sup>27</sup> Purchase loans with Native Americans as the primary borrower are more likely to be higher-priced—with an average interest rate nearly 2 percentage points above the average loan for non-Native borrowers.<sup>28</sup> While academic studies have identified numerous challenges facing Native American access to capital, from lack of lender understanding of tribal government or legal systems to discrimination to a historical absence of trust between tribes and banks, this same study found that manufactured homes account for nearly 25-35% of the difference in the cost of financing.<sup>29</sup>

**Reducing inequality would come with significant economic gains.** Though housing is just one piece of the puzzle, there is a significant upside to addressing structural barriers that prevent everyone from fully and equally participating in the U.S. economy:

- A study from Citi found that closing gaps between Black and white adults in wages, higher education, homeownership, and entrepreneurship would have generated additional income for saving, investing, and consumption, adding \$16 trillion to GDP over the past 20 years, and a gain of \$5 trillion over the next five years.<sup>30</sup>
- A similar estimate from McKinsey and Co.—but focused on the components of wealth—found that closing the Black-white wealth gap by 2028 would increase aggregate output by 4–6%.<sup>31</sup>

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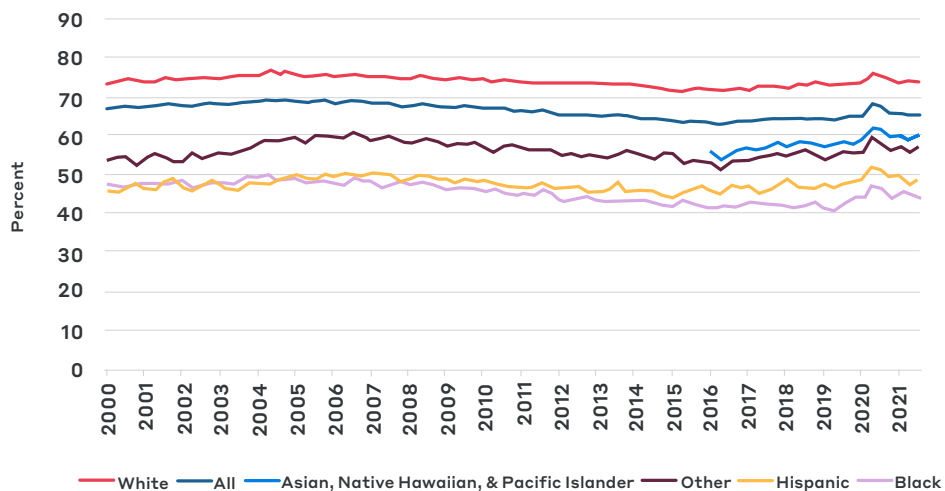
i A larger percentage of Black homeowners pay mortgage insurance (MI), resulting in higher average costs for MI premiums overall.

- An estimate from the Federal Reserve Bank of San Francisco found that racial and ethnic disparities have depressed economic output by \$22.9 trillion over the last 30 years—the collective impact to the economy when not everyone can fully realize their potential.<sup>32</sup>

## Gap in Homeownership Rates

**Racial and ethnic disparities in homeownership rates are significant and stable.** U.S. Census Bureau data shows the homeownership rates for Blacks (44%); Hispanics (48%); Asians, Native Hawaiians, and Pacific Islanders (60%); and other (57%) fall significantly below the 74% homeownership rate for white Americans. A 30 percentage point difference currently separates the white homeownership rate from that of Black households—a wider gap than existed just before passage of civil rights legislation in the 1960s to curtail discrimination in lending, including the Fair Housing Act of 1968.<sup>33</sup> Policy initiatives advanced in the past to increase homeownership for people of color have fallen short—and sometimes, arguably, caused more harm than good.<sup>34</sup> The inability of Black and Hispanic families to buy homes is a primary problem perpetuating the racial wealth gap, as homeownership is a vital means for building wealth in the United States. Approximately 5 million households of color would need to become homeowners to erase this disparity—a feat that would generate nearly 800,000 new long-term jobs and raise up to \$400 million in tax revenue, according to a Morgan Stanley report.<sup>35</sup>

**Figure 6. U.S. Quarterly Ownership Rates by Race and Ethnicity of Householders, 2000–2021**



Source: [U.S. Census Bureau](https://www.census.gov)

