RESEARCH REPORT

Closing the Gaps

Building Black Wealth through Homeownership

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Errata

This report was corrected on December 2, 2020 and on December 9, 2020. On page 4, we corrected the legend entries in figure 3. On page 6, in the final full sentence, we changed “When buyers could repair these homes” to “When buyers could *not* repair these homes.” On page 7, in the final paragraph, the median credit score listed for Black borrowers is for 2018, not for 2016, as originally stated. Also, we changed one instance of “Black population” to “Black households.” On page 12, in the first full paragraph, we added the qualifier “most” to refer to Black households who bought homes but did not benefit from price increases. On page 13, in the sentence after figure 9, we changed “*Higher* credit scores and LTV ratios increase mortgage rates and costs” to “*Lower* credit scores and *higher* LTV ratios increase mortgage rates and costs.” On page 18, we adjusted the third sentence of the second full paragraph to be a complete sentence.

Building Black Wealth through Homeownership

Wealth, in addition to income, helps families build financial security and prosperity. And even though income disparities between Black and non-Hispanic white households are large, wealth disparities are even greater. This wealth chasm has grown over the past five decades and fuels economic uncertainty for Black households.

Homeownership is the primary tool for building wealth, especially for Black households, but homeownership has failed to benefit Black homeowners as much as it has benefited white homeowners because of a long history of unequal treatment. The COVID-19 pandemic now threatens to widen this gap, as Black and Hispanic communities continue to suffer greater health and economic losses than white communities.

This report reviews the critical role housing equity plays in building wealth for Black families, the policies that have interfered with wealth building through homeownership for Black families, and the way the pandemic is exacerbating this gap. The report closes with a discussion of policies that can reverse this trend and with a call for bold action.

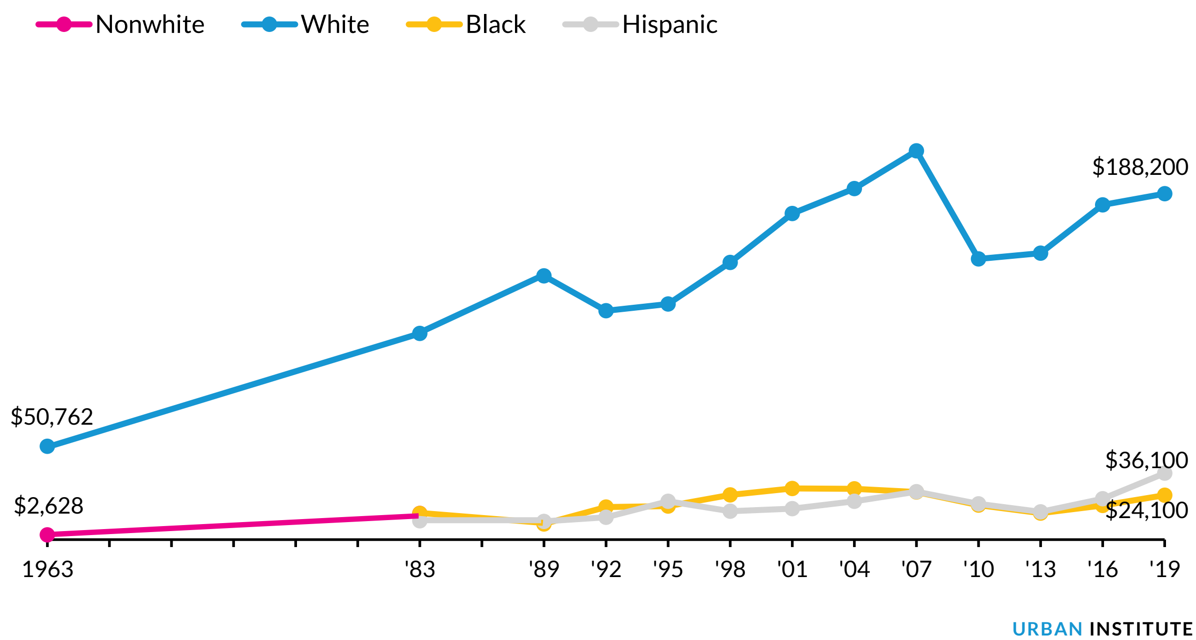
Housing Equity Is Critical to the Financial Security of Black Households

Wealth and income are both critical to building financial security. Wealth (e.g., savings and real estate or business holdings) cushions families against emergencies, provides the means for moving up the economic ladder, potentially grows over time, and can be transferred from generation to generation. Income allows a family to pay monthly bills and to build more wealth. But income is often volatile, can vanish with a job loss, or can be curtailed suddenly. During economic crises, households with less wealth are worse off than households with more wealth because they have less savings and fewer liquid assets with which to adapt and recover (Neal and McCargo 2020).

Wealth disparities between Black, Hispanic, and white households are greater than income disparities. In 2019, Black median household income was $43,862, Hispanic median income was $55,658, and white median income was $71,644. In contrast, in 2019, the median Black household held one-eighth the wealth of the median white household (figure 1).

FIGURE 1

Median Family Wealth, by Race or Ethnicity, 1963–2019



Source: Urban Institute calculations from the 1962 Survey of Financial Characteristics of Consumers (December 31), the 1963 Survey of Changes in Family Finances, and the 1983–2019 Surveys of Consumer Finances.

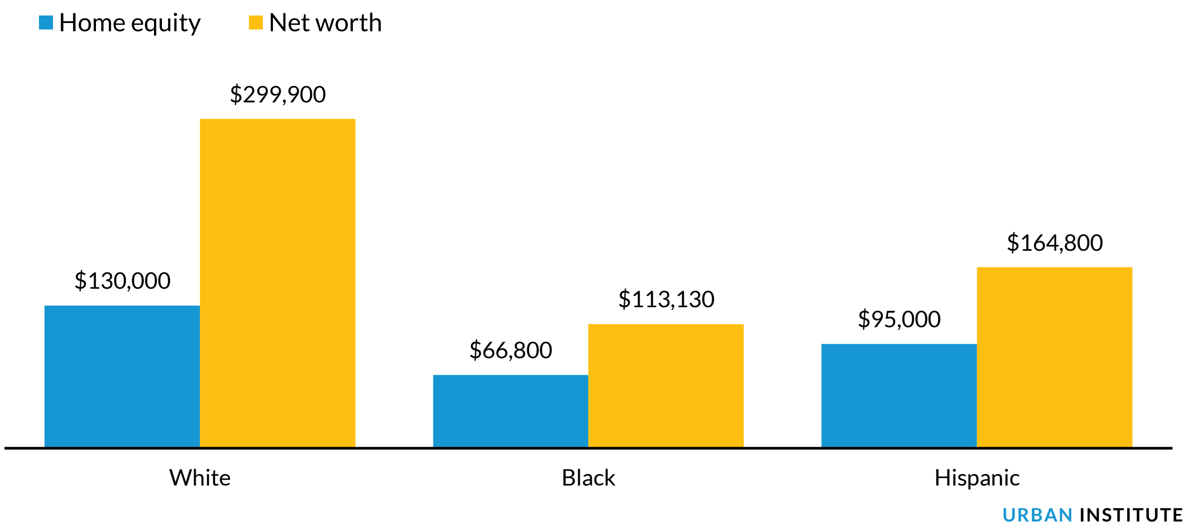
Notes: No comparable data are available between 1963 and 1983. The distinction between Black and Hispanic households within the nonwhite population is available beginning in 1983.

