



Addressing the Black Homeownership Gap in America

February 2021



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Homeownership is in the nation's interest — it can bring stability to families, vitality to distressed communities, and overall economic growth.

For millions, owning a home remains at the heart of the American dream. Most American renters — 72% — say they want to buy a home at some point in the future instead of continuing to rent, according to the Pew Research Center.¹ But many Black Americans have been left out. Black Americans struggle with a deep wealth gap, in fact, recent research shows that only 44% of Black Americans own a home compared to 74% of white Americans.² Homeownership is important for accumulating *and* passing on wealth, which means the trailing homeownership rate further impacts Black Americans' ability to build generational wealth over time.

Parents who own their own home pass to their children a myriad of benefits that go along with homeownership. Children who grow up in family-owned homes have a financial and emotional safety net that helps propel them into prosperity and success as they become adults. Black families historically denied homeownership have been ensnared in a multi-generational cycle that has locked many of them out of much of the American economic system.

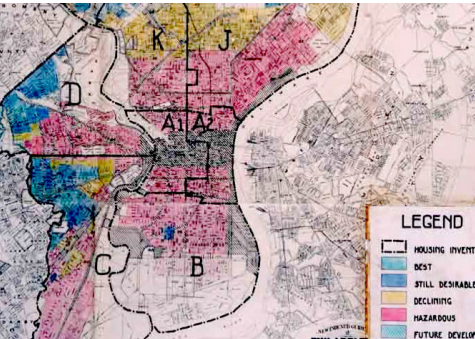
History

Homeownership is one of the primary tools for building wealth, 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, according to a recent research report by The Urban Institute.³

Economic Benefits of Owning a Home

Owning a home has numerous economic benefits, including the ability to accumulate wealth, build home equity, pass down generational wealth, and gain long-term savings over the cost of renting. Affordable housing also is important to the economic vitality of communities. As discussed in our 2017 report, "The Underlying Benefits of Affordable Housing Through Fixed Income Investments," there is a correlated relationship between affordable housing and mental, physical, and academic well-being. Research has shown that the stability of an affordable mortgage can have profound effects on childhood development, school performance, and health outcomes for families and individuals.

Redlining is the practice of putting financial and other services out of reach for residents in certain areas based on race or ethnicity.



Source: Public Domain

Our nation has a long history of economic inequality. In the 1930s and 1940s, government programs from the New Deal to the GI Bill systematically excluded minorities from housing, access to the credit markets, and even education. This economic disincentive included “redlining” and is a primary contributor to the racial wealth gap in the U.S. today.

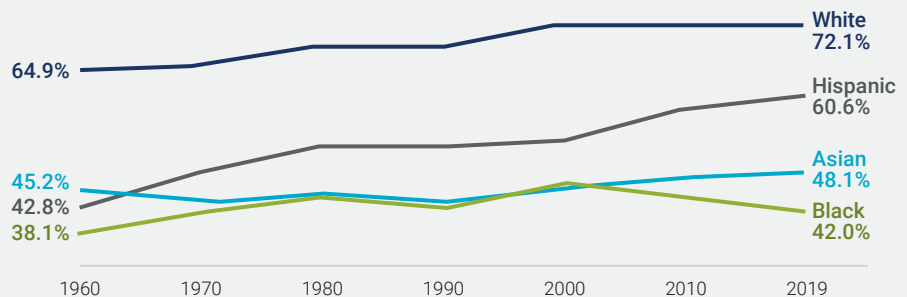
When looking at maps created by the Home Owners’ Loan Corporation in the 1930s, it shows that immigrant populations were deemed “hazardous” and Black people were deemed a “detrimental influence” or an “infiltration.” These “residential security” maps served as guidelines for real estate professionals and loan officers. Lenders used the maps, which were categorized across regions, to determine who was too “risky” for a mortgage. The risk was based solely on the racial makeup of a community.⁴

The decades that followed — the 1960s and 1970s — saw some progressive legislation, including the passing of the Civil Rights Act in 1964, Fair Housing Act in 1968, and the Community Reinvestment Act (CRA), enacted in 1977. Unfortunately, the gains made in the three decades after the 1968 Fair Housing Act were largely erased after 2000 as forces within the housing market reduced the Black homeownership rate primarily as a result of the housing crisis.⁵

The homeownership gap is worse for Black Americans now than it was during segregation.