**Prospective Black and Hispanic homebuyers are more likely to lack the credit history necessary for a mortgage.** Twenty-six million consumers in the U.S.—about one in 10 adults—are credit invisible, and an additional 19 million consumers are “unscorable” because of an insufficient credit history or lack of a recent history.<sup>36</sup> Blacks and Hispanics are disproportionately represented among both groups. This can be a significant barrier to becoming a homeowner. In fact, poor or nonexistent credit history is the most common reason mortgage applications are denied to Black applicants.<sup>37</sup>

Some research suggests that reporting rental payment history to credit reporting agencies—a recent focus of policy and industry leaders—could help address credit invisibility and low credit ratings. For example, a study, supported by HUD, found that the prevalence of credit invisibility is greatly reduced and the proportion of tenants with above-subprime credit scores increases substantially when credit reporting agencies were provided the “full file” rental history of public housing tenants, including histories of on-time, late, and omitted payments.<sup>38</sup> Because landlords and property managers regularly use credit checks for rental applications and many employers incorporate credit checks in hiring decisions, related research and policy solutions could have implications for economic opportunity far beyond access to mortgage credit.

**Many Black and Hispanic families cannot afford a down payment.** Because they have less savings, fewer assets, and less inherited wealth, high down payment costs often prevent low-income and middle-income households from becoming homeowners. Increasing rental payments and other costs of living, in excess of wage growth, leave little room for families without other sources of wealth to afford down payments. Down payment costs often prevent home purchases even for families that could afford mortgage payments in the long term. In fact, owning a home is cheaper than renting in the long term in many ZIP codes across the nation.<sup>39</sup>

**Non-white homebuyers face discrimination when searching for and securing a home.** While more overt discrimination has become less common, research shows that some prospective homebuyers of color still face discrimination when searching for and securing housing.<sup>40</sup> This discrimination may include being offered fewer housing options than white buyers or being guided to particular neighborhoods based solely on their race or ethnicity, a practice known as “steering.”

In a 2012 study, funded by HUD and conducted across 28 major metropolitan areas, Black homebuyers contacting agents about recently advertised homes were shown 18% fewer homes than equally qualified white homebuyers, while Asian homebuyers were shown 19% fewer.<sup>41</sup> This and other types of

discriminatory steering contribute to racial gaps in intergenerational income mobility and even disparities in pollution exposure.<sup>42</sup> Discriminatory practices, even when unintentional, can severely limit choice, reinforce segregation, and widen economic inequality.<sup>43</sup>

Numerous studies have also sought to evaluate the role discrimination plays in securing a mortgage. Controlling for differences in credit characteristics, such as a borrower's FICO score and debt-to-income ratio, shrinks observed racial and ethnic disparities in mortgage denial rates, but does not fully eliminate them.<sup>44</sup> For example, the Urban Institute found that Asian homebuyers are denied mortgages more frequently than white borrowers despite having, on average, higher credit scores and higher incomes—a gap that persists across almost all major metropolitan areas, regardless of home price tier.<sup>45</sup> The authors concluded that additional research and data are needed to fully understand and address whether any biases in underwriting led to these differences.

**Borrowers of color disproportionately rely on FHA loans.** With a transition away from subprime mortgages after the 2008 financial crisis, loans insured by the Federal Housing Administration have become a critical source of affordable mortgage credit for borrowers with less than excellent credit scores or small down payments that cannot qualify for mortgages backed by the government-sponsored enterprises Fannie Mae or Freddie Mac. FHA loans can be costly for borrowers, requiring mortgage insurance premium payments for the life of a loan. A third of FHA loans go to minority borrowers, compared with just 22% of loans backed by Fannie Mae and Freddie Mac.<sup>46</sup>