Homeownership plays a bigger role in creating wealth for Black families than it does for white families. Housing equity makes up nearly 60 percent of total net worth for Black homeowners, compared with 43 percent of total net worth for white homeowners. Although homeownership should not be the only focus of public policy and wealth building for Black households, it is a solid foundation for building wealth, even with total wealth accumulation being less when compared with accumulation for white homeowners (figure 2).

FIGURE 2

Homeowners' Median Home Equity and Net Worth, by Race or Ethnicity

2019 inflation-adjusted dollars

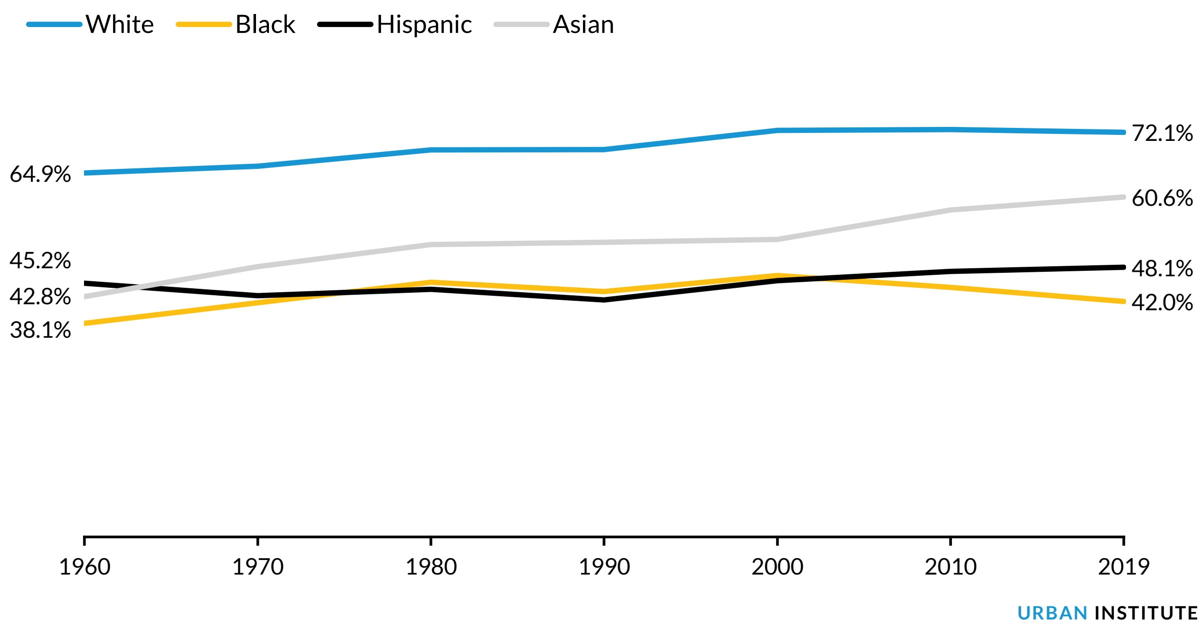


Source: 2019 Survey of Consumer Finances.

Nevertheless, the homeownership rate over time has significantly lagged for Black households, falling more than 5 percentage points after the Great Recession. In 2018, the Black-white homeownership gap reached 30.5 percentage points, its highest level in 50 years and a 4.1 percentage-point increase since 1960.[1] Black homeownership declined the most following the 2008 housing market crisis and only started to recover in 2019, just before the pandemic hit.

FIGURE 3

Homeownership Rate, by Race or Ethnicity



Sources: Decennial Census and the American Community Survey.

Historic and Current Policies Have Interfered with Wealth Building through Homeownership for Black Families

Racial disparities in homeownership and housing wealth are a result of current economic and demographic differences and are a by-product of past policies and deliberate actions by multiple market players.

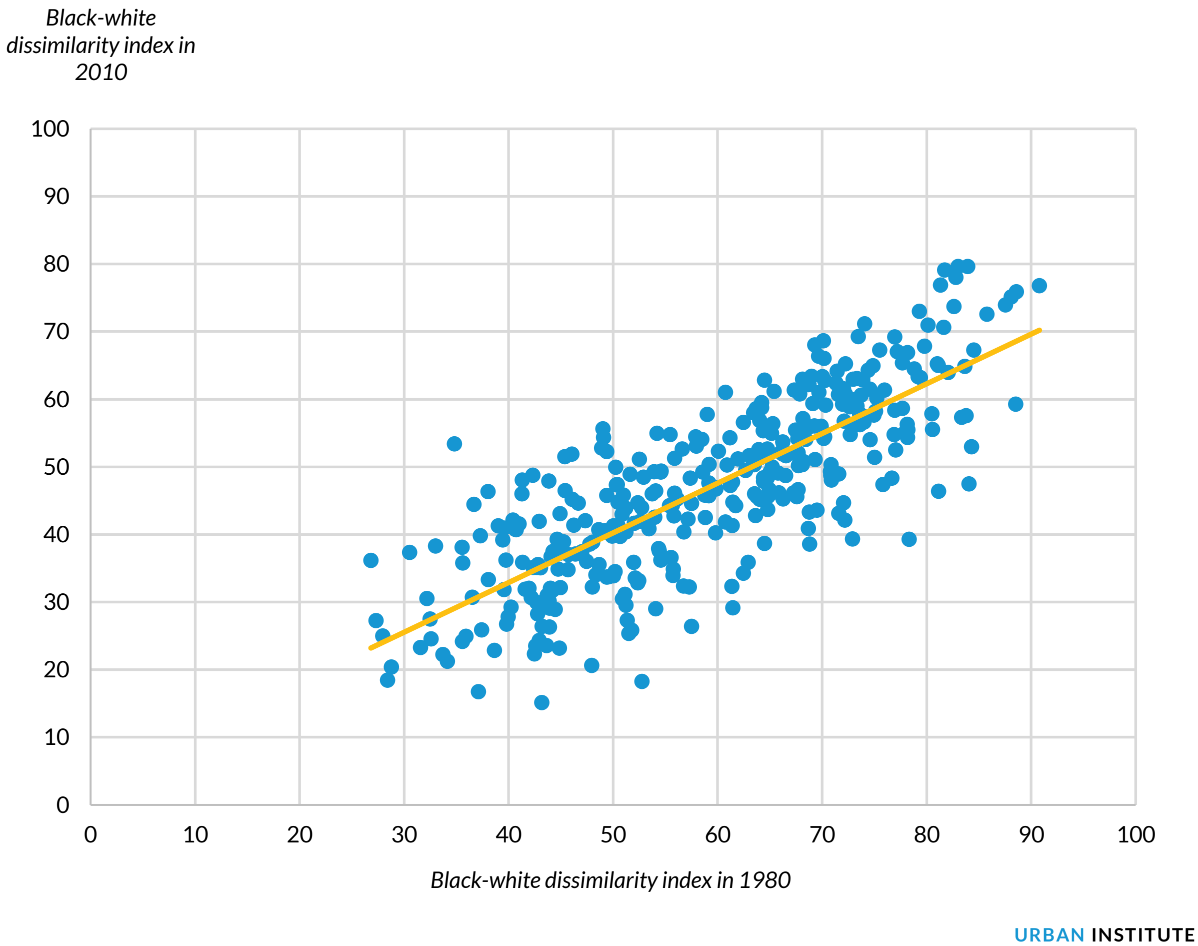
An Era of Explicit Discrimination in the Housing Market

