Diversity Briefing

AMERICAN MORTGAGE DIVERSITY COUNCIL | Q2 2023 EDITION

AMDC LEADERSHIP PROFILES

The ROI of DEI: What's New With the American Mortgage Diversity Council

Originally, the American Mortgage Diversity Council (AMDC) was designed to be an organization that affected change from the top down, gathering the most influential companies together and using their combined forces to implement diversity, equity, and inclusion (DEI) across the mortgage industry.

Over the years, we've gotten feedback from individuals who want to be a part of that change but don't work for those major companies.

We've also heard from many individuals within the DEI movement that the No. 1 metric their companies request is the ROI of D&I.

To address these needs, we've expanded AMDC beyond being just the American Mortgage Diversity Council. We've added the American Mortgage Diversity Community, which is an individual-level membership. Last year, we launched the American Mortgage Diversity Certification. Together, these form AMDC—cubed.

The individual member receives access to the certification and most benefits, including the ability to serve on the Advisory Council and AMDC committees.

The certification focuses on three areas of DEI: the internal initiatives; external initiatives, such as capturing more market share by reaching diverse groups and speaking to them more; and the "why" of DEI—the authentic reasons behind the movement and how to live them out within your work and personal life. The first certification class was hosted at the 2022 Five Star Conference in Dallas, Texas.

This year, we are focusing on incorporating AMDC into the other realms of the Five Star Institute—our Legal League and FORCE membership groups, our webinars, panels, and more. Instead of being a separate entity, AMDC's work is now woven into every aspect of the Five Star Institute. While cutbacks are requiring many companies to reduce resources for DEI, we want to use our influence to fill that gap and provide the information and community that will foster DEI throughout the mortgage industry.

Some new initiatives include AMD Community Conversations and AMD Certification OnDemand. Starting in June, we will be inviting members of AMDC to a virtual conversation, occurring monthly, that will provide an opportunity for discussion, sharing of best practices, and a community of support. In July, we will be launching the AMD Certification OnDemand, allowing members to take the certification even if they do not have time to join the in-person course at this year's Five Star Conference.

FROM THE CHAIR

Dear AMDC Readers:

I hope this letter finds you in good health, in high spirits, and having lovely spring weather. As you may know, June is National Homeownership Month, and I feel now is a great time to remember why homeownership is so important in our lives. Not only is homeownership a key component of the American Dream, but it also provides much-needed stability to our communities and neighborhoods. As we enter the busy spring and summer house hunting and purchasing season, let us all remain mindful of the diverse consumers we are helping turn the key to their new homes. Let us come together as a community to support aspiring homeowners, provide resources for first-time buyers, and promote fair and equitable housing opportunities for all.

We have had much excitement at AMDC over the last quarter. First, I want to shout out the newest members of our AMDC Advisory Council: Jose Morin from Brace, Victoria De Luca from Guild Mortgage, and Toniqua Green from Mr. Cooper. We are thrilled to have your talents and input on our council. Another huge THANK YOU to our previous and current AMDC members. We appreciate your time, service, and dedication to advancing diversity within our industry.

AMDC had the opportunity to team up with Legal League to host a webinar last month that focused on ESG and DEI. I was honored to moderate this webinar, and I was joined by esteemed panelists Candice Russell, VP, Carrington Mortgage; Brian Vaughn, Director of Marketing, McCalla Raymer Leibert Pierce, LLC; and our very own Michael Ruiz, Director, Supplier Diversity, Fannie Mae. Incredible information was shared, and we had engaging dialogue with the attendees as well. Thank you to all who attended and asked such insightful questions!

As a reminder, the Five Star Conference and Expo will be held from September 18-20 in Dallas, Texas. DEI topics will be interwoven throughout the conference, and it is sure to be an educational and fun event! This year's theme is "Built to Last," which embodies our commitment to enduring excellence and our collective effort to evolve and adapt for 20 more years of success. If you are interested in attending, you can register here.

In closing, I would like to offer a heartfelt thank you to each one of you that reads this newsletter and continues to be committed to diversity, equity, and inclusion in our industry. It takes all of us, working together, to make a difference, and with committed partners, the change we all want to see is well on the way.

Sincerely,

Tai R. Christensen
Chair of the
AMDC Advisory Council

INDUSTRY INSIGHTS

Black Homeowners Experience the Smallest Wealth Gains Nationwide

Homeowners were able to accumulate over $120,000 in wealth in the last decade, according to a new report from the National Association of Realtors, while Black homeowners experienced the smallest wealth gains among any other racial or ethnic group.