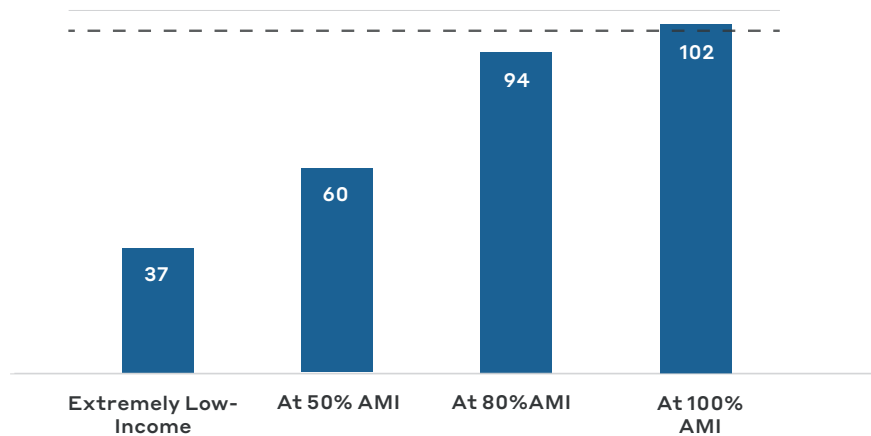
## Gap in Rental Affordability

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**The supply of affordable rental homes is too low to meet demand nationwide.** The U.S. faces a shortage of 6.8 million affordable, available homes for “extremely low-income” households, or households with incomes below 30% of area median income.<sup>47</sup> This undersupply of affordable rental homes (with rents below 30% of household income) is a national problem, affecting every state in the country. Over the last two decades, the number of low-cost units has fallen from 35% of the market share to less than 25% of the market share, with millions of fewer affordable units available even as the population steadily increases.<sup>48</sup> New construction continues to neglect the low-income market, with only 12% of new units offering monthly rents below \$1,050 (the median cost of rent and utilities in 2018).<sup>49</sup> In recent years, older housing stock, a key source of housing for low-income families, has less frequently transitioned to affordable housing.

One barrier curbing the supply of affordable housing is the prevalence of zoning restrictions and exclusionary land-use policies, such as restrictions on multifamily homes, parking requirements, building height limits, manufactured housing, as well as lengthy permitting and environmental review processes. Unsubsidized affordable rental housing also struggles to compete with higher-end rental housing, which tends to generate greater profit margins for developers and property owners.

**Figure 7. Affordable Rental Homes Available Per 100 Renter Households, 2019**



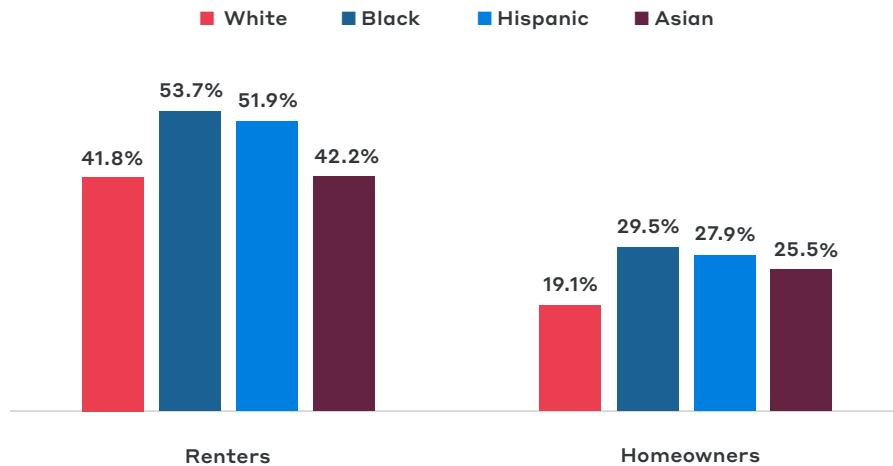
Source: [National Low Income Housing Coalition](#)

**The supply shortage leads to unmanageable rent burdens.** The lack of affordable options drives up costs for housing, as demand exceeds supply. Over the past two decades, average rent prices rose by 13%, adjusted for inflation, with increases in almost every state, while wages remained stagnant.<sup>50</sup> Today, the average monthly rent for a modest two-bedroom apartment is over \$1,200, which is about twice as much as many families of four with poverty-level incomes can afford.<sup>51</sup> After paying rent, the median renter earning less than \$15,000 annually has about \$410 left each month for other essentials such as food and health care.<sup>52</sup>

Higher rents leave low-income renters severely cost-burdened. Seventy percent of extremely low-income renter households spend more than half of their incomes on rent and utilities.<sup>53</sup> High rental costs force painful decisions about how to allocate scarce financial resources to cover the cost of food, health care, and other critical items. Heavily rent-burdened households are constantly at risk of eviction, as the loss of a job, the death or departure of a working household member, or a major medical crisis could make rent impossible to afford.