In response to the Great Depression (1929–33), the federal government designed and implemented a racial segregation program under the New Deal. The Federal Housing Administration (FHA), founded in 1934, drew red lines on maps, color-coding neighborhoods to indicate where lending was not insurable. Black neighborhoods were colored red, and families there were blocked from receiving capital to buy homes and make investments. Between 1934 and 1962, 98 percent of FHA-insured loans went to white families, providing them a critical wealth-building foundation for future generations.[2] In many cities, geographic separation by race was further fortified by the construction of interstate highways and zoning regulations (Nall 2015; Pendall 2000; Rothwell and Massey 2009).

Once established and strengthened, residential segregation became difficult to reverse. Figure 4 shows the correlation between the Black-white dissimilarity index between 1980 (the year the index became available) and 2010. The dissimilarity index measures the relative share of a specific group relative to the reference group across neighborhoods compared with its share of the population in the metropolitan statistical area (MSA). If the Black-white dissimilarity index is 65 percent in an MSA, it means that 65 percent of Black households need to move to another neighborhood to make Black and white households evenly distributed across all neighborhoods in that MSA. The index ranges from 0 to 100 percent. We find that there is an 80 percent correlation between the 1980 dissimilarity index and the 2010 dissimilarity index, suggesting that racial segregation is sticky and does not change much over time.

FIGURE 4

Correlation between Racial Segregation in 1980 and 2010



Source: Spatial Structures in the Social Sciences, Brown University.

Implicit Discrimination Continued Even after the Passage of the 1968 Fair Housing Act

Even after the Fair Housing Act was enacted in 1968, Black households continued to face discrimination in the housing market. Banks and the real estate industry undermined Black homeownership by resisting neighborhood integration (integration, they argued, would lower property values in white neighborhoods). Thus, homeownership opportunities for Black homebuyers were found only in inner cities, where homes were inferior to those elsewhere. Without a proper inspection, Black households purchased dilapidated homes that were costly to maintain. When buyers could not repair these homes, they defaulted, and their homes went into foreclosure. The federal government paid the fully due amount, which provided incentives to market players to flip houses, which made Black homebuyers financially worse off than before (Taylor 2019).

Black homebuyers also face more expensive mortgage financing because loan underwriters believe Black homebuyers pose a higher risk of loan default. But some studies have found that, even controlling for financial characteristics, Black borrowers pay higher mortgage rates than white borrowers (Boehm et al. 2006; Cheng et al. 2015). During the housing boom in the early 2000s, Black borrowers were significantly more likely to receive subprime loans and adverse pricing within the subprime space than comparable white households (Faber 2013; Ghent et al. 2014; Hyra et al. 2011). Residential segregation led to subprime loans being concentrated in Black neighborhoods. Subprime loans were more likely to experience foreclosure and increase foreclosure probability of nearby homes (Harding et al. 2009), resulting in substantial loss of wealth and deterioration of credit among Black homeowners.

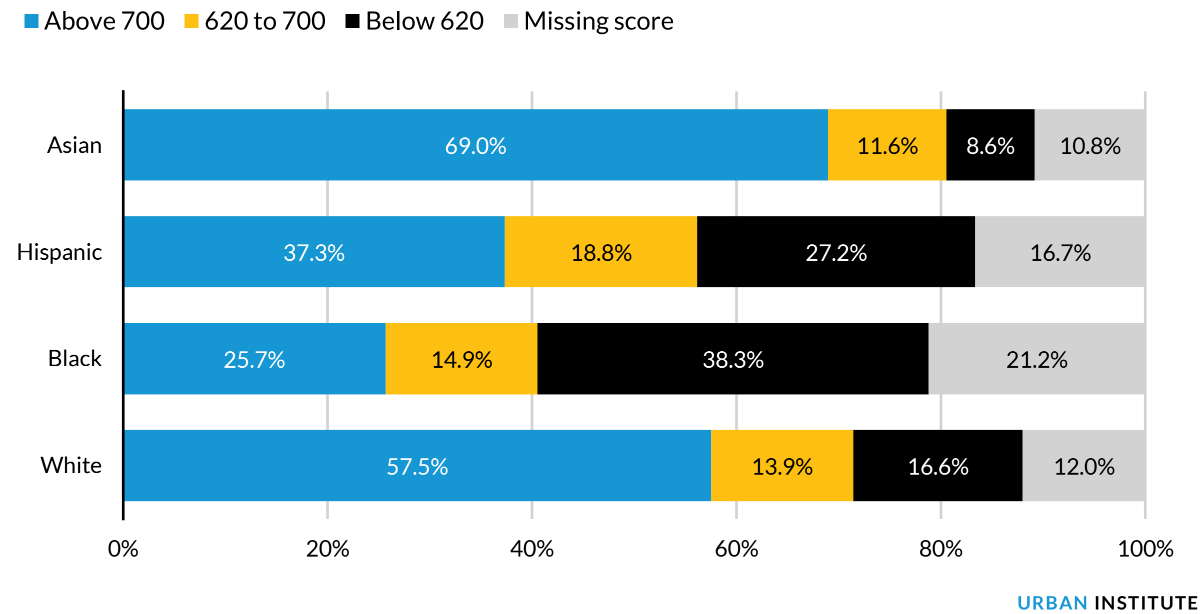
Tight Credit Today Makes It Hard for Black Families to Buy Homes and Build Wealth

Access to mortgage credit is another area where Black households face hurdles, as banks pull back lending and apply risk measures or pricing premiums that become insurmountable. During the Great Recession (and now again during the COVID-19 economic fallout), financial markets have tightened credit, restricting lending and making it difficult for households with less-than-perfect credit to buy homes and for homeowners to tap into home equity to help carry them through a crisis.

