

BRIDGING THE BLACK AND LATINX HOMEOWNERSHIP GAP

HOUSING ACTION ILLINOIS HOUSING MATTERS CONFERENCE

OCTOBER 14, 2020



COMMUNITY REINVESTMENT ACT (CRA)

The Community Reinvestment Act (CRA) was enacted in 1977 to prevent redlining and to encourage banks and savings associations (collectively, banks) to help meet the credit needs of all segments of their communities, including low- and moderate-income neighborhoods and individuals. The CRA extended and clarified the long-standing expectation that banks will serve the convenience and needs of their local communities. (1)

(1)<https://www.occ.gov/publications-and-resources/publications/community-affairs/community-developments-fact-sheets/pub-fact-sheet-cra-reinvestment-act-mar-2014.pdf>

FAIR LENDING

The Fair Housing Act (FHA) and the Equal Credit Opportunity Act (ECOA) protect consumers by prohibiting unfair and discriminatory practices.

The FHA prohibits discrimination in residential real estate–related transactions based on

- race or color.
- national origin.
- religion.
- sex.
- familial status.
- Handicap.

The ECOA prohibits discrimination in credit transactions based on

- race or color.
- national origin.
- religion.
- sex.
- marital status.
- age.*
- applicant's receipt of income from a public assistance program.
- applicant's exercise, in good faith, of any right under the Consumer Credit Protection Act.

CRA REFORM UPDATE

OCC going it alone on Community Reinvestment Act reform, with Otting reportedly set to step down

Banking regulator releases final rule on CRA changes without FDIC or Fed sign-off (1)

September 21, 2020

Federal Reserve Board issues Advance Notice of Proposed Rulemaking on an approach to modernize regulations that implement the Community Reinvestment Act

(2)

(1) <https://www.housingwire.com/articles/occ-going-it-alone-on-community-reinvestment-act-reform-with-otting-reportedly-set-to-step-down/>

(2) <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200921a.htm>

CRA VS FAIR LENDING



The Spirit And Color Of CRA: Greater Emphasis On Communities Of Color In The Community Reinvestment Act
By **Lorenzo “Zo” Amani** / August 12, 2020

“CRA is a color-blind law that uses income as a proxy to address minority individuals and neighborhoods, moving forward, we should pursue a more specific and intentional focus on supporting people and communities of color with CRA.”

LENDING BARRIERS

Factors that determine if you are approved for a loan and how much:

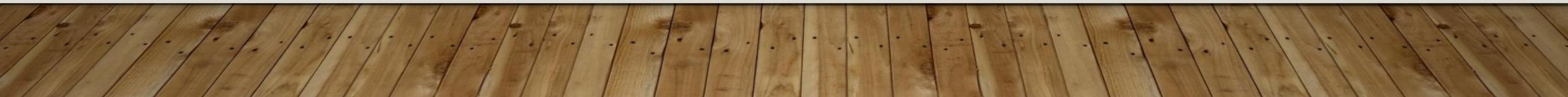
Income

- How much you can afford
- Funds available for down payment and reserves

Assets

- Savings for down payment
- Savings for maintenance and emergencies

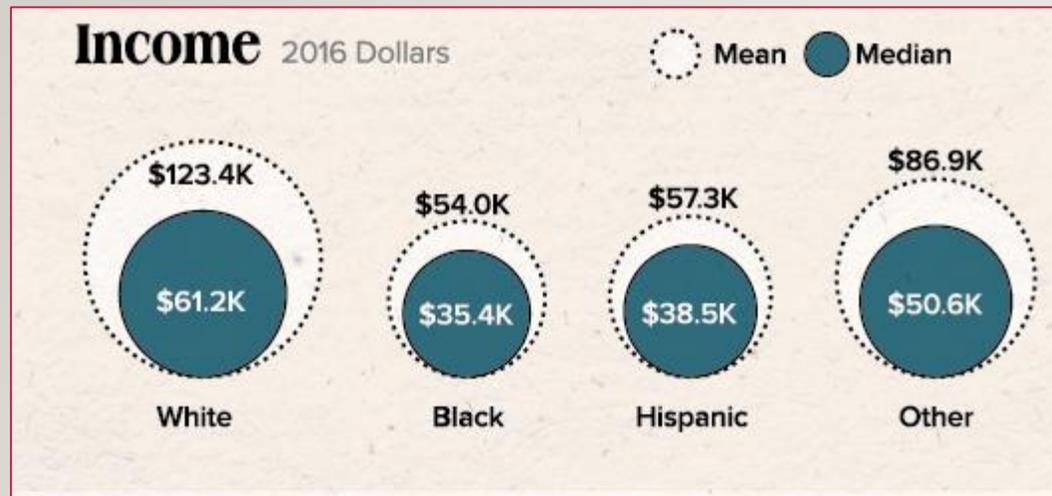
Credit History and Score

- Length of history
 - Type of credit
 - Payment history
- 

INCOME IMPACT

MONEY

The Racial Wealth Gap in America: Asset Types Held by Race (US Federal Reserve data) June 12, 2020



Assuming a recommended 30% of monthly income being used for housing expense (1):

- White households have \$1,530 for housing
- Black households have \$885 for housing
- Hispanic households have \$963 for housing

The ability to create and maintain quality affordable housing is critical.

(1) – Calculations based on the median household income data.

ASSETS

Average savings account balance by race

With white Americans earning more on average than their Black and Hispanic counterparts, wealth and savings follow suit.

Breakdown of median savings account balance by race:

- White non-Hispanic: **\$7,140**
- Black: **\$1,000**
- Hispanic: **\$1,500**

Liz Smith, [SmartAsset](#) -Feb 8, 2018

Development and funding of grant programs to assist borrowers with asset challenges and affordable mortgage products that provide for down payment flexibility are key.

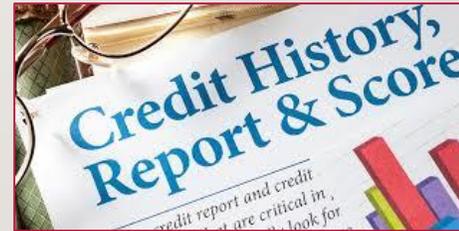


CREDIT HISTORY

CFPB- in 2015 the CFPB published a report finding that 26 million Americans are “credit invisible.” This figure indicates that one in every ten adults does not have any credit history with one of the three nationwide reporting companies. An additional 19 million consumers have “uncurable” credit files, which means that their file is thin and has an insufficient credit history (9.9 million) or they have stale files and lack any recent credit history (9.6 million). In sum, there are 45 million consumers who may be denied access to credit because they do not have credit records that can be scored. (1)

(1) <https://www.consumerfinance.gov/about-us/blog/who-are-credit-invisible/>

A person is “credit invisible” when she does not have a record of credit with one of the three largest credit rating agencies in the United States: Experian, Equifax, or TransUnion. Latinos are almost twice as likely to be credit invisible than Whites. (2)



More than 50% of White households had a FICO credit score above 700, compared with only 21% of Black households, according to a 2017 study by the Urban Institute. A “good” credit score (700 or higher) is often necessary to be eligible for the best interest rates for most types of loans. (2)

(2) <https://www.urban.org/urban-wire/breaking-down-black-white-homeownership-gap>

PROJECT REACH



The banner features the Project REACH logo on the left, which consists of a stylized blue icon above the text "PROJECT REACH". To the right of the logo is the text "Roundtable for Economic Access and Change". On the far right of the banner is the logo for the "Office of the Comptroller of the Currency". A dark blue horizontal bar at the bottom of the banner contains the text "REMOVING BARRIERS TO FINANCIAL INCLUSION".

The Project REACH Approach
REACH (Roundtable for Economic Access and Change) brings together leaders from banking, business, technology, and national civil rights organizations to reduce specific barriers that prevent full, equal, and fair participation in the nation's economy.

PROJECT REACH

Goals:

- ❑ Establish an alternative credit scoring method that regulators recognize as a safe, fair tool to assist in underwriting
- ❑ Convert bank-owned housing inventories into affordable homes through low-cost transfer and renovation loans
- ❑ Address structural barriers and harness market focus to create affordable financial products that allow minority groups and low-income Americans to own and start businesses.