While homeownership inequality persists nationwide, a new housing report by the National Association of Realtors revealed that middle-income homeowners accumulated an estimated $122,100 in wealth as their homes appreciated by 68% in the last 10 years. The report, *Wealth Gains by Income and Racial/Ethnic Group*, examines the path to building generational wealth.

While not everyone has the same opportunities for homeownership, data show substantial variations and inequalities in homeownership rates across different income and racial and ethnic groups. For instance, low-income homeowners were able to build $98,900 in wealth in the last decade from home price appreciation only, while upper-income households saw an increase of roughly $150,800.

"This analysis shows how homeownership is a catalyst for building wealth for people from all walks of life," said Lawrence Yun, NAR's Chief Economist. "A monthly mortgage payment is often considered a forced savings account that helps homeowners build a net worth about 40 times higher than that of a renter."

Although Black homeowners experienced the smallest wealth gains among any other racial or ethnic group, these owners were able to accumulate over $115,000 in wealth in the last decade. For the first time in this report, NAR identified the top 10 U.S. metro areas which have recorded the largest wealth gains for Black homeowners over the last 10 years.

Black households in Bellingham, Washington; Ocala, Florida; Palm Bay, Florida; Modesto, California; Greeley, Colorado; and Charleston, South Carolina were among the areas where more than 60% of Black households own their home. Homeowners in these areas were able to accumulate more than $125,000 in wealth in the last decade.

Along with the wealth gains accumulated in the last decade, homeowners also saw their debt drop by 21%. Many homeowners who were able to refinance and secure a rate lower than 4% in the months following the onset of COVID-19 may have paid off an even larger amount of their mortgage, Yun noted.

"Your neighborhood Realtor is a champion able to help you achieve the dream of homeownership," said NAR President Kenny Parcell, a Realtor from Spanish Fork, Utah, and a broker-owner of Equity Real Estate, Utah.

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AMDC MEMBER SUCCESS STORIES

Aspen Grove Solutions

- Celebrated 25 years in business serving the mortgage industry, bringing new and innovative solutions. At a critical time for the industry, Aspen is privileged to help our servicers minimize risks and losses from non-performing loans while increasing retention and revenue from performing loans.
- Launched our Collections module, which eliminates manual checklists and improves compliance while shortening call times and systematically guiding operators through dynamic call flows, resulting in a 70% reduction in call wait times, a reduction in call times by 45%, and elimination of up to 60% of calls.
- Launched our Loss Mitigation module—automated rules and processes guide operators and borrowers to the best outcome for all parties while increasing productivity by up to 50%.
- Launched our new-look website at aspengrovesolutions.com.

Fannie Mae

Fannie Mae's repair strategy supports affordable housing inventory. Fannie Mae's Single-Family Real Estate team delivers significant results by supporting homeownership and preservation of affordable housing stock by repairing most of the REO homes we acquire. In 2022 alone, this work resulted in the sale of over 1,000 repaired properties, of which over 92% were sold to owner-occupant buyers who will occupy the home as their primary residence.

Fannie Mae's investment in renovating and repairing homes includes adding energy-efficient products to make the homes more sustainable for the new owners. Through the online real estate platform HomePath.com, Fannie Mae offers an exclusive 30-day First Look™ opportunity for owner-occupant buyers to purchase Fannie Mae properties without competition from investors.

Mr. Cooper

At Mr. Cooper Group, we continued to build upon our successes and celebrate many wins in 2022. We were certified as a "Great Place to Work" for the fourth year in a row, were named to the GPTW Best Workplaces in Texas and Best Workplaces in Financial Services lists, and leaders and initiatives from across the company were recognized with various industry award wins from *HousingWire* Tech100 to the *HousingWire* Vanguard Award. Additionally, we are proud to participate in the Homeowner Assistance Fund Program with more than $100M in funds distributed to customers to date, and to be recognized as Fannie Mae STAR performer for an eighth time and a Freddie Mac RISE award winner for a second year in a row.