Discrimination has resulted in credit characteristics among Black households that are weaker than those among white households. The FICO credit score, the debt-to-income (DTI) ratio, and the loan-to-value (LTV) ratio are three important factors in mortgage underwriting. Black households have the lowest median FICO score among all racial and ethnic groups and the greatest share of households with no credit score at all. The median FICO score of Black borrowers was 626 in 2018, 125 points lower than the median FICO score of white borrowers. About 21 percent of Black consumers and 12 percent of white consumers in the credit system lack a FICO score because they do not have an extensive-enough record of transactions. Black consumers also are less likely to be in the credit system at all. In 2018, 32 percent of Black people did not have access to a credit card, compared with 15 percent of white people (figure 5).[3]

FIGURE 5

2018 FICO Score Distribution

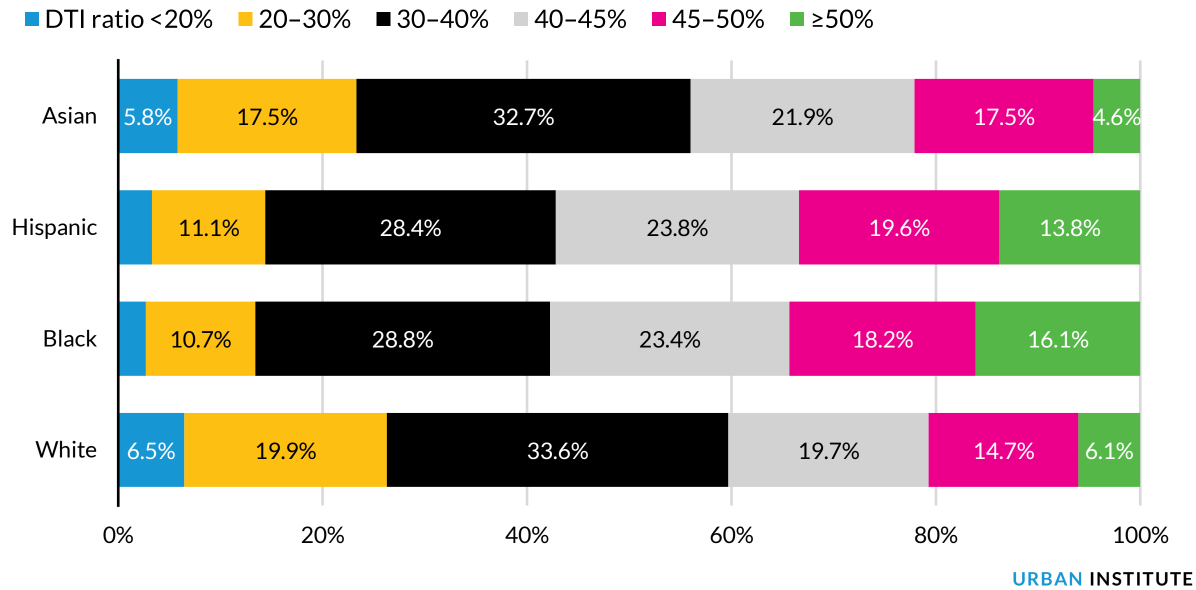


Source: 2018 Experian data from Freddie Mac.

Black homebuyers have higher DTI ratios than white homebuyers (figure 6). As of 2019, the median DTI ratio was 37 percent for white homebuyers and 41 percent for Black homebuyers. About 34 percent of Black homebuyers had DTI ratios above 45 percent, compared with 20 percent of white homebuyers.

FIGURE 6

2019 DTI Ratios, by Race or Ethnicity

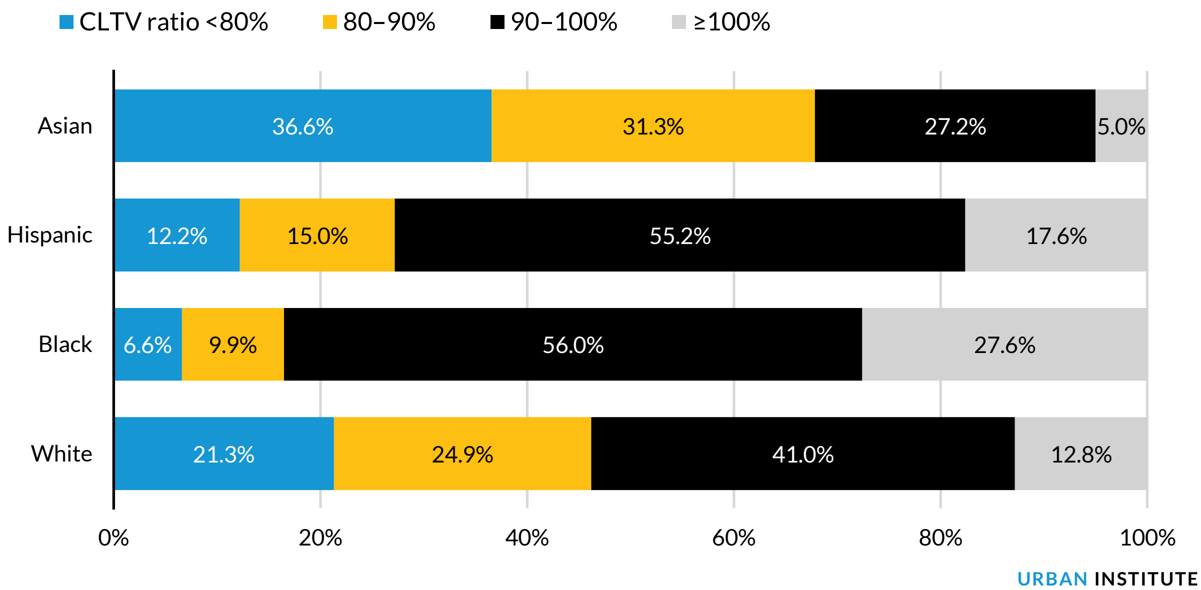


Source: 2019 Home Mortgage Disclosure Act data.
Note: DTI = debt to income.

