

STATE OF HOUSING IN BLACK AMERICA

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Loss of Black Homeownership

All gains in homeownership since 1968 have been erased.

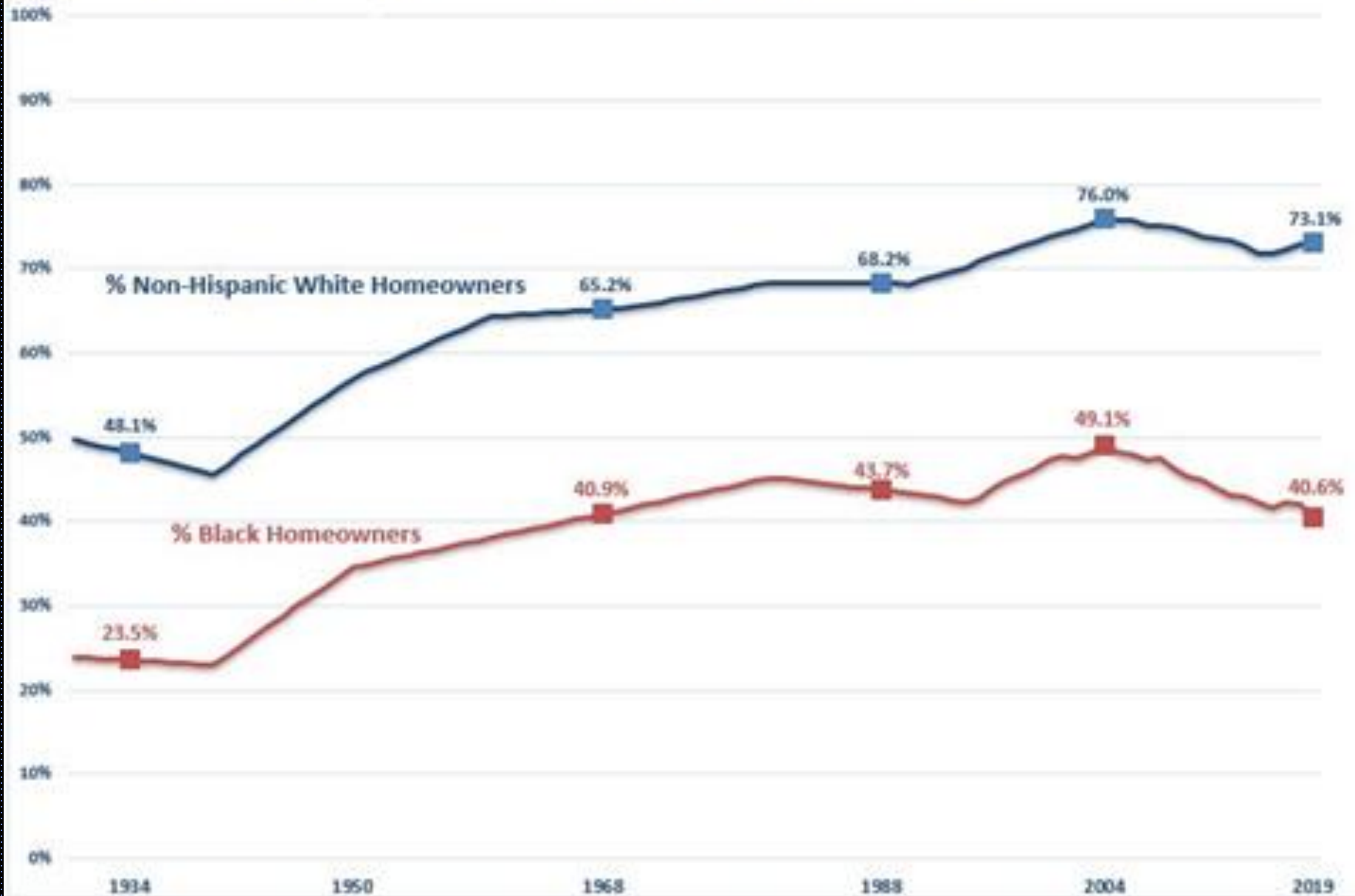
Since the 2ndQ 2018, the Black homeownership rate has fallen from 41.6% to 40.6% (compared to a current 73% for non-Hispanic Whites).