Safeguard Properties

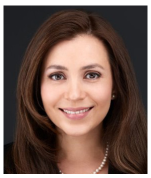
At Safeguard Properties, we were pleased to welcome the return of the National Property Preservation Conference in 2022. After two long years, it was wonderful to see members of the property preservation industry return to Washington, D.C., with us! NPPC 2022 was a huge success, from gathering at the International Spy Museum to celebrate the conference kick-off to lively discussions throughout various sessions. We are looking forward to seeing everyone back in D.C. for NPPC 2023 (be on the lookout for details in the coming weeks)!

Tai Christensen, AMDC Chair—Recent Accomplishments

- Named Chair of AMDC
- Co-Founded Arrive Home, a national down payment assistance social enterprise
- Winner of the 2022 Thought Leader Award for Progress in Lending
- Board Member, Axis Lending Academy

Meet the New Members of AMDC's Advisory Council

Meet **Victoria Garcia DeLuca**, VP, Marketplace Diversity Strategy



Victoria Garcia DeLuca is Guild's first VP of Marketplace Diversity Strategy, leading the company's long-term initiatives promoting minority homeownership and sustaining diversity, equity, and inclusion in lending. Her responsibilities include recruiting and retaining minority loan officers, developing new products for minority markets, and serving as a liaison with Government-Sponsored Enterprises such as Fannie Mae and Freddie Mac. She leads Guild's participation in the National Association of Hispanic Real Estate Professionals (NAHREP) and the National Association of Minority Mortgage Bankers of America. She also serves on NAHREP's Corporate Board of Governors and represents Guild with the Mortgage Bankers Association's "Home for All Pledge," the industry's long-term commitment to addressing racial inequities in housing.

A Chicago native of Mexican and Honduran descent, DeLuca is bilingual, speaking both English and Spanish. She has almost 20 years of experience in the mortgage industry, creating programs for underserved markets in the Midwest and South. She previously served as SVP of Federal Savings Bank, where she led a team supporting homeownership within Hispanic and black communities. She was also a sales manager with Wintrust Mortgage and a sales manager and Diverse Segment Specialist with Wells Fargo.

Why She Is Committed to DEI and AMDC

As someone who is committed to creating a more equitable and inclusive society, I strongly believe that Diversity, Equity, and Inclusion are not just nice to have but are critical components of any successful organization. In the context of the American mortgage industry, DEI is especially important because it impacts the ability of individuals and families to access safe and affordable housing.

I am committed to the American Mortgage Diversity Council because I believe that this organization has the potential to drive meaningful change in the industry. By bringing together leaders from across the industry to share best practices, advocate for policy changes, and promote diversity and inclusion, the council has the potential to make a real impact on the lives of people across the country.

Ultimately, my commitment to DEI and AMDC is rooted in my belief that we can and must do better. By working together and prioritizing diversity, equity, and inclusion, we can create a more just and equitable society where everyone has the opportunity to thrive.

Meet **Toniqua Green**, VP, Corporate Social Responsibility, Mr. Cooper

Toniqua Green serves as VP of Corporate Social Responsibility for Mr. Cooper Group, overseeing Diversity Equity & Inclusion, Community Outreach & Environmental, Social, and Governance (ESG) matters. As the leader of Corporate Social Responsibility, she has oversight of community partnerships, outreach efforts, and government-sponsored initiatives. She has been with Mr. Cooper for 16 years and began her career in the call center. She has worked in collections, loss mitigation, foreclosure, and compliance before pivoting to Corporate Social Responsibility, where she uncovered her passion.

In her current role, she assists borrowers experiencing financial hardship "to keep the dream of homeownership alive" by partnering with government and community partners on Mortgage Assistance Programs. She holds an M.Ed. from the University of Phoenix in curriculum design and instruction.

Why She Is Committed to DEI and AMDC

I love that AMDC is helping our industry enhance, embrace, and educate people on Diversity, Equity, and Inclusion. I am so passionate about DEI because I know we are truly better together. I am honored to be a part of both Mr. Cooper and AMDC/DEI journeys.

Meet **Jose Morin**, VP, Servicing, Brace

Jose Morin is a seasoned mortgage servicing professional currently serving as VP of Servicing at Brace. In this capacity, he plays a pivotal role in supporting the Product Discovery team by improving their understanding of the mortgage servicing ecosystem, ideating innovative solutions to address its pain points, and ensuring the delivery of high-quality features that conform to all necessary regulations.

Committed to diversity, equity, and inclusion, Morin has a proven track record of promoting a workplace culture that values and respects individual differences. Before joining Brace, he demonstrated his expertise in leading multiple mortgage default teams during the Great Recession, growth in businesses, and the COVID-19 pandemic while working at two of the industry's largest banks/subservicers. His professional background includes a diverse range of experience, including loss mitigation, default contact center operations, default reporting, foreclosure, and bankruptcy.