What is astonishing is that the gap between white and Black American homeownership is greater now than it was since before the 1968 Fair Housing Act. In 1960, there was a 27-point gap between Black homeownership (38%) and white homeownership (65%); in 2019, there was a 30-point gap.

Homeownership Rate, by Race or Ethnicity



Source: Urban Institute, Decennial Census, American Community Survey

Legislative Actions

The Civil Rights Act of 1964 is a landmark civil rights and labor law in the U.S. that outlaws discrimination based on race, color, religion, sex, national origin, and later sexual orientation and gender identity.

The Fair Housing Act protects people from discrimination when they are renting or buying a home, getting a mortgage, seeking housing assistance, or engaging in other housing-related activities.

The Community Reinvestment Act (CRA), enacted in 1977, requires the Federal Reserve and other federal banking regulators to encourage financial institutions to help meet the credit needs of the communities in which they do business, including low- and moderate-income (LMI) neighborhoods.



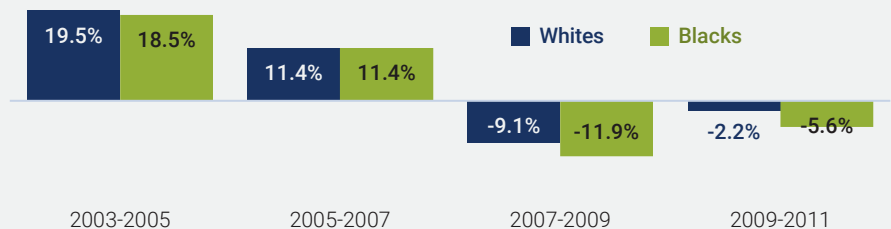
Many Black homebuyers bought homes at the peak of the bubble at higher rates than white homebuyers. Additionally, many were victims of predators who offered subprime loans even to those who qualified for prime loans.⁷

2008 Housing Crisis

Much of the reduction in Black homeownership rates occurred during the 2008 housing crisis. Across the nation, Black homeowners were disproportionately affected by the foreclosure crisis, with more than 240,000 Black families losing homes they had owned.⁶ Many Black homebuyers bought homes at the peak of the bubble at higher rates than white homebuyers. Additionally, many were victims of predators who offered subprime loans even to those who qualified for prime loans. Black homebuyers were 150% more likely to get high-cost loans, according to the Center for Responsible Lending. According to a CNN 2010 special series, "Black in America," even when they had similar income and credit scores as white borrowers, Black homebuyers were about 30% more likely to be steered to expensive mortgages.⁷

The chart below shows the percentage change in household home equity for all who owned a home in the previous year. As can be expected during a housing boom, the period from 2003 through 2007 yielded positive gains in home equity values for both racial groups. From 2007 through 2011, both groups experienced losses, with greater losses for Black homeowners. Between 2007 and 2009, white home equity declined by 9% while Black home equity declined by 12%.

Percentage Change in Home Equity During and After the Housing Boom



Source: https://www.aclu.org/sites/default/files/field_document/discrimlend_final.pdf

This disparity may stem from the fact that Black borrowers were more exposed to predatory loans and other types of toxic mortgages and ballooning interest rates as compared to white borrowers, leading to disparate rates of delinquency and foreclosure. Further, these losses slowed to only 2% between 2009 and 2011 for white households, but for Black households, home equity values continued to decline by 6%. While white home equity began to recover quickly after the housing crisis stabilized, this was not the case for Black home equity; again, this difference likely emerges as a result of the disproportionate exposure to predatory loans and other deceptive mortgage schemes to Black borrowers.⁸



Income and Wealth

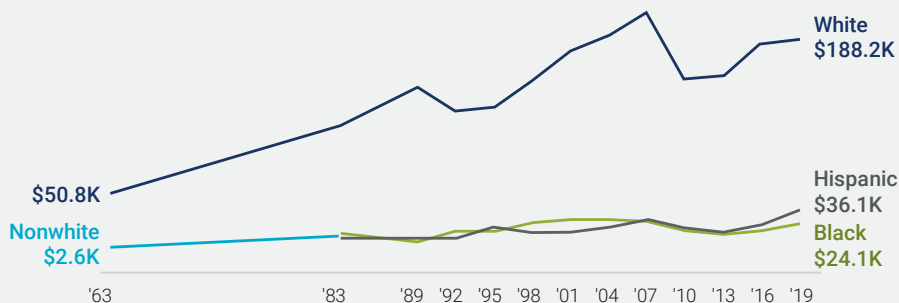
Studies show that the lower the income of a homeownership household, the greater the share of its wealth comes from homeownership. This pattern has remained consistent over the last three decades, according to the historical Survey of Consumer Finances data.⁹

Income and wealth go hand in hand and are both critical to financial security. There are two kinds of income — active and passive. Active income is what one earns from his or her career, while passive income typically comes from investments. Both can help build wealth. Most of our large purchases depreciate in value over time like cars and appliances; however, owning a home tends to build wealth by paying off mortgage debt and through price appreciation. Even at times when housing prices might fall, home prices have historically recovered and risen over the longer term.