The gap between Black and non-Hispanic White homeownership is larger than it was in 1968. In fact, the gap is larger than it was in 1934.

Black millennials will likely be the first generation of Blacks since at least 1956 not to achieve a homeownership rate of 50% by age 50.

Declining Black homeownership means the racial wealth gap between Blacks and Whites will likely continue to accelerate.

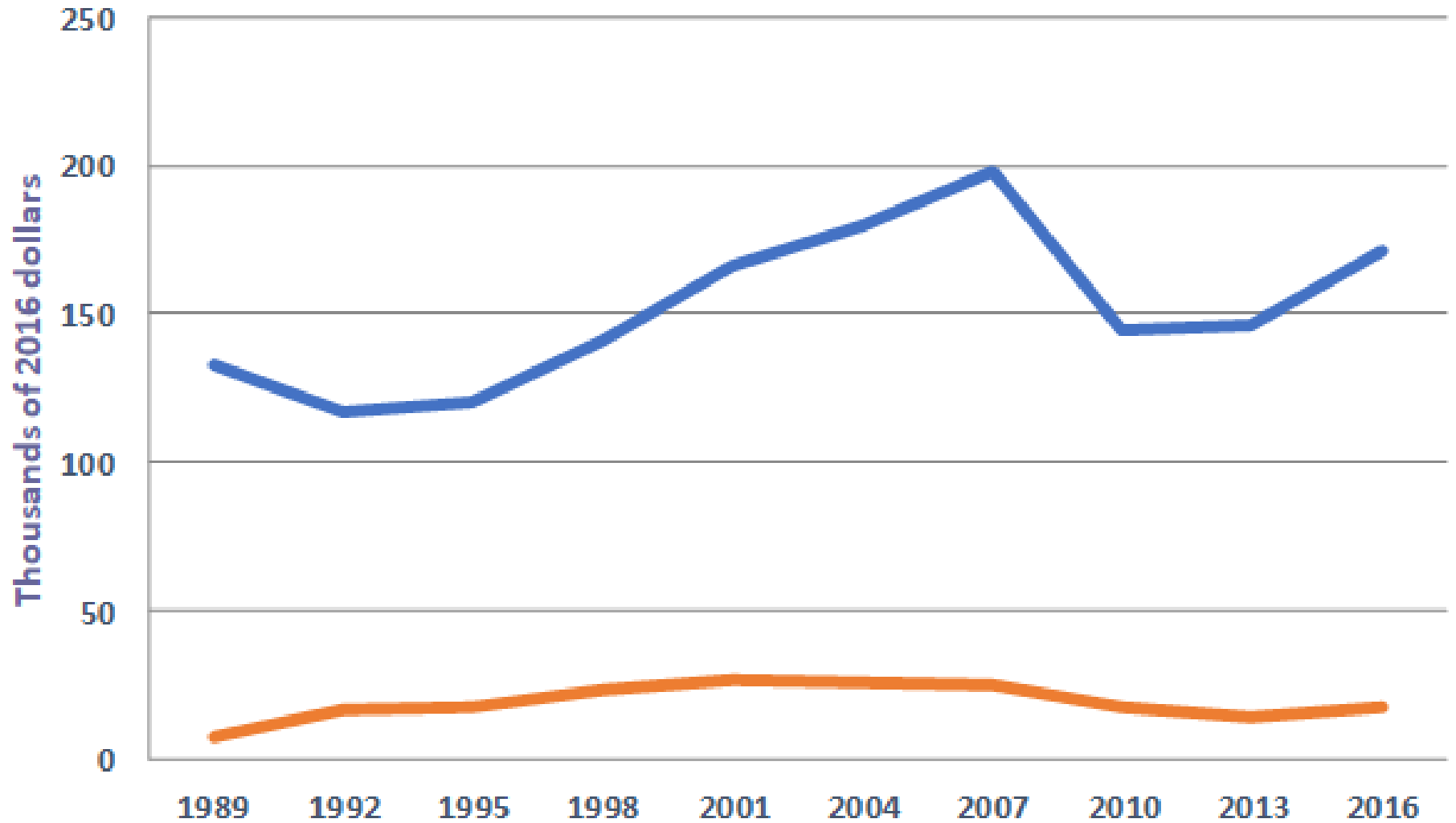
Homeownership rate by race, 1930-2019



Source: 2019 State of Housing in Black America. National Association of Real Estate Brokers.