Throughout his career, Morin has been passionate about building human-driven processes and leveraging cutting-edge technology solutions to optimize performance and exceed industry expectations. He understands the importance of creating an inclusive workplace that values diversity and empowers all employees to contribute to the organization's success.

Why He Is Committed to DEI and AMDC

As a second-generation Latino, I understand the importance of promoting diversity, equity, and inclusion in the mortgage servicing industry. A diverse workforce that is inclusive of all races, genders, and backgrounds can drive innovation, promote better decision-making, and ultimately lead to improved business outcomes. Additionally, promoting equity and inclusion can help address historical disparities in the industry and ensure that all borrowers are treated fairly and given equal access to mortgage products and services.

Joining the AMDC is an excellent way for me to demonstrate this commitment and actively work towards creating a more diverse and inclusive industry. AMDC provides a platform for mortgage industry professionals to share best practices, network, and collaborate on initiatives aimed at promoting diversity, equity, and inclusion. By joining AMDC, I and other mortgage servicing professionals can help lead the way toward a more equitable and inclusive industry for all.

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"Homeownership helps create long-term wealth and financial stability for your family and future generations."

No matter the income level, owners who live in expensive metro areas experienced the largest wealth gains. In the San Jose metro area, low-income owners have accumulated nearly $630,000 in the last decade, and middle-income owners gained $643,000. All of the top 10 areas with the largest wealth gains for low-income owners—surpassing $290,000—were located in California.

In the top 10 areas with the highest homeownership rates for middle-income households, owners gained $110,000 in wealth on average in the last 10 years. In Ogden, Utah, for example, with 85% of the middle-income households owning their home, homeowners have built nearly $220,000 in wealth in the last decade.

Some significant areas to note include Port St. Lucie, Florida, where the homeownership rate for middle-income households was 83%, and middle-income owners gained nearly $200,000 in wealth. The metro areas of Barnstable Town, Massachusetts, and Palm Bay, Florida were some other areas where most middle-income households own their home and accumulated a substantial amount of wealth—over $170,000—in the last decade.

Respectively, in the areas with the highest homeownership rates for low-income households, wealth gains were $140,000 on average. In Prescott, Arizona, while more than 2 out of 3 low-income households (68%) own their own home, owners have built more than $200,000 in wealth in the last decade. Barnstable Town, Massachusetts, as well as the Florida metro areas of North Port, Port St. Lucie, Palm Bay, and Deltona, were other areas where most low-income households owned their home and accumulated a substantial amount of wealth—over $120,000—in the last decade.

While homeownership should be easily accessible to all, factors such as race and gender still pose a challenge.

While homeownership should be easily accessible to all, factors such as race and gender still pose a challenge. Home price appreciation and wealth gains among ethnic and racial groups still have a large gap to fill.

INDUSTRY INSIGHTS

Renters of Color Experience a Pricier Application Process

A new Zillow report revealed Black, Latinx, and Asian American Pacific Islander renters reported paying security deposits and application fees an estimated 43% higher than those paid by white renters.

As affordability constraints persist nationwide, upfront costs for renting can be a major burden that could put the cost of moving for many out of reach. New research shows renters of color are more likely to report paying these upfront costs, and oftentimes, the fees are even higher.

According to Zillow's Consumer Housing Trends Report, the typical Black, Latinx, and Asian American Pacific Islander (AAPI) renter all reported spending $50 per rental application while white renters reported paying $35.

Zillow data indicates that the average renter who used Zillow Applications in 2022 applied for at least three rentals. The typical (median) recent renter submitted 2 applications. For those that paid an application fee (68%), the typical amount was between $40 and $59. Most recent renters (87%) also reported paying a security deposit—typically $500 to $999 among renters that paid one. Application fees and security deposits follow many similar trends: renters in urban and suburban areas, renters of color, younger renters, and renters in regions with the most expensive rental markets are all more likely to pay an application fee and/or a security deposit, and those upfront costs tend to be higher.

In addition to the higher amount spent, Black and Latinx renters were nearly twice as likely to report submitting five applications or more before securing a rental. Some 38% of Black and Latinx renters report submitting five or more applications, compared to 21% of white renters.