National Projects:

- ❑ Inclusion for credit invisibles – Work with technology partners to synthesize a credit score from alternative data
- ❑ Revitalization of Minority Deposit Institutions (MDIs) – Development of partnerships and mentorships between MDIs and other banks
- ❑ Affordable housing – Development of down payment products

PARTNERSHIP ACTIVITIES

What can lending partners do now:

- Referrals to our housing counseling partners for credit, budget, purchase and post purchase training
- Banks can continue to provide training scholarship opportunities to ensure our counselors have the most up to date information as they support their constituents
- Mortgage professionals should meet with housing counselors to discuss how product and policy changes impact the homeownership application process and documentation needs.
- Work with Realtors to ensure awareness of homebuyer incentives, and improve communication and collaboration during the mortgage application process

The Racial Wealth Divide

Dedrick Asante-Muhammad
Chief of Race, Wealth and Community
National Community Reinvestment Coalition

The Foundation of Racial Inequality

INDIAN LAND FOR SALE

GET A HOME
OF
YOUR OWN
ON
EASY PAYMENTS



PERFECT TITLE
OF
POSSESSION
WITHIN
THIRTY DAYS

FINE LANDS IN THE WEST
IRRIGATED GRAZING AGRICULTURAL
IRRIGABLE DRY FARMING

In 1910 the Department of the Interior has been authorized to accept these lands at reduced prices.

State	Area (Acres)	Price per Acre	Total Price
Colorado	5,213,221	\$7.27	\$37,900,000
Utah	17,611,000	24.85	\$437,500,000
Kansas	1,884,500	33.45	\$62,800,000
Montana	11,824,000	5.86	\$69,200,000
Nebraska	5,642,000	26.65	\$149,500,000
North Dakota	22,828,770	8.53	\$194,700,000
Oklahoma	34,664,000	\$18.14	\$628,000,000
Oregon	2,626,000	15.43	\$40,500,000
South Dakota	1,304,400	18.53	\$24,100,000
Washington	4,874,000	43.27	\$210,800,000
Wisconsin	2,064,000	13.00	\$26,800,000
Wyoming	843,000	28.84	\$24,100,000

FOR THE YEAR 1910 IT IS ESTIMATED THAT 350,000 ACRES WILL BE OFFERED FOR SALE.

For information as to the location of the land with the location, "INDIAN LANDS FOR SALE," in the Department of the Interior, Bureau of Land Management, Washington, D.C.

WALTER L. FISHER, ROBERT G. VALENTINE,



“The foundation of racial inequality is racialized economic inequality and the foundation of economic inequality is wealth inequality.”

- Race and Economics in the US:
- Racial Inequality has always had economic inequality at its foundation.

The Negative Feedback Loop of Black Asset Poverty

GREATER FINANCIAL RESPONSIBILITIES

Debts, pent-up demand & need for financial support from family & community means increased income go toward consumption then asset development

LACK OF HOUSEHOLD ASSETS

57% of Blacks are in liquid asset poverty. (Do not have enough liquid savings to replace income at the poverty level for 3 months)

Median household income is \$36,651.

INFERIOR PUBLIC ASSETS

Black communities most often live in areas with inferior public assets: public schools, public safety, public health, public transportation

SEGREGATED FROM SOCIO-ECONOMIC OPPORTUNITY:

Living wage jobs and social networks are located outside of the communities asset-poor Blacks live in.

INFERIOR SERVICE FROM THE MARKET:

Products sold in communities of asset poverty are inferior and often times more expensive than similar products available to high income communities.



Liquid Asset Poverty:
 (\$6,150 in cash saved for a family of four to subsist at the federal poverty live for three months, Prosperity Now)

Hispanic Liquid Asset Poverty – 61%

Black Liquid Asset Poverty – 57%

Asian Liquid Asset Poverty – 31%

White Liquid Asset Poverty – 28%

White families are as likely to be millionaires (about 15%) as to have zero or negative wealth (about 15%). While only about 2% of Blacks and Latinos are millionaires while about 35% have zero or negative wealth.