Median Net Worth by Race

— Non-Hispanic White — Black



Falling Black Homeownership in Spite of Black Employment Gains

The Black homeownership rate is falling at a time when Black unemployment is at or near historic lows, wages are rising, gap in labor force participation rates for Blacks and non-Hispanic Whites is narrowing, and the percent of part-time jobs, as a share of newly created employment, is falling.

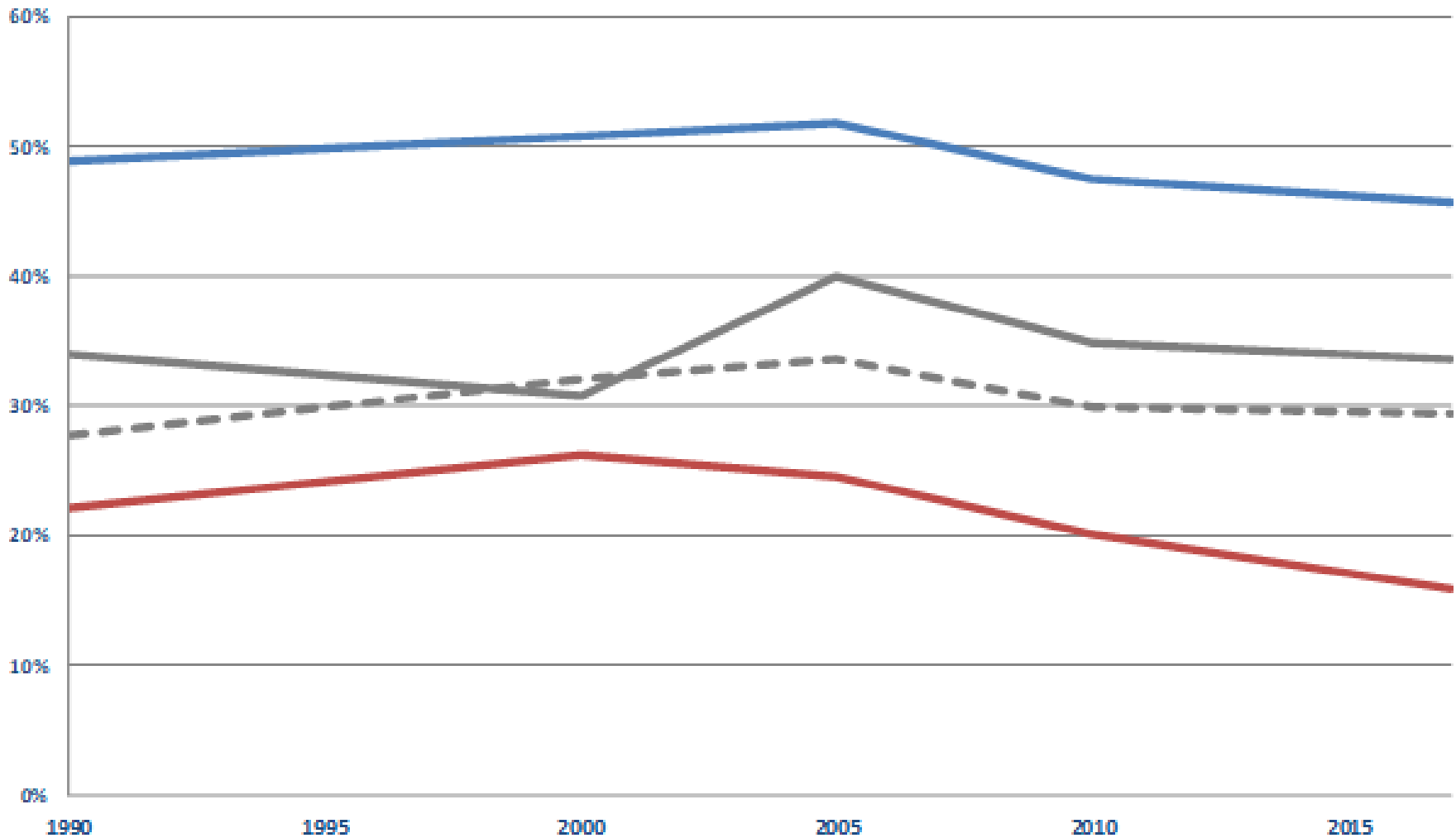
A relatively strong economy is therefore insufficient to overcome decades of explicit discriminatory federal housing regulations and negligent federal financial regulatory oversight, as well as continuing biased federal housing policies and practices.