"Monthly rent prices are nearly the highest they've ever been, and unfortunately for so many people, finding a place to rent comes at an even higher cost," said Manny Garcia, a population scientist at Zillow. "We so often hear about the benefits of renting and the flexibility it offers, but disparities persist, and many renters of color aren't granted the same mobility as others because of higher upfront costs."

Application fees are not the only upfront costs to consider when renting. Once a rental is secured, nearly 85% of renters report putting down a security deposit. In 2022, the typical security deposit reported was between $500 and $999. This means that for renters who are already struggling financially, such as the 38% who said they couldn't afford an unexpected expense of $1,000 in 2021, security deposits could be a significant obstacle to signing a new lease.

The financial burden is often greater for renters of color, who are more likely to report paying a more expensive security deposit: 39% of Latinx and 43% of AAPI renters paid at least $500 for their deposit, and 22% of Latinx and 30% of AAPI renters paid at least $1,000. Given these affordability constraints, renters need to be aware of their rights in the communities where they are searching.

Just over half of renters are non-Hispanic white or Caucasian (56%), smaller than the overall share of the U.S. adult population that is white (63%). Meanwhile, some 12% of U.S. adults identify as non-Hispanic Black or African American, while 20% of overall renters are Black. The largest share of renters lives in the South (39%), followed by the West (25%) and Midwest (21%). The smallest share lives in the Northeast (15%).

The financial burden is often greater for renters of color, who are more likely to report paying a more expensive security deposit.

Renters tend to have lower incomes than the U.S. population overall. The annual median household income among renters is approximately $42,500, compared to the overall national median of $67,500. Renters also tend to have a similar level of education to the overall population of U.S. household decision makers, as some 36% of renters have at least a four-year degree—similar to 34% of overall U.S. household decision makers.

When asked how far they moved, the largest share of recent renters said they stayed in the same city but changed neighborhoods (40%). About one in ten (11%) reported staying in the same neighborhood. The smallest share (3%) moved from abroad.

INDUSTRY INSIGHTS

LGBTQ+, Black, and Indigenous Homebuyers Burdened by Mounting Costs

A new study from Realtor.com revealed LGBTQ+ and BIPOC are more likely to put smaller down payments on a home and spend more of their income on homeownership.

Housing affordability remains near all-time lows and is a challenge for many homebuyers of all races, orientations, and genders. According to new survey data from Realtor.com, recent LGBTQ+ and BIPOC (Black, Indigenous, and people of color) homebuyers are going into homeownership weighed down and more burdened by housing costs than white and non-LGBTQ+ individuals.

Lower down payment, higher sales price, and loan denials create a cost crunch for communities challenged by lower incomes

April is Fair Housing Month, and it creates an opportunity to shine a light on the need to create more equitable housing opportunities and access for all individuals. Realtor.com's data shows that LGBTQ+ and BIPOC homebuyers are more likely to put smaller down payments on a home, with nearly two-thirds (65%) putting down 20% or less of a home's purchase price when buying compared to about half (53%) of white, non-LGBTQ+ homebuyers.

LGBTQ+ and BIPOC homebuyers were also nearly 9% more likely to pay over a home's asking price to get their offer accepted: 86% paid over asking compared to 79% of white and non-LGBTQ+ individuals.

A smaller down payment on top of an above-asking home price generally equates to a higher interest rate and monthly mortgage payment, and that means LGBTQ+ and BIPOC homebuyers are likely to pay a larger share of their income toward housing than other homebuyers. That's especially challenging for budgets, as a higher percentage of LGBTQ+ and BIPOC homebuyers were also more likely to fall into lower income groups than white and non-LGBTQ+ homebuyers. Realtor.com also found that LGBTQ+ and BIPOC homebuyers face challenges during the mortgage process and are 1.7 times more likely to have been denied mortgages two or more times.

"More Americans than ever before are stretched thin because of the growing housing cost burden, but our data shows that LGBTQ+ and BIPOC homebuyers are potentially spending even more of their income to own a home of their own, which can make it difficult to afford other essentials like food and transportation and creates even greater inequalities," said Laura Eddy, Realtor.com VP of Research and Insights. "With the rising costs of homeownership taking a greater toll on budgets, resources like down payment assistance can help reduce the overall financial burden of buying a home and make it more accessible to a wider range of individuals."