**Renters of color are disproportionately cost-burdened.** Fifty-four percent of Black renters and 52% of Hispanic renters spend more than 30% of their income on rent, compared to only 42% of white renters.<sup>54</sup> Black and Hispanic households are especially harmed by the lack of available, affordable rental units because they are more likely to have severely low incomes and are more likely to be renters. Low-income renters of color also tend to inherit less intergenerational wealth and have fewer savings than white low-income renters, increasing the severity of cost burdens; 58% of lower-income Black Americans reported total savings of less than \$1,000 compared with 38% of low-income white Americans.<sup>55</sup> At every income level, Black renters also have higher average amounts of student debt than white renters, adding to the burden of their monthly costs.<sup>56</sup>

**Figure 8. Share of Households That Are Housing Cost-Burdened,\* 2019**



Source: [Harvard Joint Center for Housing Studies](#)

\* Includes households that pay over 30% of income on housing

Low-income families with high-rent-burdens are extremely vulnerable to sudden financial shocks—for example, from a lost job, death of a primary income earner, medical emergency, expensive car repair, or other unexpected hardship. Without sufficient savings to continue paying rent, this can quickly put a family at risk of eviction and even homelessness. Research from the Eviction Lab shows that landlords file for eviction against Black and Hispanic renters, especially women, at higher rates than against white—and male—counterparts. Black renters made up 19.9% of all adult renters in the counties for which the Eviction Lab had data, but 32.7% of all eviction-filing defendants.<sup>57</sup>

**Affordable rental housing is crucial to homeownership.** The severe shortage of affordable rental homes leads to higher rents, which disproportionately affect lower- and middle- income Black and Hispanic households, many of



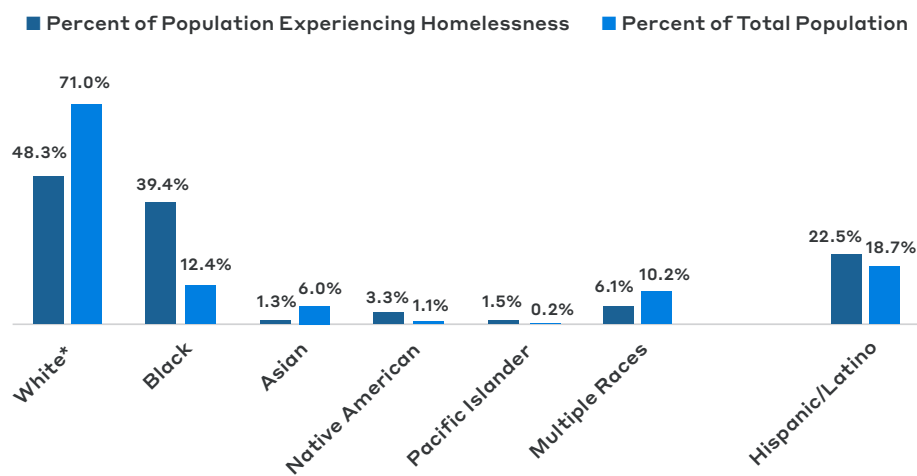
whom are severely cost-burdened by these rents. By consuming so much of the monthly paycheck, rental costs, in turn, impact the ability of these households to accumulate funds for a mortgage down payment. For example, among households in the bottom 20% of income, the median renter has less than \$500 remaining after paying the rent, leaving little room to save once expenditures are made for food, health care and other essentials. In this way, the lack of affordable rental homes eliminates an important avenue for economic mobility for many Black and Hispanic families who may aspire to become homeowners.

**Demographic changes threaten to worsen the supply-demand mismatch.**

The population of people of color is expected to increase dramatically in the coming decades. According to Census projections, the population of non-white Americans will grow by 74% by 2060.<sup>58</sup> These demographic changes will likely intensify the demand for affordable rental homes, giving even greater urgency to the need to increase supply.

**Black, Hispanic, and Native Americans are disproportionately represented among people experiencing homelessness.** The unaffordability of rent has left too many families without a place to live. In particular, of those experiencing homelessness, 39% of individuals and 53% of families with children are Black, even though only 12% of the U.S. population overall is Black.<sup>59</sup> The experience of homelessness has grave consequences for physical and mental health, particularly for children.<sup>60</sup> Moreover, in 2020, more than 12,000 Black veterans experienced homelessness, an egregious figure, since every American who serves our nation should have a stable, safe, and decent place to live.