Studies show that the lower the income of a homeownership household, the greater the share of its wealth comes from homeownership. This pattern has remained consistent over the last three decades, according to the historical Survey of Consumer Finances data. In 2019, housing wealth represented, on average, nearly 75% of the total assets of the lowest-income households. For households in the middle of the income distribution, housing wealth represented between 50% and 65% of total assets, but for the highest income households, only 34%.⁹

Taking a closer look at income and wealth across race, research shows that 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, according to The Urban Institute. Research shows that homeownership plays a critical role in creating wealth for Black families with housing equity accounting for nearly 60% of total net worth for Black homeowners, compared with 43% of total net worth for white homeowners.

Median Family Wealth, by Race and Ethnicity, 1963-2019



Source: Urban Institute calculations from 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 available between 1963 and 1983. The distinction between Black and Hispanic households within the nonwhite population is available beginning in 1983.

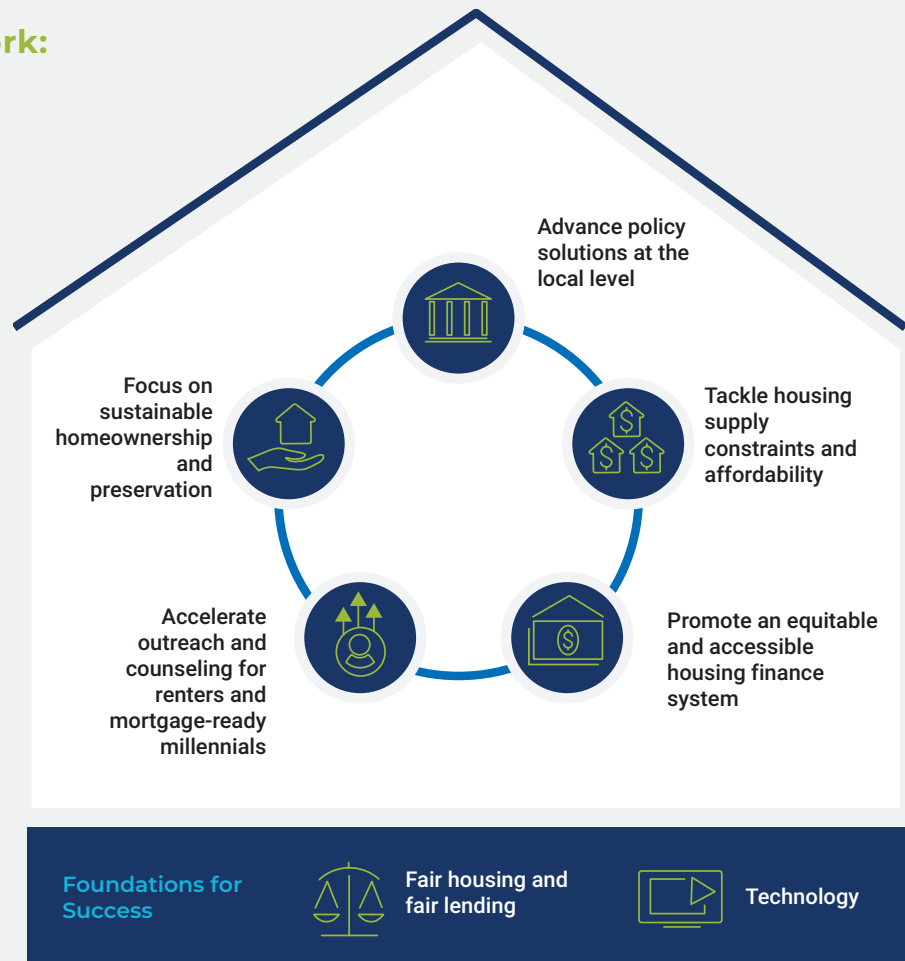
Mending the Black Homeownership Gap in America

An **Opportunity Zone** is an economically distressed community where private investments, under certain conditions, may be eligible for capital gain tax incentives.