-Dreams Deferred by the Institute for Policy Studies

Racial Wealth Divide 83 - 2016

The Racial Wealth Divide Has Grown Over Three Decades
 Median wealth by race, 1983 and 2016



Figures adjusted to 2018 Dollars

Homeownership is Primary Source of Wealth for Most Americans

Table 4. Composition of Household Wealth by Wealth Class, 2016
(Percent of gross assets)

	All	Top 1%	Next 19%	Middle 60%
Principal residence:	25.1	7.6	25.6	61.9
Liquid assets (bank deposits, money market funds, and cash surrender value of life insurance)	6.7	4.6	7.7	8.5
Pension accounts	15.6	6.0	22.4	16.6
Corporate stock	20.8	31.4	18.6	3.9
Financial securities mutual funds, and personal trusts				
Unincorporated business equity	30.5	49.0	24.5	7.9
other real estate				
Miscellaneous assets	1.3	1.4	1.2	1.2
Total assets	100.0	100.0	100.0	100.0

Has Middle Class Wealth Recovered – Edward N. Wolf. Nov. 29th, 2017

For 4th Quarter of 2018: White HR – 73.6%;
Black HR – 42.9%; Hispanic HR – 46.9%

US Census: Quarterly Residential Vacancies and Homeownership, Fourth Quarter 2018

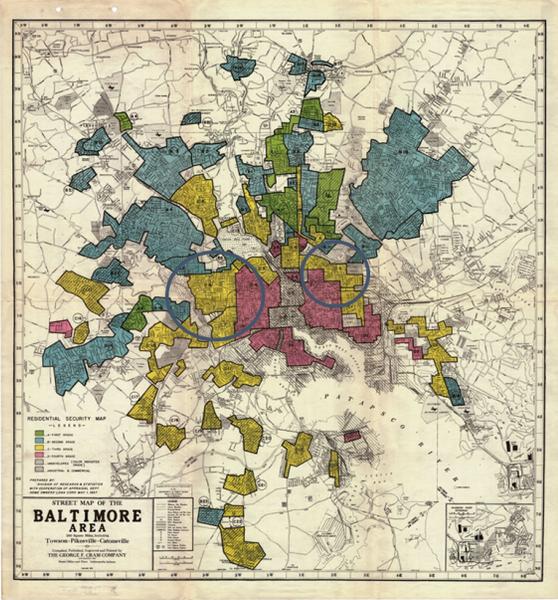
Housing Policy & the Racial Wealth Divide

Policy, Practice and Violence Reinforce White Economic Advantage

Restrictive
Covenants
and HOAs

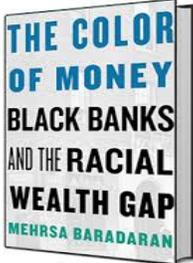
None of the said lands, interests therein or improvements thereon shall be sold, resold, conveyed, leased, rented to or in any way used, occupied or acquired by any person of Negro blood or to any person of the Semitic race, blood, or origin which racial description shall be deemed to include Armenians, Jews, Hebrews, Persians or Syrians.

JEWISH HISTORICAL SOCIETY OF GREATER WASHINGTON



Redlining

Racial Violence



Prof. Mehrsa Baradaran

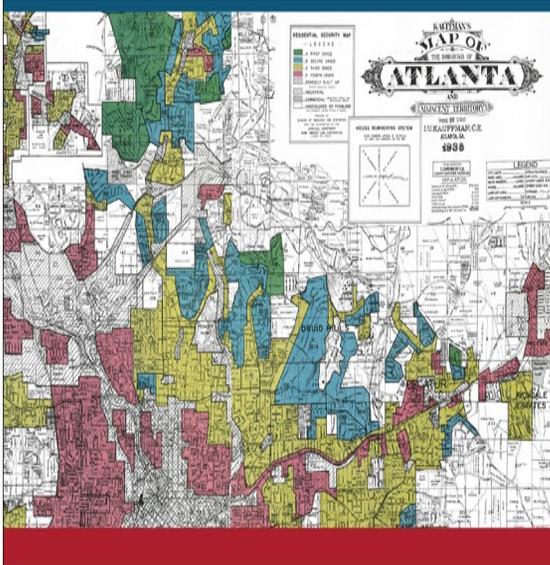




HOLC "REDLINING" MAPS:

The persistent structure of segregation and economic inequality

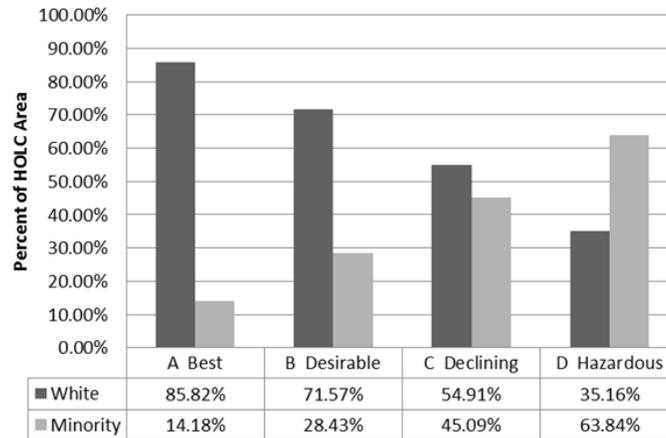
Bruce Mitchell PhD., Senior Research Analyst, NCRC
 Juan Franco, Senior GIS Specialist, NCRC



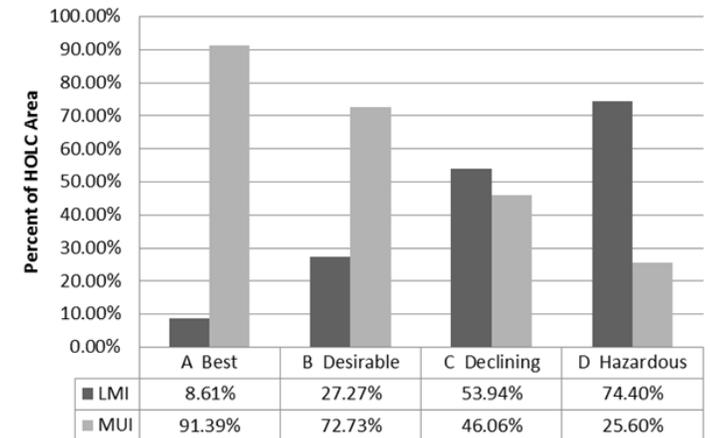
Why Are the HOLC Maps Relevant Today?

- They document a persisting structure of segregation and economic inequality.

National HOLC Grades and Race



National HOLC Grades and Income



64% of the "Hazardous" neighborhoods 80 years ago are majority-minority today and highly segregated cities have seen less change

74% of the "Hazardous" neighborhoods 80 years ago are low-to-moderate income today.

FAIR HOUSING FOR ALL BEFORE THE FAIR HOUSING ACT

THE HISTORY OF FAIR HOUSING RIGHTS

NAR firmly believes in equal opportunity in housing. No person of this country should have the right to rent or purchase shelter of choice abridged because of race, color, religion, sex, handicap, familial status, national origin, sexual orientation or gender identity. Furthermore, these rights should not be limited because of existing or desired ethnic, racial or religious proportions in any defined area.



1789

Private Property Rights

5th Amendment to the Constitution protects property rights. Slavery, court cases and legislation denied these rights to African Americans, Latinos, Asian Americans and other minorities.



1866

The Civil Rights Act of 1866

Provides that all citizens have the same rights to real property as white citizens. Court cases, immigration laws and racially defined zoning deny those rights.



1917

Racial Zoning Outlawed

The Supreme Court voids zoning based on race. Property owners, real estate interests and local governments employ deed restrictions based on race and religion. Laws and practices continue to deny property rights based on race.