If the Black homeownership rate is dropping while the economy is growing, a recession will likely push Black homeownership to below 40 percent.

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Homeownership by Race and Ethnicity, Household Heads Ages 21 to 36

— White — Black - - Hispanic — Asian



Reasons for the Racial Homeownership Gap Between Blacks and Non-Hispanic Whites

Greater income and wealth for non-Hispanic White households explains less than half of the gap in homeownership attainment for Blacks versus non-Hispanic Whites.

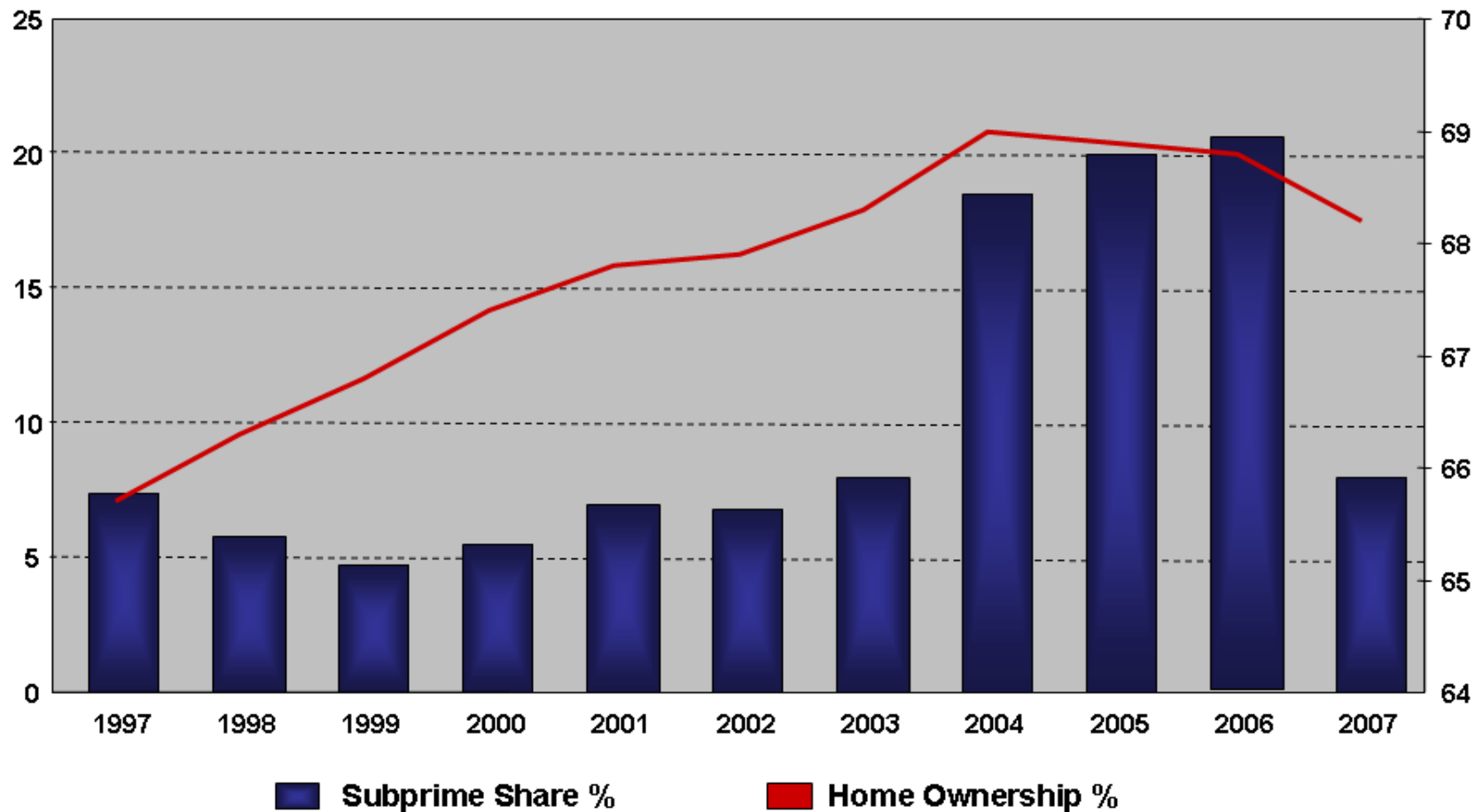
Blatant housing discrimination, particularly steering by real estate agents, continues to limit homeownership gains for Black households.

