



What's Behind the Black-White Homeownership Gap in Philadelphia

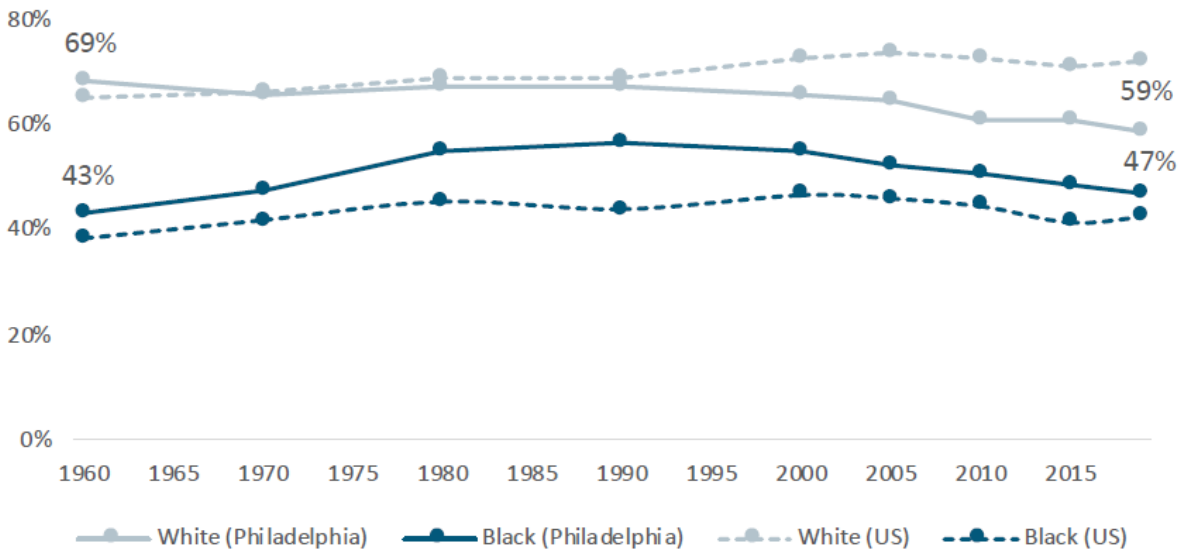
Lei Ding, May 12, 2022

Racial Equity of Homeownership

- Homeownership remains an important means of building wealth. Accumulated wealth provides financial security and often determines the life-long opportunities for homeowners.
- A research brief with Jacob Whiton and Theresa Singleton
 - “*What’s Behind the Racial Homeownership Gap in Philadelphia?*”
- Major findings
 - Significant disparities in homeownership access and performance between Black and White Philadelphians
 - Black-White homeownership gap is associated with the legacy of historical discrimination and longstanding inequalities
 - Solutions need to address both the immediate needs of current/aspiring homeowners, as well as structural barriers in the labor and housing markets