Down payment assistance helps reduce the upfront costs of buying a home

To help address the homeownership disparity in America, Realtor.com teamed up last year with the Homeownership Council of America to donate to and raise funds for HCA's Equity Down Payment Assistance Fund, which helps make owning a home more accessible for BIPOC and low-to moderate-income homebuyers. Since its inception, the Equity Down Payment Assistance Fund has already helped several buyers close on a home, including Jose, a Mexican American from the Los Angeles area. Jose is a first-generation homeowner and is proud and excited to be celebrating the magic of many "first" experiences, like celebrating the holidays with his daughter for the first time in their own home.

"I believe there is a huge problem with the homeownership gap and the effects of those gaps go on for generations," said Jose. "Being the first one in my family to purchase a home is definitely a proud moment—I get choked up thinking about it because my parents came to this country with a dream. Having a home of my own felt like freedom."

There are 5.37 million Americans who qualify for down payment assistance, according to the Urban Institute, but data from the National Association of Realtors shows only 3%–4% of recent homebuyers have taken advantage of these programs when buying a home. Realtor.com aims to raise awareness of down payment assistance programs and other tools to help address the homeownership disparity in America.

"At Realtor.com, we believe the dream of homeownership should be achievable by all, but inequality and a history of discriminatory housing policies have made it harder for BIPOC and LGBTQ+ individuals to overcome housing hurdles, and since housing is a predominant way to build wealth, that's led to a significant wealth gap across generations," said Mickey Neuberger, CMO, Realtor.com. "Reducing unfair housing cost burdens and giving greater access to communities who have been locked out of homeownership opportunities can help address that gap, and it's why we're joining forces with others in the industry and bringing new tools and resources to more individuals to help lift their financial strain."

Helping Close the Homeownership Gap for Black and Hispanic Households

According to a new report from the Joint Center of Housing Studies, households of color are disproportionately excluded from the many potential financial and social benefits of homeownership, representing the persistently wide homeownership rate gaps between Black, Hispanic, and white households.

The persistently wide homeownership rate gaps between Black, Hispanic, and white households mean that households of color are disproportionately excluded from the many potential financial and social benefits of homeownership, according to a new study from Harvard's Joint Center for Housing Studies. Senior Research Associate Daniel McCue and Managing Director Chris Hebert discuss the details of the racial disparities between households of color in their latest study.

These inequalities are the result of past and present racist policies and practices that specifically excluded non-white households from owning homes and addressing them calls for new policies and programs to support homeownership for these historically disadvantaged households. Downpayment assistance is one such program that has the potential to overcome a lack of savings and intergenerational wealth, which is one of the most significant barriers to buying a home and is a consequence of the historical barriers to homeownership among people of color.

There has been growing interest in expanding downpayment assistance efforts, with a notable example being the Downpayment Toward Equity Act proposed in 2021 (but as yet unpassed) which proposes up to $25,000 in assistance for first-generation homebuyers. In our new working paper, "How Much Can Downpayment Assistance Close Homeownership Gaps for Black and Hispanic Households?", we assess how many Black and Hispanic renters could purchase a home in their market area with this level of assistance to meet the need for cash at closing.

A lack of savings is just one of many barriers facing Black and Hispanic households looking to buy a home. Low incomes, low credit scores, and lack of familiarity with the homebuying process are other barriers, in addition to the limited availability of affordable homes for sale across the U.S.

However, the data available from the U.S. Census Bureau's American Community Survey used in our study does not include credit histories or wealth. Consequently, our paper focuses on a single barrier—monthly income levels—as a limiting factor in how much downpayment assistance could increase Black and Hispanic homeownership rates. The goal is to evaluate how much of the current shortfall in homeownership relative to white households might be closed through such a program and in which geographic areas it would be most effective. We limit gains in Black and Hispanic homeownership to match white homeownership rates by income in recognition that not all renters would want to buy a home and the white rate represents a reasonable expectation for a target rate for renters of color.

Employing standard underwriting assumptions for a mortgage backed by the Federal Housing Administration, we find that $25,000 in assistance would be enough to cover the required 3.5% downpayment on a home priced at 80% of the median home price in every state except Hawaii. We estimate this assistance could make homeownership possible for the 1.1 million income-ready Black and Hispanic renter households aged 25-55 who have the income needed to cover monthly mortgage payments on a moderately priced home in their state.