**Figure 9. Percentage of Population Experiencing Homelessness by Race and Ethnicity, 2020**



Source: HUD and the U.S. Census Bureau

\* HUD's Point-in-Time Count does not distinguish between Hispanic and non-Hispanic whites. Therefore, the white population percentage of total population similarly reflects both Hispanic and non-Hispanic whites.

# Overrepresentation of People of Color in Areas of Concentrated Poverty

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**Patterns of poverty and racial residential segregation persist.** In the nation's 100 largest cities, the average white resident lives in a neighborhood that is 71% white, while the average Black resident lives in a neighborhood that is only 31% white, and the average Hispanic resident lives in a neighborhood that is only 32% white.<sup>61</sup> Outside of metropolitan areas, the average white resident lives in a neighborhood that is 85% white.<sup>62</sup> Some areas have particularly stark divides; for example, although Detroit is 80% Black, the neighboring suburb of Grosse Pointe is 90% white.<sup>63</sup> One recent study found that 80% of large metropolitan areas were more segregated (or separated by race in terms of residence) in 2019 than they were in 1990.<sup>64</sup>

Overall, Black-white residential segregation remains high, but has slowly declined from its peak around the 1960s and 1970s; while segregation between Hispanics and Asians from whites is less intense, it has changed very little.<sup>65</sup> According to one projection, at the current rate that segregation is declining, Black-white segregation will fall to the levels experienced by other racial and ethnic groups in the year 2050.<sup>66</sup>

Predominantly white communities are wealthier, on average, than neighborhoods in which Blacks, Hispanics, and Native Americans tend to live, and white neighborhoods receive far more investment.<sup>67</sup> For example, one Urban Institute study found that majority-white neighborhoods received nearly three times as much public and private investment as majority-Black neighborhoods.<sup>68</sup> The separation of communities by race limits the wealth appreciation of non-white families because many white families are less willing to buy homes in communities of color, limiting demand and constraining property values.<sup>69</sup>

Concentrated racial poverty is also not limited to metropolitan areas. Nearly 60% of the 21 million people living in “persistent poverty” counties—defined as having poverty rates of 20% or more in 1990, 2000, and 2010—are from racial and ethnic minority groups.<sup>70</sup> These communities are often geographically isolated and rural; have experienced high economic distress and disinvestment; are more likely to have households with substandard housing; and are growing more diverse.<sup>71</sup> Depending on the data sources used, 360-500 counties are persistent poverty counties out of 3,143 counties, or county-equivalent jurisdictions nationwide.<sup>72</sup>

Concentrated racial poverty has created communities with diminished economic prospects for residents. Today, the ZIP code an individual is born into—with its school quality, job opportunities, and level of safety—is often an accurate predictor of lifetime outcomes related to education, income, and health. Public schools are about as segregated today as they were in 1980, concentrating students of color in high-poverty schools that tend to be less effective than low-poverty schools, perpetuating the racial achievement gap in education.<sup>73</sup>

**Patterns of concentrated poverty and racial residential segregation have been shaped and sustained by a long history of racist government policies.**

Throughout American history, hundreds of laws and policies have denied land, housing, access to credit, and economic opportunities to individuals because of their race or ethnicity—from the Homestead Acts to the G.I. bill to the Housing Acts of 1934 and 1949.<sup>74</sup> Whites also used racially restrictive covenants and violence to exclude Blacks from white communities and neighborhoods—with a persistent effect on present-day house prices and racial residential segregation.<sup>75</sup>

One of the most harmful policies was the practice of redlining. After the Great Depression, the federal government created the now defunct Home Owners' Loan Corporation, which drew maps for over 200 cities, documenting the relative “riskiness” of lending across neighborhoods and used in refinancing loans for borrowers nearing foreclosure. Areas historically graded with less favorable mortgage lending risk grades today have a higher percentage of people of color, including Asian, Black, and Hispanic households; lower household incomes; and a higher share of overcrowded households.<sup>76</sup>

The Federal Housing Administration, which continues to provide federally backed mortgage insurance, similarly created a set of maps that rated Black communities as risky, and explicitly emphasized “undesirable racial or nationality groups” in its underwriting standards. FHA refused to insure mortgages in mostly Black, urban neighborhoods while subsidizing white homebuyers, exclusively helping these households access homeownership and build wealth, until redlining and other discriminatory practices were curtailed by federal civil rights legislation.<sup>77</sup>