Mending the Black homeownership gap in America is not going to happen overnight. It is going to take years to make a profound impact on this serious issue, and the pandemic has only hurt an already fragile situation. In 2019, the National Association of Realtors laid out a five-year plan for how the real estate industry can step up to provide support in increasing the number of Black American homeowners. It included building more homes to increase supply, building more homes in Opportunity Zones, increasing access to down payment assistance, strengthening the FHA's loan program, and expanding alternative credit scoring models.¹⁰

In 2019, The Urban Institute also published a piece on this topic highlighting a five-point framework for reducing the Black Homeownership Gap. We believe these are all critical components in building a comprehensive structure to address racial disparities in homeownership.

A Five-Point Framework: Reducing the Black Homeownership Gap



Source: https://www.urban.org/sites/default/files/publication/100204/building_black_ownership_bridges_1.pdf

Ultimately, there needs to be a community-wide shift in the narrative of Black homeownership. Practitioners across the housing industry need to look at policy interventions, changes in the home-building industry, empowering the financing of homeownership at the local level, and other practical ways to address the housing crisis for Black households.¹²

Banks have rolled out programs in an effort to bolster home-buying opportunities for Black Americans. Many housing advocates view the programs as efforts to repair the damage banks caused over the years, including the subprime mortgage lending in the early 2000s that contributed to the Great Recession and the low Black homeownership rate.¹¹

And it is not just banks — corporations are pledging capital to help close the racial wealth gap, including several that are tied to housing initiatives. In September, Citigroup pledged more than \$1 billion over the next three years to address the widening racial wealth gap and increase the economic mobility of Black Americans. Even non-financial companies, such as Mastercard, Netflix, Walmart, Apple, and Alphabet, are forming new initiatives to end long-standing racial discrimination across different sectors.

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CCM's Efforts to Bridge the Black Homeownership Divide

CCM launched its flagship fund, the CRA Qualified Investment Fund, in 1999, to help banks meet the investment test requirements of the CRA. The initial goal of the CRA was to reverse the effects of redlining and decades of disinvestment, by strengthening existing chartering laws that required banks to sufficiently address the banking needs of all the members of the communities they served. For over 21 years, CCM has purchased hundreds of thousands of customized agency mortgage-backed security (MBS) investments benefiting LMI borrowers, many of which are minority borrowers, including Black individuals and families.

Helping underserved communities is central to CCM's mission, and in October 2020, we authored, "**Connecting the Dots: The Intersection of Economic Equality, Racial Justice, and Sustainable Investing**," which shares details on the history of economic inequality and its relationship with the capital markets, specifically the intersectionality between economic equality and racial justice as it pertains to climate change; safe, affordable, and sustainable housing; and corporate awareness.



As part of the recent proposed changes to the CRA, we believe there is an opportunity to create mandates that increase lending and investment in underserved communities of color. We also believe that programs — public and private — to help Black families achieve homeownership and build wealth are critical partnerships. These can include collaborations with non-profits serving LMI housing or other community development needs with programs such as counseling for credit, homeownership, homebuyer seminars, and other financial literacy programs.

With the coronavirus exacerbating the racial gap in homeownership, it is imperative to look across all avenues for ways in which to abate this Black homeownership gap in America, and the capital markets can be an excellent place to start. Investing can serve as a complement to an organization's and/or investor's impact beyond grants and donations.



One option is through our **Minority Community Advancement Racial Empowerment Strategy** (also known as Minority CARES), launched in June 2020, which allows investors the opportunity to direct their fixed income capital to advance racial equality, tackle social disparities, and help build an economy that provides opportunities for everyone from affordable housing to access to capital — the basic building blocks of economic equality. Minority CARES anticipates investing \$2 billion over the next five years in market-rate bonds that align with the values of social justice, improvement in the lives of those in historically marginalized communities, and increased economic opportunity for people of color.

We also are excited about a new investment opportunity to be launched soon with a focus specifically on affordable homeownership for LMI and minority borrowers. The new strategy will look to invest in high credit quality, agency-guaranteed MBS with at least 51% of the loans made to LMI borrowers along with MBS backed by pools of loans sourced from non-traditional originators, including Community Development Financial Institutions (CDFIs) and minority-owned banks. We look forward to sharing more details in the coming months.