If each of these 700,000 Black and 400,000 Hispanic households were to purchase a home, Black and Hispanic homeownership rates among this age group would rise by 8.0 percentage points and 3.2 percentage points, respectively. These significant increases would not, however, eliminate the wide Black-white and Hispanic-white homeownership rate gaps of 31.8 and 20.6 percentage points, respectively.

Even after capping potential homeownership rates of higher-income households, more than half (59%), or 630,000 of the 1.1 million income-ready Black and Hispanic renters, have incomes of 120% of area medians or higher.

Note: Total income-ready Black and Hispanic renters are those aged 25-55 who could afford monthly homeowner costs on the moderately priced home in their state without spending more than 31% of income on housing costs after having received $25,000 in downpayment assistance. The capped income-ready estimate limits the number of renters who would buy to the level that would eliminate homeownership rate gaps with white households at each income level within each state.

The potential impact on Black and Hispanic homeownership rates would vary by state. The shares that are income-ready for homeownership range from a high of 24.5% in Mississippi down to a low of just 1.3% in California. In general, states where the highest shares of Black and Hispanic renters are income-ready for homeownership have relatively low home prices and high shares of middle-income Black and Hispanic renter households. States with the lowest shares of income-ready Black and Hispanic renters have relatively high home prices and relatively high shares of Black and Hispanic renter households with very low incomes.

The potential to narrow homeownership rate gaps among white households would also be mostly among higher-income households. This is particularly true in high-cost coastal states like California and Massachusetts. Specifically, Black and Hispanic renters earning less than 80% of AMI could afford a moderately priced home only in a small number of states, with the lowest home prices, whereas in high-cost states virtually all income-ready households would need to earn over 120% of AMI.

The intervention of $25,000 in downpayment assistance would go a long way toward removing a significant barrier to Black and Hispanic homeownership and could increase Black and Hispanic homeownership by 1.1 million households, which would narrow Black-white and Hispanic-white homeownership rates by 8.0 and 3.2 percentage points. Flexible financing would enable some additional households to own homes, but the impact of any downpayment assistance effort on homeownership rate gaps would be limited by the high share of Black and Hispanic renter households whose incomes still would not support ongoing monthly homeownership costs. The analysis does, however, suggest the potential benefit of downpayment assistance programs to higher-income Black and Hispanic households—those earning 80%-120% of the area median and higher—for whom barriers other than income are the main deterrent to homeownership. Shared equity programs and special purpose credit programs able to direct benefits to Black and Hispanic households as disadvantaged groups are additional pathways for downpayment assistance programs to increase homeownership sustainably.

Home Values in Majority-White Neighborhoods Rising Faster Than Communities of Color

According to a new study from Harvard's Joint Center for Housing Studies, research highlighted how home values in majority-white neighborhoods have risen much faster than those in neighborhoods of color, as common trends in lower-income neighborhoods such as gentrification and displacement persist.

As the housing market remains overheated, gentrification persists and is growing, worrying many Americans. A new study from Harvard's Joint Center for Housing Studies (JCHS) revealed disinvestment and decline remain surprisingly common in lower-income neighborhoods.

New data revealed that between 2000 and 2021, the number of high-poverty census tracts in the United States—those with poverty rates over 20%—grew more than 50%, from 13,400 to 20,241 tracts. Many of these declining communities are concentrated in the post-industrial Midwest, the Northeast, and slow-growth cities in the South. Due to the undoubtedly troubling history of racism, the majority of the residents in these declining neighborhoods are Black.

In "Housing in the Context of Neighborhood Decline," a new JCHS working paper and a chapter in *The Sociology of Housing: How Homes Shape Our Social Lives*, they discuss not only the extent and consequences of urban decline but also unanswered questions about housing in these neighborhoods.

It is argued that declining neighborhoods warrant greater attention, and that practitioners and policymakers can better understand housing inequalities through the lens of decline. JCHS Postdoctoral Research Associate Christine Jang-Trettien and Postdoctoral Fellow Sharon Cornelissen argue that declining neighborhoods create unique contexts for housing markets. These neighborhoods often invite distinct institutional responses from local governments but also give rise to informal housing practices.