Biased and/or negligent federal housing policy arguably plays a greater role than blatant discrimination in denying Blacks equal access.

U.S. Subprime Lending Expanded Significantly 2004-2006

**Subprime
Share of Mortgage
Originations (%)**

**Home
Ownership
Rate (%)**



Sources: U.S. Census Bureau; Harvard University- State of the Nation's Housing Report 2008

Percent of All Mortgages by Market Segment

**Foreclosure Start Rate by
Mortgage Market Segment**

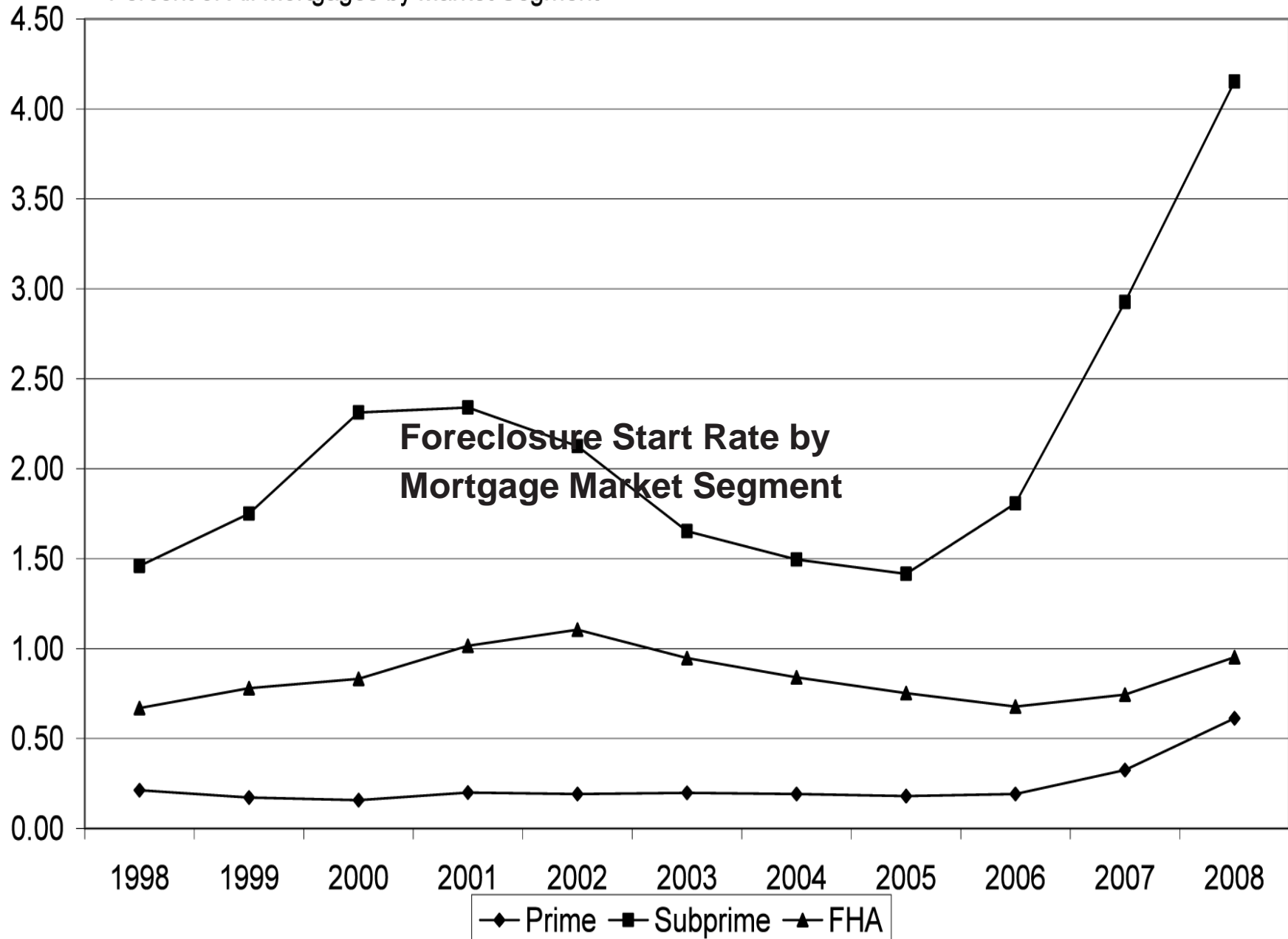
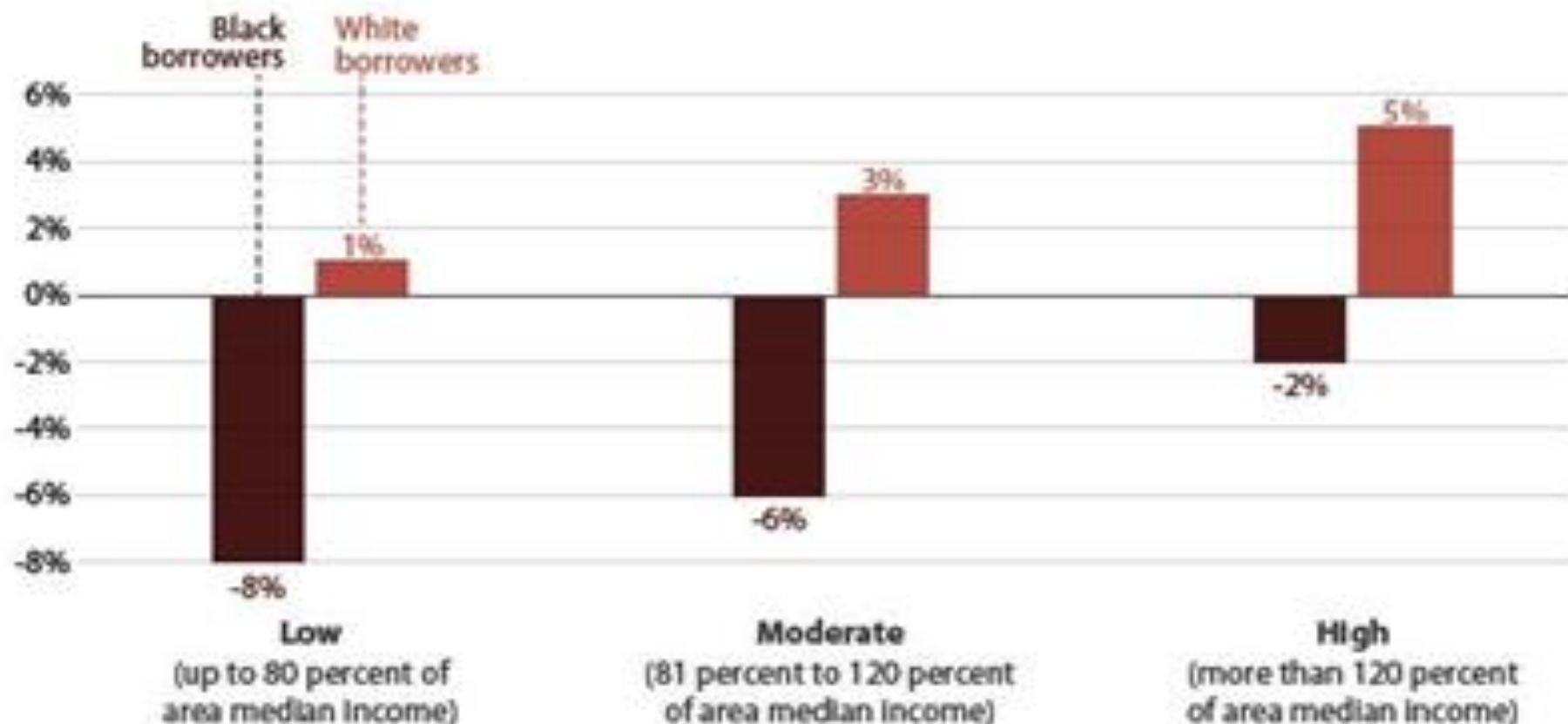