While government actions helped to perpetuate segregation and concentrate poverty, some argue that segregation would likely have arisen, independent of government action, as a direct consequence of the widespread and decentralized actions of white households.<sup>78</sup> For example, one study found that “white flight,” the departure of white families as Black families arrive in neighborhoods, can explain 34% of the increase in segregation over the 1910s and 50% over the 1920s.<sup>79</sup>

More recent research has explored the degree to which zoning and land use decisions now sustain patterns of segregation. For example, one study shows that the greater the allowable density (i.e., openness to home construction), the lower the level of racial segregation.<sup>80</sup> Local communities, directly and indirectly, restrict housing development in many ways; for example, by requiring minimum parking lot sizes, imposing building height limits, and having lengthy permitting or environmental review processes. While these regulatory barriers may be implemented with the intention of advancing important policy goals, in the aggregate, they have costly and wide-reaching economic and social impacts:

- They contribute to a too-limited supply of affordable homes, which pushes up rents for low-income families. One study from the Cato Institute found that increased land use and zoning regulation was associated with rising average home prices in 44 states.<sup>81</sup>
- They restrict the supply of housing in the most dynamic labor markets, limiting mobility to America’s most productive economic centers, impeding economic growth and contributing to rising inequality.<sup>82</sup>
- They help wealthier Americans, either intentionally or unintentionally, “protect” the value of their homes by preventing new development and pricing out—usually Black—low-income families.<sup>83</sup>

While researchers continue to explore how various factors—differences in buying power, white prejudices, Black preferences, discrimination in housing and lending, and government policies—cause and affect segregation, it is well-documented that this segregation continues and contributes to poverty, adverse educational outcomes, and reduced intergenerational mobility.<sup>84</sup> Mark Zandi and economists at Moody’s Analytics found that if communities across the country were to more fully integrate racially so that they were comparable to the nation’s most integrated communities, the nation’s real GDP growth over the next decade would increase from 2.4% to 2.7% per annum.<sup>85</sup>

**Poverty is pervasive in tribal communities.** About one in three Native Americans live in poverty today, with a median income of \$23,000.<sup>86</sup> According to the National Congress of American Indians, 40% of housing on reservations is substandard (compared with 6% in the rest of the country), with less than half of homes connected to public sewer systems.<sup>87</sup> Native Americans are more likely to lack clean drinking water than any other racial group.<sup>88</sup> Tribal lands in the U.S. are also often credit deserts, with a shortage of willing lenders offering capital for property held by trusts, making it difficult for residents of tribal lands to build wealth through homeownership.<sup>89</sup>

# The Pandemic's Disproportionate Impact

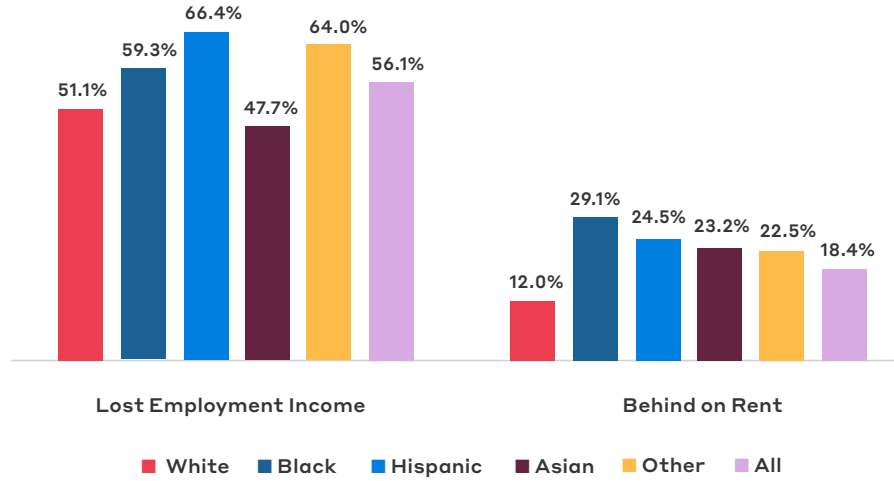
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**The pandemic has widened racial disparities in income, housing, and health.** Black and Hispanic Americans were hit hardest by the pandemic, as they are more likely to work in frontline, low-wage jobs that could not be done remotely during government-enforced stay-at-home orders and social distancing guidelines. As a result, more Black and Hispanic workers lost employment income during the pandemic.<sup>90</sup> Blacks, Hispanics, and Native Americans were also much more likely to be infected and suffer fatalities from the virus for a variety of reasons, including less access to health care, chronic health issues that increased vulnerability to the virus, as well as living and work conditions that make it more difficult to socially distance. According to a report from the Turner Center, Black Americans who applied for unemployment benefits were less likely to receive them than white Americans, and unemployment checks for Black workers were lower than those of white workers with similar salaries.<sup>91</sup>