The lens of decline can enrich our understanding of housing in three ways:

1. Housing precarity unfolds differently amidst a decline

While talking about eviction, forbearance, and foreclosures as part of national trends, local neighborhood trajectories impact the type and incidence of housing precarity. For instance, in his book Evicted, Matthew Desmond famously teaches about the national eviction crisis through his study of inner-city Milwaukee. But one may learn new things about how and why evictions happen if one explicitly considers Milwaukee's experience of post-industrial decline. Landlords make different investment and eviction decisions in the context of a poorly maintained housing stock, weak demand for housing, and depressed property values. For example, Eva Rosen and Philip Garboden show that landlords often invest resources in "training" tenants to conform to mainstream notions of self-reliance. They also use the threat of eviction to gain leverage over tenants. The training and threats of tenants are presumably more likely to occur in neighborhoods where new tenants are harder to recruit. Phenomena like housing loss and eviction happen differently in declining neighborhoods.

2. Decline has shaped racial inequalities in neighborhoods and housing

Historically, urban decline has disproportionately impacted Black neighborhoods, especially in the Midwest and Northeast. Black homeownership rates have been among the lowest in highly segregated, post-industrial Northern cities, including Albany, Syracuse, Minneapolis, and Milwaukee. Recent research has also highlighted how the values of homes in majority-white neighborhoods have risen much faster than those in neighborhoods of color. As the economic fortunes of many Black Americans remain tied to post-industrial cities in the Northeast, Midwest, and South, the ongoing decline and disinvestments in many of these places perpetuate racial inequalities.

3. Decline is an ongoing reality for many disinvested cities, including as shaped by climate disasters and socio-political transformations

Nationally, the urban decline reached its peak between the 1960s and 1980s, when politicians and journalists declared an "urban crisis." Nowadays decline has become more regional. Beyond major cases like Baltimore and Detroit, the decline impacts many medium-sized to small cities, such as Gary, Indiana, East Cleveland in Ohio, and Prichard, Alabama.

The decline today is also triggered by events such as COVID-19—which changed where Americans live and work—and climate change. A recent analysis of Census data found that the wildfire-affected Paradise, California lost 82% of its population from 2000 to 2020. Still reeling from the impacts of Hurricane Katrina, New Orleans lost 21% of its population over that same period.

Promising Areas for Studying Housing Decline and Policy Responses

Even as the urban decline is ongoing and ever-changing, most research on declining neighborhoods is from the 1960s to the 1980s. These past insights need to be revisited to adjust for recent political, economic, and demographic changes.

Researchers should examine the policies and practices of local governments. For example, the way local governments deal with tax delinquencies, code enforcement, and abandoned properties has significant consequences for local housing markets. Facing similar dynamics of decline, municipalities can learn from the mistakes and best practices enacted elsewhere. Research on Detroit's property tax assessments, for instance, concluded that the city continued to over-assess the lowest-valued homes, even after a 2017 city-wide adjustment. Inflated property taxes in struggling housing markets may be a nationwide problem that disproportionally burdens lower-income homeowners and increases foreclosure risks. Moreover, lessons from Massachusetts highlight how policy responses to decline can also be sought through collaboration at the state level, such as through the official designation of "Gateway Cities," a set of post-industrial, lower-opportunity cities that have been earmarked for additional public funding and investments, and which designation has fueled best-practices sharing between similarly positioned municipalities.

Moreover, Americans should look at the role of homeowners and investors, how they make decisions, and how they grapple with the emergence and prevalence of informal housing markets. A recent Pew Study showed that approximately 1 in 5 home borrowers used alternative financing to buy a home at least once in their adult lives, making alternative financing a highly understudied topic. Other studies have shown that alternative financing is more prevalent in lower-income Black and Hispanic neighborhoods. Alternative financing may include seller financing and its variations but may also include private loans.

For borrowers, alternatives such as seller financing provide flexibility and can reduce transaction costs associated with buying a home. However, alternative financing methods vary widely in terms of interest rates, hidden costs, and when legal title transfers to the buyers. This inconsistency and lack of regulation can put buyers at greater risk of predatory practices. Yet cash purchases or alternative financing are often the only options in declining neighborhoods where property values are too low to attract lenders' interest. Regulations to protect borrowers against unscrupulous actors and to expand Community Reinvestment Act obligations to underbanked areas represent key areas of policy development.

Pay attention to how residents experience living in declining neighborhoods, and what meanings they attach to their homes and communities. Many declining cities have adopted "creative place-making" strategies, using grant-funded arts and culture projects to attract new investors and middle-class residents to struggling downtowns. But policymakers and practitioners can benefit from a better understanding of the points of view of residents. Listening to local perspectives can help mitigate the ongoing departures and displacement of long-time residents while bringing to the fore the distinct strengths and identities of each place.