FIGURE 2

After the housing crisis, racial disparities in housing appreciation persist across home mortgage borrowers of all income levels

Median percentage change in home price index (HPI) among black and white borrowers, by borrower income level (2006–2017)

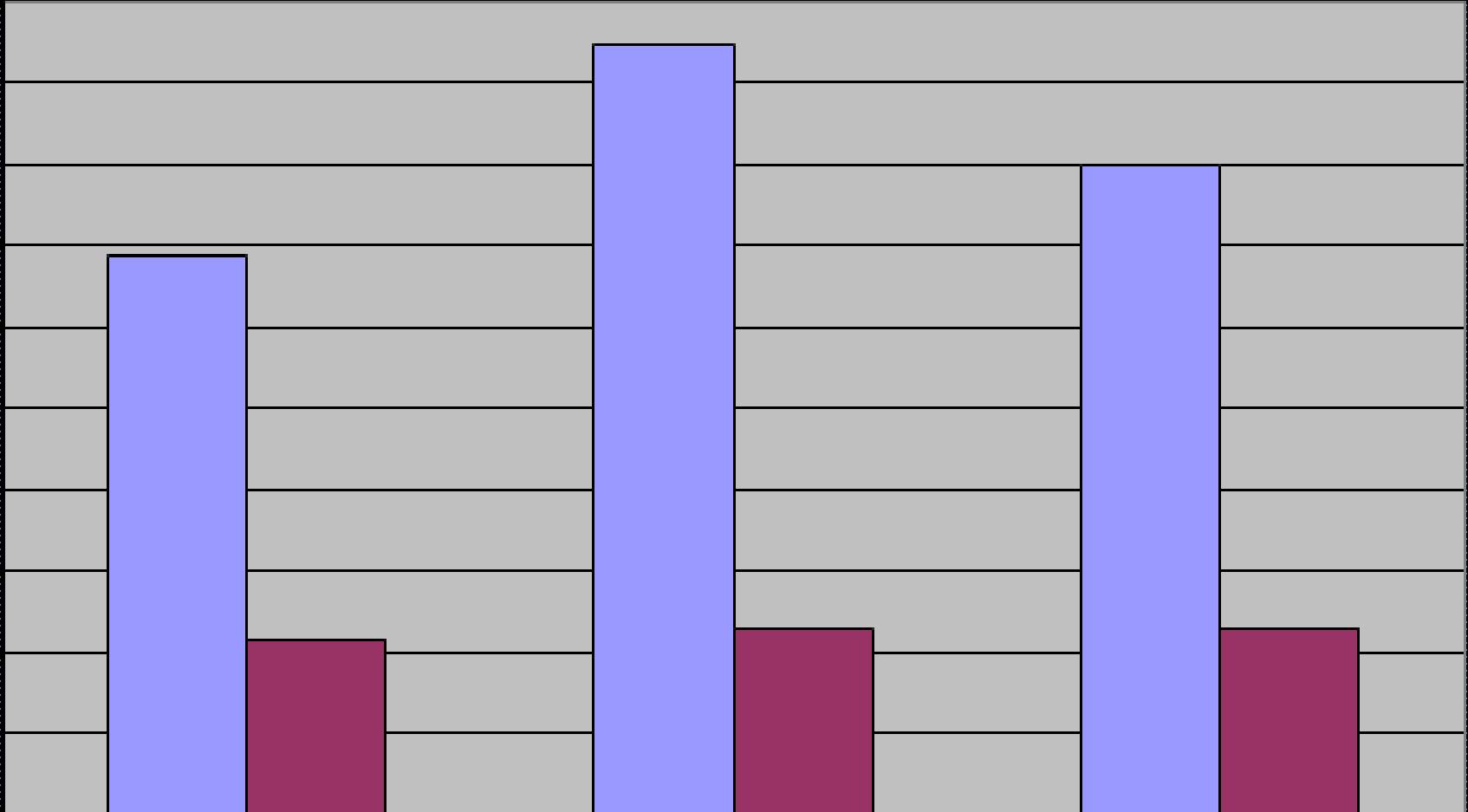


Sources: Center for American Progress calculations of data from Federal Financial Institutions Examination Council, "Home Mortgage Disclosure Act," available at <http://www.ffiec.gov/hmda> (last accessed May 2018); U.S. Census Bureau, "American Community Survey: 2012–2016 5-Year Summary File," available at <https://www.census.gov/programs-surveys/acs/data/summary-file.2016.html> (last accessed June 2018); Federal Housing Finance Agency, "House Price Index Datasets: Annual House Price Indexes," available at <https://www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index-Datasets.aspx#qo> (last accessed June 2018).

Biased Federal Homeownership Practices

- Private label Subprime loans not eligible for modification under Home Affordable Modification Program (or HAMP).
- Adverse Impact Fee assessed on properties located in distressed communities (while Federal government bails out banks despite being fined \$110 billion for deceptive and abusive lending and servicing practices).
- Institution of Loan Level Pricing (pricing at individual borrower level).
- Continued use of outdated credit scoring models.
- Prioritization of investor purchases of distressed loan sales over extending affordable homeownership opportunities.
- Excessive PMI coverage.
- No accountability for exclusionary lending practices (or failing to lend to the four corners of the allowable credit box).
- Prohibition on GSEs to retain capital for future losses (thereby prohibiting GSE pursuit of innovative lending programs).

Comparison of Subprime and FHA Loans with Comparable Credit Scores (Excluding Seller-Financed Down Payment Assistance Program Loans)



Subprime **FHA** (Excluding SFDPA)

Source: Current Population Survey/Housing Vacancy Survey, 2001-14; Survey of Consumer Finances, 2001-13); Wall Street Journal.

Exhibit 18. LLPA Fee Schedule

Credit score	Loan-to-value ratio							