Overall Trend

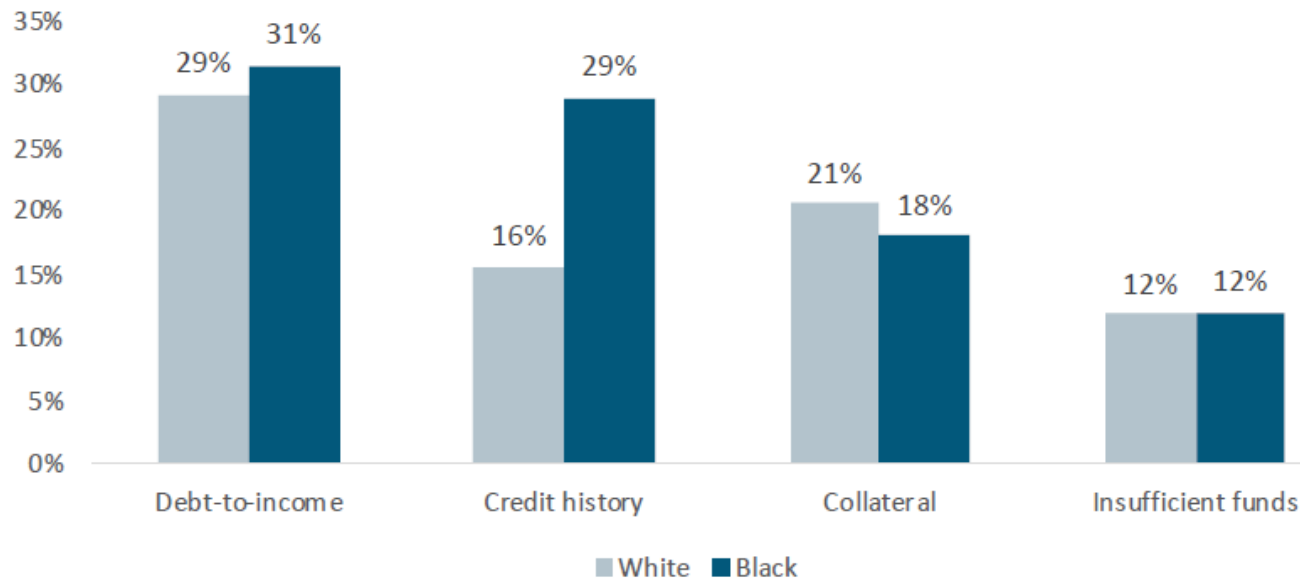
Figure 1. Homeownership Rate in Philadelphia and in the U.S. by Race-Ethnicity, 1960–2019



- Declining Black homeownership rates in Philadelphia in recent decades
- A persistent and slightly widened Black-White homeownership gap

Access to Credit

Figure 5. Share of Denied Mortgage Applications by Reason for Denial in Philadelphia by Race, 2020



- Black mortgage applicants were **2.7 times more likely** to be denied by lenders than White applicants
- Black applicants were even more likely to be denied because of limited credit histories and low credit scores

Legacy of Historical Redlining

Figure 7. Mortgage Denial Rate in Philadelphia by Tract HOLC Grade and Race, 2020

	Census tract HOLC grade		
	A&B	C	D
White	6.5%	6.6%	5.1%
Black	13.6%	17.3%	17.1%

Note: Restricted to first lien home purchase loan applications originated, approved but not accepted, or denied.

Source: Authors' calculations using 2020 public HMDA data.

Previously redlined neighborhoods have experienced significant changes; on average, however, they still:

- have higher mortgage denial rates for Black applicants
- have a larger Black-White gap in denial rates
- struggle economically (higher poverty rates, lower income, and lower homeownership rates).