1948

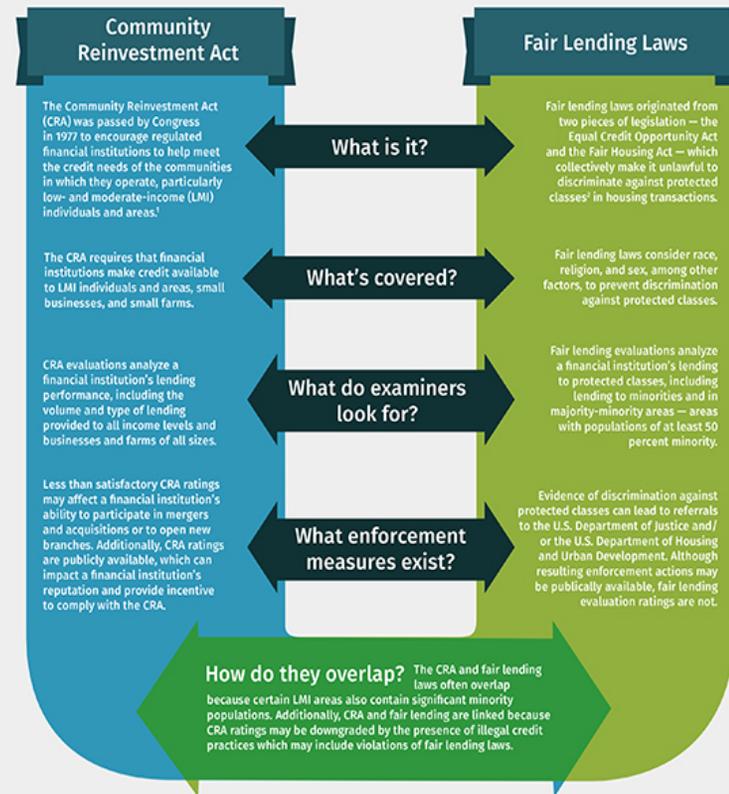
Restrictive Covenants Not Enforceable

The Supreme Court ends federal court enforcement of racially restrictive covenants. A growing fair housing movement passes first fair housing laws in New York City and Colorado in the 1950s.

1968 FAIR HOUSING ACT



5 Things to Know About the Community Reinvestment Act and Fair Lending Laws



¹Footnote 1: Regulatory aligns definition of LMI areas with the U.S. Department of Housing and Urban Development's defined standards of very low-income (VLI).

²Footnote 2: The Equal Credit Opportunity Act, enacted in 1974, makes it unlawful for creditors to discriminate based on race, color, religion, national origin, sex, marital status, age, receipt of public assistance, or the exercise of any right under the Consumer Credit Protection Act. The Fair Housing Act, enacted in 1968, makes it unlawful for discriminators to housing transactions based on race, color, religion, sex, handicap, familial status, or national origin.

If you believe that you have been discriminated against by a financial institution, contact the Federal Reserve Consumer Help at 800-854-7243 or <https://www.federalreserveconsumerhelp.gov/>.

White Supremacy is the Pre-existing Condition:

Eight Solutions to Ensure Economic Recovery
Reduces the Racial Wealth Divide

Darrick Hamilton, Preface. Co-authors Dedrick Asante-Muhammad, Chuck Collins & Omar Ocampo

Sixty-one percent of Latino households and 44 percent of Black households have had a job or wage loss due to the pandemic, compared to 38 percent of white households.

Invest in Affordable Housing

The proposed “American Housing and Economic Mobility Act” has many important reforms including: \$445 billion investment over 10 years in the Housing Trust Fund, which would provide up to 2.17 million homes for low income families. The bill also provides down payment assistance to first-time homebuyers living in formerly redlined or officially segregated areas. AHEMA also strengthens the Community Reinvestment Act by forcing institutions to serve creditworthy families in communities they’ve historically ignored. Finally the report recommends converting the mortgage interest deduction into a refundable tax credit and a renter’s tax credit.

Eight Solutions

1. Improve Racial Data Collection as Part of Emergency Investment
2. Audit Crisis Relief and Recovery Policies for Racial Equity
3. Implement Income Supports that Expand to Guaranteed Income
4. Institute Postal Banking
5. Delink Health Care from Employment
6. Expand Inclusive Housing and Ownership
7. Create a Federal Jobs Guarantee with a Living Wage
8. Institute Baby Bonds



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Raceandwealth.com

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inequality.org/topics/racial-wealth-divide



nrcr.org