	60%	70%	75%	80%	85%	90%	95%	97%
> 740	-	\$350	\$375	\$800	\$425	\$450	\$475	\$1,455
720-740	-	\$350	\$750	\$1,200	\$850	\$900	\$950	\$1,940
700-719	-	\$700	\$1,500	\$2,000	\$1,700	\$1,800	\$1,900	\$2,910
680-699	-	\$700	\$1,875	\$2,800	\$2,550	\$2,250	\$2,375	\$2,910
660-679	-	\$1,400	\$3,375	\$4,400	\$4,675	\$4,050	\$4,275	\$4,365
640-659	\$600	\$1,750	\$4,125	\$4,800	\$5,525	\$4,950	\$5,225	\$5,335
620-639	\$600	\$2,100	\$4,500	\$4,800	\$5,525	\$5,850	\$6,175	\$6,790
< 620	\$600	\$2,100	\$4,500	\$4,800	\$5,525	\$5,850	\$6,175	\$7,275

Source: National Mortgage News.

Exhibit 18 used with author's permission. This figure reflects the author's analysis, which is based on a GSE pricing matrix in effect in April 2018.

Local Versus National Homeownership Efforts

Local homeownership efforts are essential to stem some of the decline in Black homeownership and Black wealth. But increasing by millions, the number of Black homeowners will require federal housing policies that are as impactful as the federal actions that created the homeownership crisis for Black America.

Fix The Basics

- Require all federal mortgage agencies to use the most current and predictive credit scoring models on the market
- Eliminate GSE loan level (risk-based) pricing
- Return GSE g-fees and FHA MMPs to levels that reflect future projected losses
- Leverage distressed property sales by all federal housing agencies to better promote affordable homeownership opportunities
- Hold private lenders accountable for exclusionary lending practices
- Allow the GSEs to reserve for future losses or establish a Treasury fund (within the conservatorship framework) for losses GSE losses

Enact a 21st Century Housing Finance System

Reform the housing finance system to create an entity that is capable of addressing the multifaceted housing and community investment needs of America's distressed communities into the 21st Century

Hold Elected Leaders Accountable

Black voters must insist that candidates for U.S. President recommend strong homeownership policies that will, at last, provide equitable access to the mortgage markets and fulfil the promise of the 1968 Fair Housing Act.