Affordability

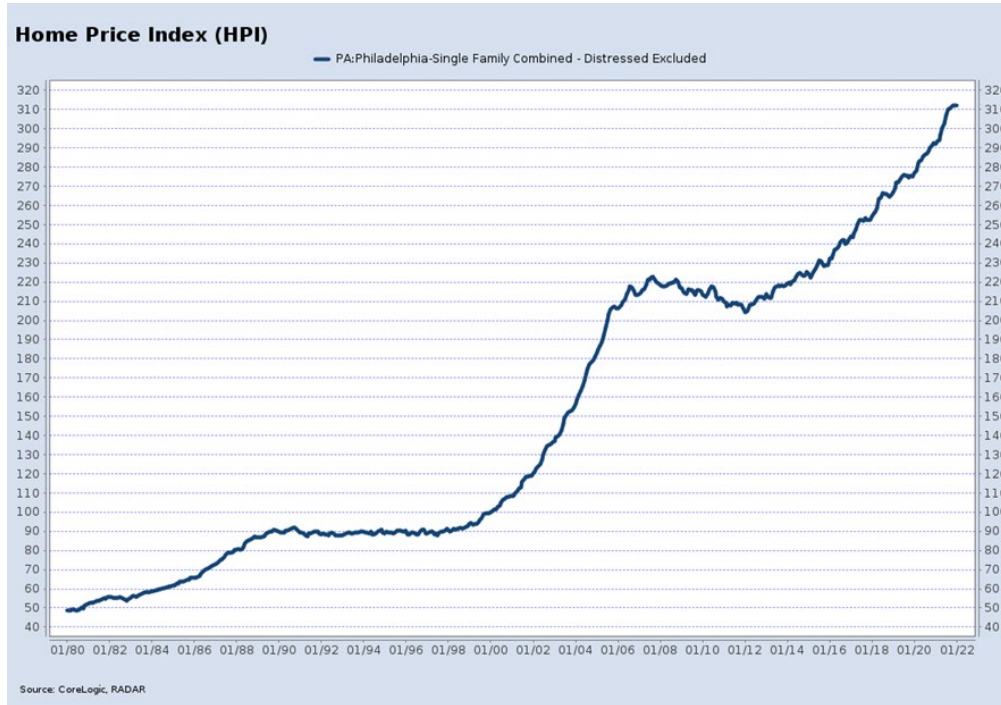
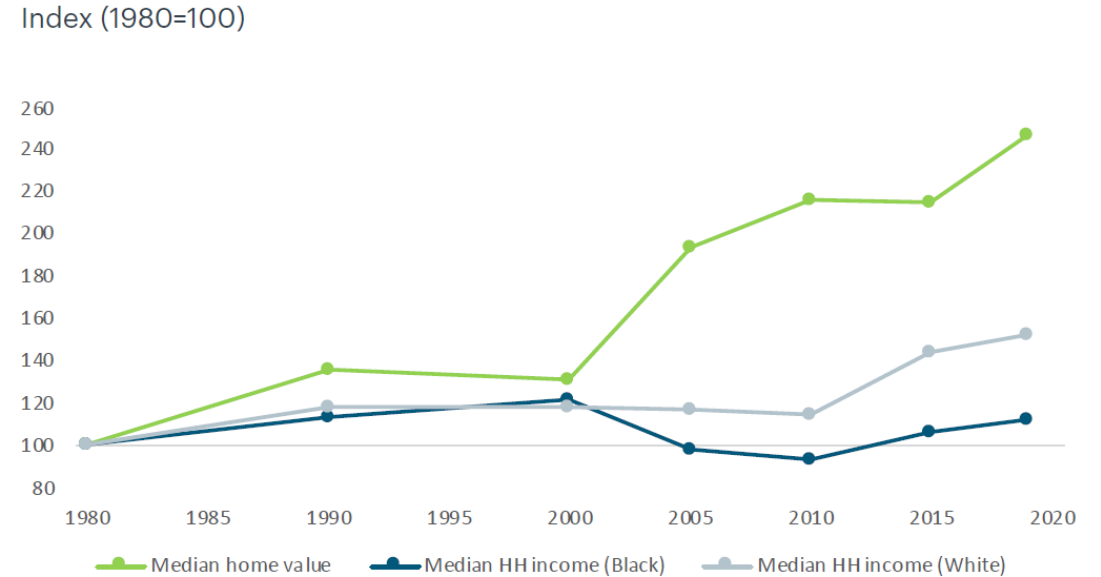