Black homebuyers, on average, also have high cumulative loan-to-value (CLTV) ratios at origination. In 2019, the median CLTV for Black homebuyers was 96.5 percent, compared with 90 percent for white homebuyers. Figure 7 shows that Black homebuyers have the highest share of homebuyers with CLTV ratios above 90 percent. Almost 83 percent of Black homebuyers and 72 percent of Hispanic homebuyers have CLTV ratios above 90 percent, significantly higher than white and Asian homebuyers.

FIGURE 7

2019 CLTV Ratios, by Race or Ethnicity



Source: 2019 Home Mortgage Disclosure Act data.
Note: CLTV = cumulative loan to value.

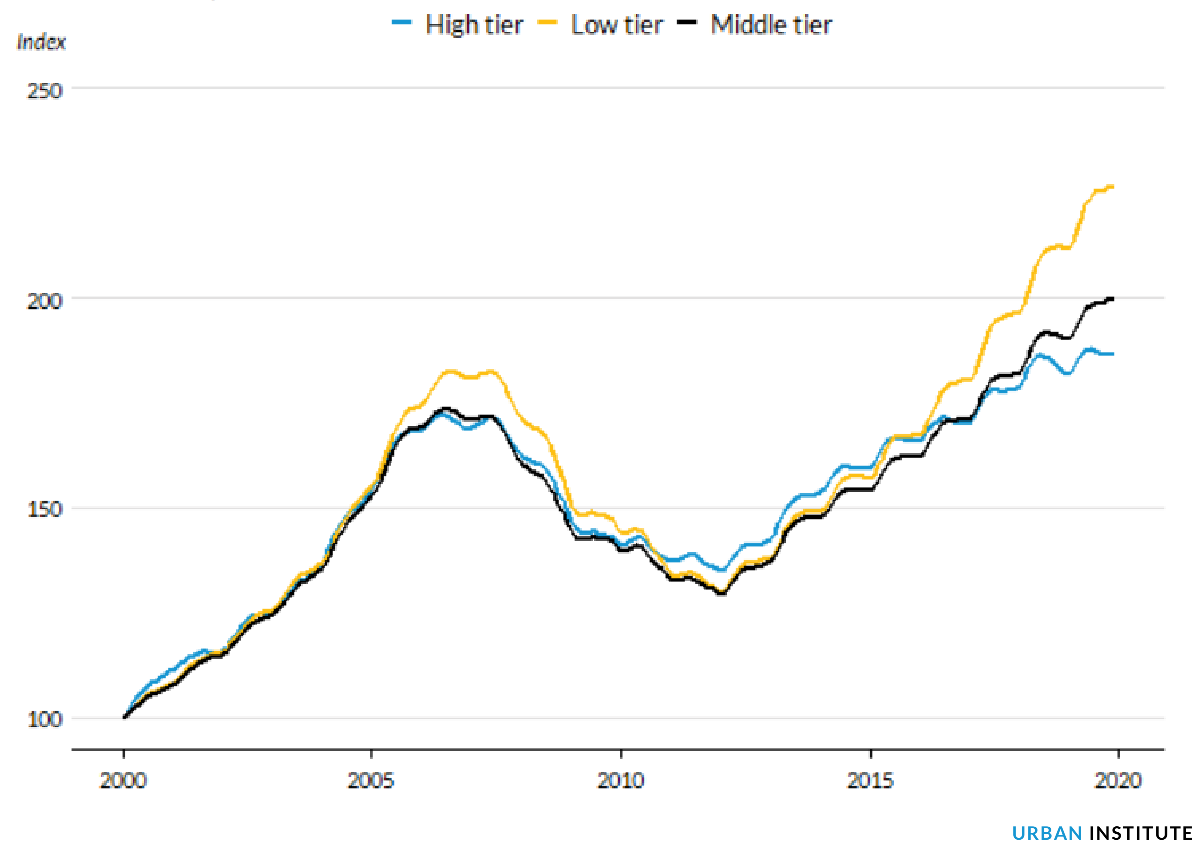
Low credit scores and high DTI and LTV ratios decrease the likelihood of mortgage approval and increase the costs of borrowing for potential homebuyers. These three characteristics are correlated with income and wealth, which means that households with fewer financial resources are likely to face difficulty accessing home equity when it is most needed and pay a higher price when purchasing a home. Access to credit is an area where public policy must adapt so as not to exacerbate the precarious situation many Black households face.

The Lack of Affordable Housing Today Makes It Harder for Black Families to Buy Homes and Build Wealth

Recent home price appreciation has added another barrier to Black homeownership. Since 2009, housing demand has outstripped housing supply as the cost of building has increased (Choi et al. 2018). Home prices today far exceed the prices at the end of 2006, before the housing market collapsed. There is also a mismatch between the type of housing being built and the type of household demand. As costs rise, a greater portion of construction occurs at the high end of the market, driving up prices even more at the low end of the market, where demand significantly exceeds supply (figure 8). Since 2014, the annual house price increase for the lowest 20th percentile has exceeded the aggregate house price increase (Choi, Walsh, and Goodman 2020).

FIGURE 8

Home Price Growth by Price Tiers



Source: Black Knight.

Lack of affordable housing stock makes it difficult for Black households to purchase homes because they have lower income and wealth and less access to capital for a down payment to purchase homes. In 2019, Black households bought lower-cost homes than other racial and ethnic groups. The median purchase price for Black homebuyers was $225,000, $40,000 lower than for white homebuyers. With limited supply and tighter credit, many Black households missed out on the opportunity to enter homeownership and build wealth as the market started to recover.