Because Black and Hispanic families on average have less savings and greater rent burdens, they are often less able to manage losses in income. Many more white families were able to use savings to cover health costs and living costs after job loss than Black families during the pandemic.<sup>92</sup> Twenty-nine percent of Black renters and 25% of Hispanic renters fell behind on rent during the first nine months of the pandemic, compared with only 12% of white renters.<sup>93</sup> The overall personal savings rate in the U.S. spiked during the pandemic, as many families received assistance such as stimulus checks and were unable to spend as much.<sup>94</sup> However, many low-income Black families without such savings likely relied on stimulus funds to cover financial hardships related to the pandemic as opposed to increasing personal saving.

With the end of the federal moratorium on evictions, many renters behind on rent now face the threat of eviction. As of August 2021, nearly 430,000 Black renters were very likely to be evicted within two months according to Census Survey data, more than the total number of white renters very likely to be evicted.<sup>95</sup> Congress has approved \$46.6 billion in emergency rental assistance to prevent a wave of evictions, though local authorities have been slow to distribute the aid. While the U.S. has not experienced a nationwide spike in eviction filings since the end of the eviction moratorium last month, housing advocates warn that it is still too soon to know whether a wave of evictions will occur—an increase in evictions could be gradual rather than sudden.<sup>96</sup>

**Figure 10. Share of Renters with Lost Employment Income or Behind on Rent (March–December 2020)**



Source: [Harvard Joint Center for Housing Studies](#)

The pandemic also exacerbated racial disparities in mortgage markets. Research has shown that Black, Hispanic, and Asian borrowers were significantly more likely than white borrowers to miss payments due to financial stress, and were less likely to refinance to take advantage of the low interest rates supported by Federal Reserve interventions.<sup>97</sup>

However, unlike the housing bubble and the Great Recession in 2008, recently strong price appreciation has lowered the risk of foreclosure, while widespread availability of forbearance for federally backed mortgages has helped past-due borrowers remain in their homes. Moreover, recent research has confirmed that the post-crisis regulatory environment has largely succeeded in limiting overall risk in today’s market, with risky mortgage products largely disappearing and average credit scores staying elevated.<sup>98</sup> While it may still be too early to know for certain, greater financial market stability combined with a very different policy and market response than during the Great Recession has likely prevented a similar foreclosure crisis from materializing as a result of the pandemic’s economic impact.

# Conclusion

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The challenges we face in housing today—a severe shortage of affordable rental homes; unsustainably high rent burdens; homelessness; high barriers to first-time homeownership—affect Americans of all racial and ethnic backgrounds. However, as this paper has demonstrated, these problems disproportionately impact people of color, particularly Black, Hispanic, and Indigenous households. Reducing these disparities and improving the housing situations of Americans of all backgrounds should be a national priority. This objective was affirmed in a recent BPC/Morning Consult poll, which showed that 87% of Americans, including most Democrats and Republicans, believe that every child and family should have a safe, decent, and affordable home.<sup>99</sup>

Too many people of color also live in communities that do not provide sufficient economic opportunities, safety, or access to health care. Housing policy should aim to both deconcentrate poverty and revitalize and invest in communities with persistently high poverty rates. This objective is also widely shared: In the same BPC/Morning Consult poll, 84% of Americans agreed that ZIP codes, or where we live, should not determine success in life.<sup>100</sup>

Housing policy can play a powerful role in improving the well-being and economic status of millions of disadvantaged Americans, and thereby strengthen the social fabric of our country. Acknowledging the significant disparities in housing that exist across racial and ethnic groups—some the legacy of past government-sanctioned discrimination—is an essential first step in devising new, bold, and innovative solutions.

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