Impact Themes This Investment Helped Support:



Affordable
Housing



Environmental
Sustainability



Gender
Lens



Healthy
Communities



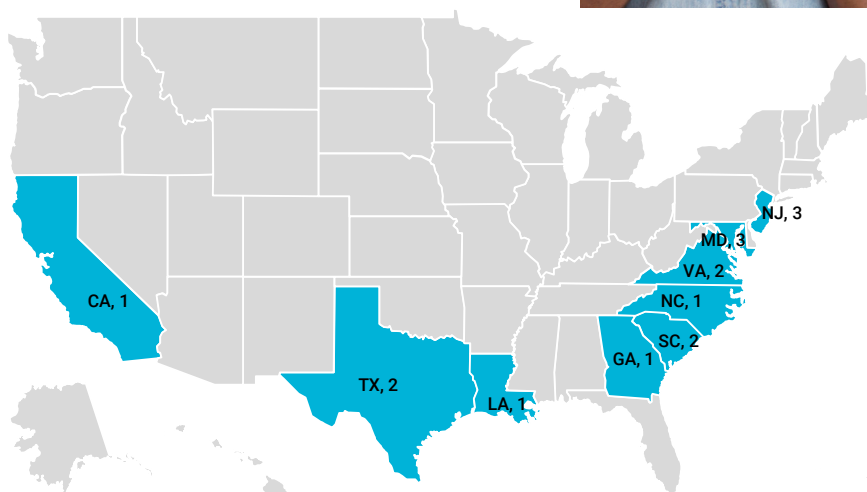
Minority
Advancement



This investment is part of our
Minority CARES Initiative.

CCM Case Study: Affordable Mortgages

CCM custom created an affordable mortgage pool to LMI Black borrowers that includes 16 loans across 9 states. We believe that an increased amount of visible investment capital to purchase affordable loans and custom create MBS pools can help increase the number of originations to minority borrowers.



Loan Pool Highlights

16

loans to LMI Black
borrowers

10

loans in majority-
minority census tracts

7

loans made to
Black women borrowers

3

loans in high poverty
census tracts

Assistance from state and local governments through bond issuances and low-income housing tax credits can help fund affordable housing efforts as can assistance from the private sector looking for impact investment opportunities and developers looking to build affordable housing, especially in high-cost cities where many minority borrowers have been shut out.

Conclusion

It will likely take years to correct the Black homeownership gap in America, but if we continue to chip away at efforts to improve this disparity, slowly but surely, we will see an improvement. It will take commitment, coordination, and efforts from a variety of resources, including the capital markets, public and private partnerships, government agencies, developers, and more, along with a shift in our views of how every American deserves fair housing. As noted in The Urban Institute's five-point framework for reducing the Black homeownership gap, disentangling the racial homeownership gap will require changes across the entire housing ecosystem to address entrenched structural barriers. All of us, personally and professionally, can play a role.

¹ <https://www.pewresearch.org/fact-tank/2017/07/19/more-u-s-households-are-renting-than-at-any-point-in-50-years/>

² <https://press.redfin.com/news-releases/news-release-details/minneapolis-milwaukee-and-salt-lake-city-have-lowest-black>

³ <https://www.urban.org/research/publication/closing-gaps-building-black-wealth-through-homeownership>

⁴ <https://www.wbur.org/artery/2019/04/25/redlining-exhibit>

⁵ Ibid

⁶ <https://prospect.org/justice/staggering-loss-black-wealth-due-subprime-scandal-continues-unabated/>

⁷ <https://www.cnn.com/2010/LIVING/10/19/inam.housing.foreclosure.money/index.html>

⁸ https://www.aclu.org/sites/default/files/field_document/discrimlend_final.pdf; <https://www.responsiblelending.org/mortgage-lending/research-analysis/foreclosure-paper-report-2-17.pdf>

⁹ <https://blog.firstam.com/economics/homeownership-remains-strongly-linked-to-wealth-building>

¹⁰ <https://www.housingwire.com/articles/nars-plan-to-help-increase-black-american-homeownership/>

¹¹ https://www.washingtonpost.com/realestate/bank-programs-aim-to-widen-the-path-to-minority-homeownership/2020/10/28/ff5edcfa-12f7-11eb-ad6f-36c93e6e94fb_story.html

¹² <https://prosperitynow.org/blog/black-homeownership-how-do-we-fix-whats-wrong>

About CCM

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