Research finds that homeownership and housing wealth transfer from parents to children, as children are more likely to receive financial support and obtain information about the homebuying process (Choi, Zhu, and Goodman 2018). Potential homebuyers most frequently mention the lack of a down payment as the most critical barrier to accessing homeownership (Goodman et al. 2018). With limited family support, Black young adults have a lower chance of obtaining homeownership at an early age, which is strongly correlated with future wealth.[4] Choi and Goodman find that those who bought their homes before age 35 have substantially higher housing wealth as they near retirement. When

Black families do attain homeownership, they experience uneven results, higher costs, and less wealth accumulation.[5]

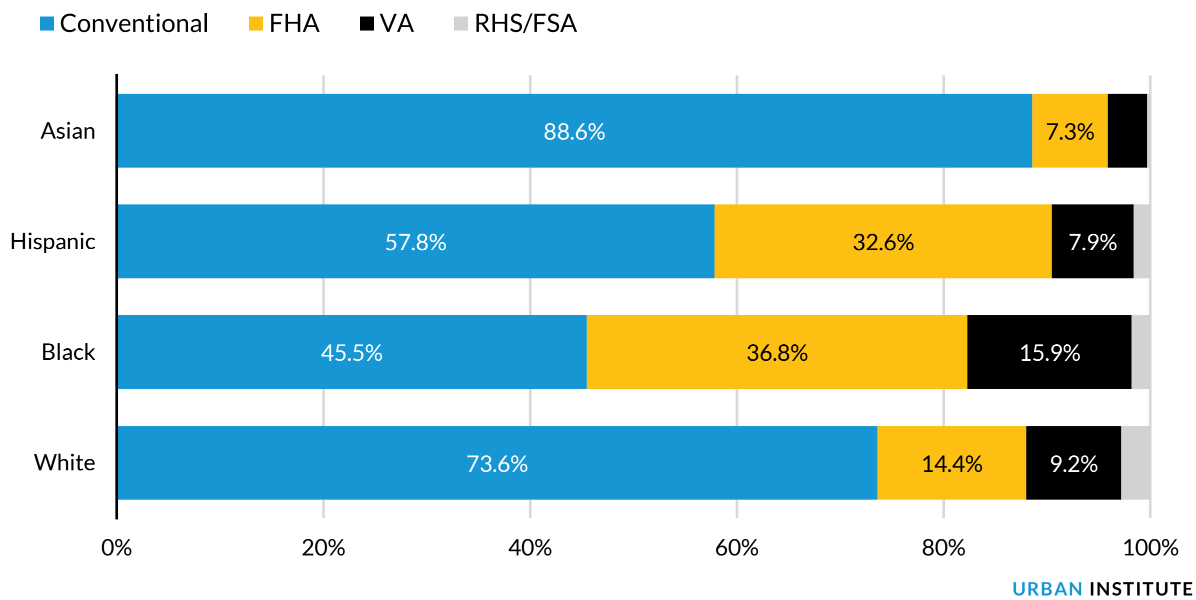
Studies have found the devaluation of Black-owned homes also plays a role in limiting wealth-building opportunities (Howell and Korver-Glenn 2020; Perry et al. 2018), but there are parts of the country where home price appreciation for Black-owned homes has surpassed that of white-owned homes (Immergluck, Earl, and Powell 2019). This partially reflects the shortage of low-cost homes and rapidly increasing prices for low-cost homes. Despite this trend, most Black households were not able to buy homes during this period and have not benefited from the price increases. Instead, because of supply constraints and difficulty accessing credit, many more Black households remained renters and experienced rent increases that increased their housing costs. These higher rent burdens have also made it difficult for Black renters to save for future homeownership.

The "Black Tax" on Homeownership Erodes Wealth Building

Black homebuyers take on higher debt at mortgage origination because they have lower savings to put down and are less likely to receive financial support from family members (Choi, Zhu, and Goodman 2018).[6] Therefore, they need to borrow more money to buy homes. With lower down payments, Black homebuyers are more likely to obtain FHA mortgages. In 2019, about 37 percent of Black homebuyers bought homes using FHA mortgages, more than double the share of white households (14 percent). The smaller down payments allowed with FHA mortgages mean that Black homeowners need more time to pay back mortgage debt and build housing wealth. With more debt to start with, Black homeowners are more likely to become underwater when home values depreciate, which increases their likelihood of default. Starting with higher debt decreases homeownership sustainability, especially when economic conditions worsen. Choi, McCargo, and Goodman find that Black homeowners are more likely than homeowners of other races or ethnicities to become renters after owning a home.[7]

FIGURE 9

Loan Channel, by Race or Ethnicity



Source: 2019 Home Mortgage Disclosure Act data.
Note: FHA = Federal Housing Administration; RHS/FSA = US Department of Agriculture Rural Housing Service and Farm Service Agency; VA = US Department of Veterans Affairs.

Lower credit scores and higher LTV ratios increase mortgage rates and costs. The median interest rate for Black homebuyers in 2019 was 4.25 percent, 13 basis points higher than white homebuyers (table 1). Bartlett and coauthors (2019) also find that Black borrowers are charged higher rates than white borrowers among financial technology lenders after incorporating financial characteristics, suggesting that algorithmic lending does not eliminate racial disparities.

For outstanding mortgages in 2019, rate differences are larger than differences at origination. In 2019, the median interest rate for Black homeowners was 22 basis points higher than for white homeowners. Along with risk-based pricing, which adds premiums for riskier borrowers, a lack of refinancing opportunities further widens the interest rate gap for outstanding mortgages (Aronowitz, Golding, and Choi 2020).

TABLE 1

Median Interest Rates, by Race or Ethnicity

	White	Black	Hispanic	Asian
At origination	4.12%	4.25%	4.25%	4.00%
Outstanding stock	4.16%	4.38%	4.25%	4.00%

Sources: 2019 Home Mortgage Disclosure Act data and 2019 National Mortgage Database data obtained from Freddie Mac.

In 2019, white homeowner refinance activity was about 2.5 percent higher than for Black homeowners. Additionally, because credit has tightened during the pandemic, the refinance share shrank significantly for mortgages with low FICO scores and high LTV ratios (Goodman and Neal 2020). Because Black borrowers have low FICO scores, many Black households cannot take advantage of low interest rates to reduce their mortgage payments.

Neal, Choi, and Walsh (2020) have also found that Black households pay modestly higher user costs of homeownership, which include mortgage payments, property taxes, maintenance costs, and insurance. Median user costs as a share of median home values were 4.0 percent for white homeowners and 4.8 percent for Black homeowners. Although this difference may seem small, it compounds over time and demonstrates that the cost of homeownership is higher for Black homeowners relative to white homeowners.

Black Households Will Face Disparate Effects from the Pandemic

Like prior crises, the COVID-19 pandemic is likely to further exacerbate racial homeownership and housing wealth disparities (Neal and McCargo 2020). The US Census Bureau has collected weekly surveys that show households' mortgage payment status and confidence in making future payments. Figure 10 shows that Black homeowners were most likely to be behind on a mortgage payment. More than 17 percent of Black homeowners said that their mortgage was not paid the prior month. Additionally, about 18 percent of Black homeowners said they had no or slight confidence in their ability to pay their mortgage in the coming month.