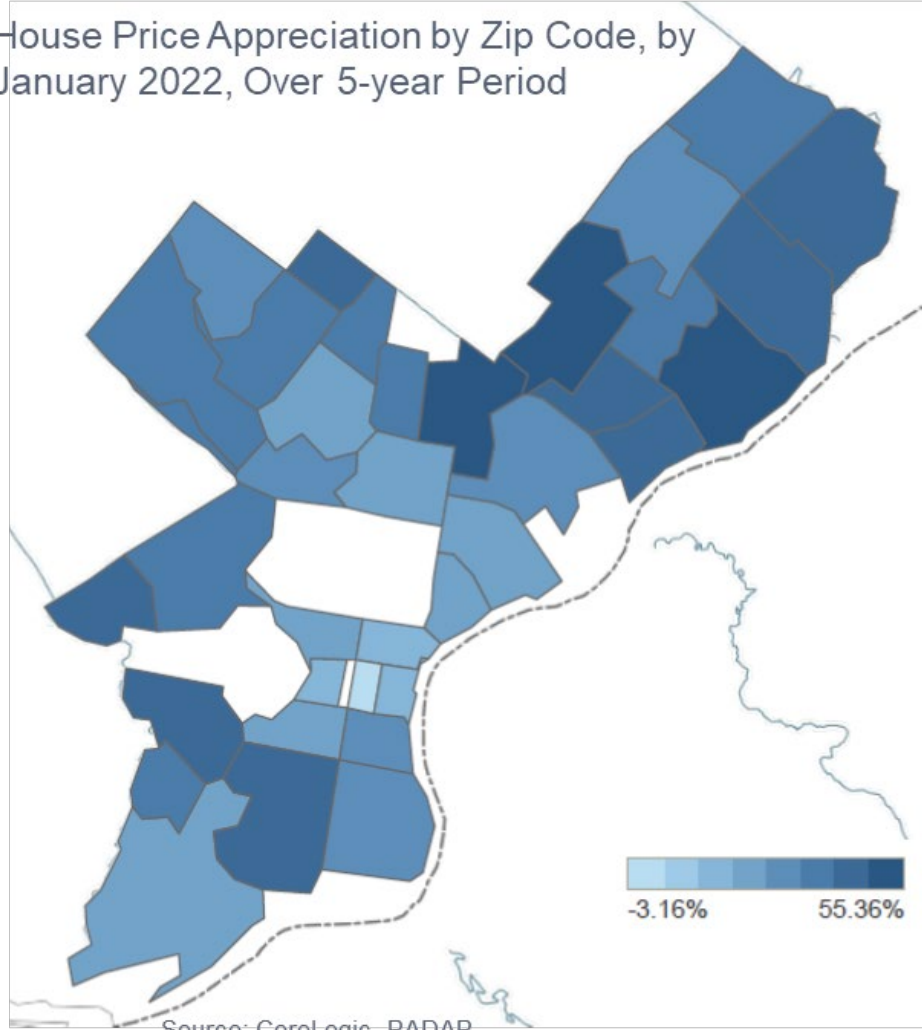
Figure 3. Growth in Real Home Values and Household Incomes in Philadelphia by Race-Ethnicity, 1980–2019



- While housing prices remain relatively low in Philadelphia, homes become increasingly less affordable for Black households.
- Falling homeownership rates have coincided with a period of rapid home value appreciation and more sluggish income growth for Black households.

Affordability: Recent Trend

House Price Appreciation by Zip Code, by January 2022, Over 5-year Period



Source: CoreLogic, RADAR

- Majority Black neighborhoods experienced similar level of price appreciations (single-family properties) in the past 5 years.

Direction for Future Research

- Understand challenges and opportunities in the post-COVID environment
 - Impact of recent housing price appreciation on homeownership opportunity
 - Changes in spatial preferences for working and residential choices
- Strategies that could help address immediate needs of current/aspiring homeowners
 - How to leverage/enhance new federal, state, and local housing programs
 - Strategies to preserve/increase supply of affordable homes
 - Strategies to fill gaps in financing for existing affordable homes (e.g. small dollar mortgages, home repair loans/assistance)
 - Strategies to empower borrowers by increasing access to credit for trustworthy borrowers (e.g. homeownership counseling, downpayment assistance, alternative credit risk measures...)
- Solutions to address the legacy of historical discrimination and structural barriers in the labor and housing markets

Relevant Events

May 17, Federal Programs

- Interagency Action Plan to Advance Property Appraisal and Valuation Equity (PAVE)
- FHFA's equity plans
- Special purpose credit programs
- GSE's new home renovation products and underwriting innovations
- Panel discussion by experts from PHFA, NFHA, Urban Institute, Penn IUR, and Citizens

July 12, State and Local Programs

- Agenda will be posted soon

A SERIES OF WEBINARS:
PART ONE FOCUSES ON FEDERAL PROGRAMS

Advancing Homeownership Opportunity to Narrow Racial Disparities

Tuesday, May 17, 2022
12:00 noon – 1:30 P.M.

[REGISTER NOW](#)