The pandemic has created a natural experiment that tests ways to get cash supplements into the hands of families suffering the loss of wages as the public health crisis wreaks havoc on jobs, incomes, savings, and credit. Initial lump-sum one-time stimulus checks were sent out early in the pandemic, and the Coronavirus Aid, Relief, and Economic Security (CARES) Act provided an additional $600 a week for people who lost their jobs. Some evidence suggests these types of cash stimulus programs helped many struggling households save and spend during the pandemic (Farrell et al. 2020). But as this health crisis continues and the stimulus cash stops flowing, millions of households face the growing risk of losing everything.

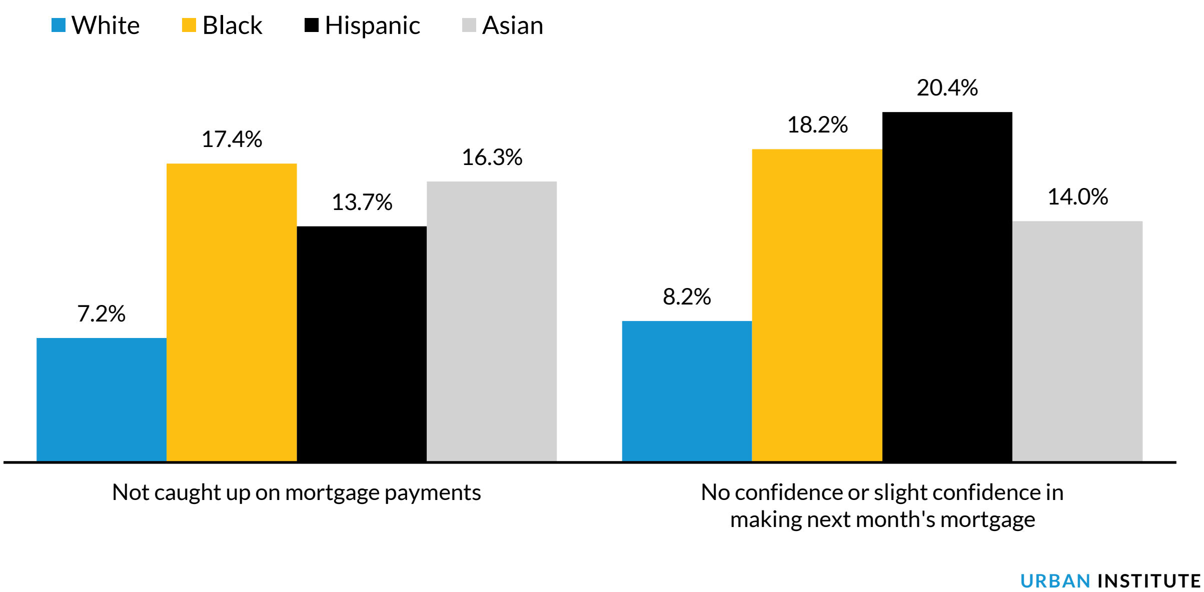
The pandemic is shining a light on inequality in health care, housing, and education. Black and Hispanic households represent the most financially vulnerable and housing insecure, as they are disproportionately represented in the industries hardest hit by job losses. Black households are more concentrated in the low end of the income distribution and have less wealth because of discrimination and racial injustice. But wealth and homeownership gaps persist between Black households and white households across the entire income distribution. According to 2018 American Community Survey, the Black-white homeownership gap is 10 percentage points, even among households with incomes of $150,000 or more.

Black households experienced the slowest recovery from the 2008 housing market crisis. The Black homeownership rate started to show a slight recovery in some of the most recent data, just before the COVID-19 pandemic.[8] According to the Week 16 Census Bureau Pulse Survey, about 51 percent of Black respondents said they have at least one household member with a job-related income loss since March 13. This number was higher for Hispanic respondents (57 percent) but lower for white respondents (40 percent) and Asian respondents (46 percent). As the negative economic impact of the pandemic falls disproportionally on Black and Hispanic households, economic inequalities are expected to worsen.

FIGURE 10

Mortgage Payment Status and Confidence in Making Future Payments

Homeowners with a mortgage



Source: Census Bureau Household Pulse Survey, week 16 (September 30–October 12).

Many experts expect that the current economic downturn will reduce the Black homeownership rate even further, as homeowners are forced to sell their homes or end up in default and foreclosure.

When a family loses its home, homeownership becomes a more difficult proposition for the next generation (Choi, Zhu, and Goodman 2018). Homeownership losses coming out of the pandemic will affect the future racial wealth gap and leave millions of Black families worse off economically, with fewer assets, lower wealth, less income, and a more difficult recovery.

How long this pandemic lasts will determine how much it will exacerbate the wealth and income gaps that have persisted for decades. But this public health and economic crisis could, once again, strip away and deplete all gains Black families have seen in the past 100 years. There were fissures in the system before the pandemic, and these vulnerabilities are likely to expand the tenfold wealth gap between white households and Black households.

Promote Policies That Accelerate Wealth Accumulation and Equity for Households of Color

Policy interventions that promote sustainability through times of crisis and focus on closing racial homeownership and wealth gaps are needed to change the trajectory for Black homeownership and wealth. McCargo, Choi, and Golding (2019) have laid out a comprehensive plan to reduce the homeownership and wealth gaps. Any new strategies for advancing Black homeownership will fall short if they do not address the systemic racial barriers and biases baked into the current system, and strategies will need to directly address the unequal and unfair higher costs Blacks households pay for homeownership. In this report, we highlight four policy areas that are critical to reducing racial homeownership and wealth disparities:

1. Implement a restorative housing wealth program that reduces debt and creates value for new homeowners.
2. Equalize the costs and benefits of homeownership for Black households, with an emphasis on sustainability.
3. Build fair housing and antiracist testing into home valuation and appraisals and the technologies underlying these systems.
4. Expand homeowner relief and stimulus programs to reach more households of color and avoid further Black wealth erosion.

Race-conscious policymaking designed to bring equity and parity to Black households is required to change the trajectory of Black homeownership because policies designed over many decades to advance prosperity for white households caused the current state of inequality.

Implement a Restorative Housing Wealth Program That Reduces Debt and Creates Value for New Homeowners

Solutions will need to be comprehensive and factor in historical wealth factors that go beyond down payment assistance and offer deeper structural reforms. Solutions must be restorative, given the decades-long generational wealth Black households have lost. A history of segregation and discrimination has reduced the financial benefits of homeownership for Black homeowners. For one, homes in predominantly Black neighborhoods are consistently valued lower than similar homes in predominantly white neighborhoods. Consequently, policy recommendations must address persistent disparities that have held back wealth building through homeownership for Black households and address how those impacts widen during economic downturns.

A simple example of potential additional wealth shows the large and immediate net worth gains households could experience if total debt at origination for Black households were on par with white households (table 2). To illustrate this using 2019 data, 286,211 Black households were reported in Home Mortgage Disclosure Act data to have taken out purchase mortgages totaling more than $66 billion at a median LTV ratio of 96.5 percent. These higher LTV ratios mean larger debt loads and thus less home equity at time of purchase. If Black households had lower LTV ratios, on par with the typical white homebuyer's LTV ratio at the origination (90 percent), roughly $14,500 of additional home equity would be added to Black household net worth in 2019. This would inject $4 billion into Black households annually, and in 10 years, Black households would have about $40 billion more wealth in home equity.

TABLE 2

Down Payment Assistance Analyses Using 2019 Home Mortgage Disclosure Act Data

Median home equity of Black homeowners at origination	$10,000
Total cost if all Black homeowners have at least a 10 percent down payment	$3.98 billion
How much Black households will receive, on average	$14,216
Median home equity of Black homeowners after receiving the down payment	$24,500

Source: 2019 Home Mortgage Disclosure Act data.

Policies that directly address the higher mortgage debt Black homeowners take out on lower-valued properties would be important. And to address the intergenerational wealth deficits Black households face as a result of discrimination and racism, policies will require a subsidy and direct contribution to reduce loan amounts at origination through down payment assistance or tax credit programs and equity contributions that would reduce LTV ratios at origination for Black households. These contributions could total up to 15 percent, directly buying down principal balance at origination and providing cash for closing costs. Funds could also be set aside to help build reserves that would help ensure new homeowners have a safety net from losses during times of hardship.

Developing forgivable down payment assistance grants or tax credit programs that significantly reduce loan amounts and lower LTV ratios at origination would mean more home equity for new homeowners up front. This lower mortgage debt amount and lower LTV ratio could lower the overall price of the loan, as risk pricing adjusts based on loan amount and home value. The amount of equity assistance would vary based on local home price conditions and household income and wealth.

Equalize the Costs and Benefits of Homeownership for Black Households, with an Emphasis on Sustainability

The uneven costs of homeownership for Black households is well documented. Policies that focus on reducing costs, removing risk-based pricing schemes, and relying less on penalties that "price up" based on such factors as credit scores would equalize direct and adjacent costs of homeownership and enable greater wealth building for Black households. Also important are policies that ensure Black households keep their homes and that ensure loss mitigation and foreclosure prevention strategies reach these households to help them maintain their homes and have access to refinancing programs. Creating a streamlined rate-term refinancing option would help more households reduce monthly mortgage costs as interest rates hit historic lows. This would involve removing barriers to refinancing and cumbersome underwriting of refinance loans based on credit scores and other factors, given that rate-term refinancing to lower rates improves homeowners' financial situations and reduces risk.

The economic path forward will require bold steps to ensure that housing and wealth equity are addressed. Aronowitz, Golding, and Choi (2020) calculated some policy choices that have increased homeownership costs: risk-based pricing, limited availability of down payment assistance, higher insurance costs, and property tax burdens are all calculable factors. Another key area that works adversely for Black homeowners is the high-LTV-ratio scenarios that result in families taking out larger mortgages on properties that are less valuable and may not appreciate as rapidly. The report also notes that low appraisals in Black communities lead to higher LTV ratios and higher risk-adjusted interest rates.

Research by Perry, Rothwell, and Harshbarger (2018) assesses and attempts to quantify the costs of devaluation on majority-Black neighborhoods. When lower home values are combined with higher initial loan amounts, Black families are vulnerable during a market disruption, natural disaster, or economic event. Moreover, loans with high LTV ratios, which are the predominant way Black households access credit (via FHA and US Department of Veterans Affairs loan products) put Black households at higher risk of financial instability during an economic downturn, home price shock, or natural disaster.

Build Fair Housing and Antiracist Testing into Home Valuation and Appraisals and the Technologies Underlying These Systems

Policies that improve appraisal practices that are biased or that lower property values in historically redlined or highly segregated neighborhoods would also move the dial on LTV ratios and create better wealth outcomes. Appraisals and home valuations are critical determinants in homebuying, and removing bias from appraisals and ending discriminatory appraisal practices are fundamental for the future. Properties that have been historically devalued or are in census tracts with depressed values could benefit from appraisal waivers, more automated valuation methods, and help addressing appraisal gaps that many low-cost markets experience, making access to mortgage credit a challenge. Technological advances in the appraisal and home valuation system must continue to remove human bias and inputs that undervalue Black communities.

Expand Homeowner Relief and Stimulus Programs to Reach More Households of Color and Avoid Further Black Wealth Erosion

The initial COVID-19 stimulus package provided important income supports through its unemployment insurance program and quickly implemented eviction and foreclosure moratoriums and forbearance plans for homeowners to pause payments if they experienced a COVID-19-related health or financial hardship. Although these measures have helped many households hold onto their homes thus far, there are concerns about what happens as these provisions end and millions of people remain unemployed and unable to make payments. Even though we do not know the exact share and number of Black homeowners in forbearance, Pulse Survey data show that a relatively higher share of Black and Hispanic homeowners are experiencing housing insecurity and need forbearance. This reflects a substantial increase in unemployment rates since the outbreak of COVID-19.

Bureau of Labor Statistics data show that the Black unemployment rate in the third quarter of 2020 reached 13.2 percent, 7.6 percentage points higher than in the third quarter of 2019. How Black homeowners in forbearance will repay their deferred mortgage payments once the forbearance period ends will depend on labor market conditions and who the investor or insurer on their mortgage is. Adopting and passing the policy actions proposed in the Health and Emergency Recovery Omnibus Emergency Solutions (HEROES) Act passed by the House of Representatives would ensure that loans on bank portfolios and private securities be included in coverage in addition to cash supplements in the unemployment insurance program that will help households sustain homeownership. We should expect that the recovery will be protracted for Black households, and this long period of distress will require interventions to help families remain safely housed and avoid massive loss of wealth, repeating the worst of what we saw in the last housing crisis. The options for renters and concerns about the growing eviction pipeline and crisis are far worse, and without rent relief and stronger local eviction protections, many households face homelessness.

As the pandemic continues to disproportionately damage the financial and physical health of Black households, the wealth gap between Black communities and white communities will grow, fueling more uncertainty. By understanding the roots of the failure of homeownership to propel Black families to a more pervasive and lasting prosperity, as well as the barriers still in place, policymakers have a chance to take bold action to change a grim trajectory.

Notes

[1] Jung Hyun Choi, "Breaking Down the Black-White Homeownership Gap," *Urban Wire* (blog), Urban Institute, February 21, 2020, https://www.urban.org/urban-wire/breaking-down-black-white-homeownership-gap.

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