REINVESTMENT FUND

PHFA
PA HOUSING FINANCE AGENCY

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Barriers to Homeownership

Observations on the Experiences of Prospective First-Time Homebuyers in the Commonwealth of Pennsylvania

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PA HOUSING FINANCE AGENCY

Robin L. Wiessmann
Executive Director & CEO

May 2022

Dear Friends of Affordable Housing:

In 2018, the Center for Investigative Reporting released its findings concerning the persistence of racial bias and discrimination in the mortgage lending market and highlighted Philadelphia as one of the most troubling cities. To help provide additional context for that work, PHFA contracted for a study of the homebuying process in Pennsylvania to determine if people of color and Whites had similar experiences when buying a home, or to reveal if there were biases that would make homeownership harder for any specific group of people. This report is the culmination of two years of investigation into this topic. During that time, the pandemic impacted the counseling and homebuying process for many, and it made this research more challenging to conduct. But one thing the pandemic did provide was the revelation of just how important stable, quality, affordable housing is to the well-being of all Pennsylvanians.

While homeownership has historically been held up as "the American dream," for minorities this is far from the reality of their experience. Owning a home has value beyond providing shelter. It also allows individuals and families the opportunity to build personal wealth as they make the monthly payments on their home loan. As real estate gains in value over decades, this, too, adds to a family's financial health. So, if part of our citizenry is being categorically discriminated against during the homebuying process, it not only denies them a safe roof over their heads, but it reduces their opportunity to raise themselves up financially.

As we release this report, it's important to note its discovery of differences in the homebuying process that create barriers to homeownership for people of color. The report demonstrates a persistent disparity that mortgage applicants of color experience getting credit and navigating the home purchase process as required by the mortgage lending industry. Through 40 detailed interviews with homebuyers, it identifies a set of disparities in the treatment of applicants of color that may be referred to as "micro-aggressions." The term suggests that the treatment differences are small, or micro. But they are real nonetheless and, because they are ubiquitous to the lending process, they exacerbate disparities between White buyers and buyers of color.

Understanding a problem is the first step to achieving meaningful change. Our responsibility now is to use these findings to educate others so that biases in the homebuying process can be exposed and eliminated. The Pennsylvania Housing Finance Agency will be an advocate for meaningful change by broadly sharing this report and advocating that housing organizations act on its findings to make improvements to the homebuying experience for everyone. The entire housing industry can use this work, and other work that supports these findings, as a clarion call for changes in how the home purchase process is designed and implemented.

Our society will benefit when everyone seeking to own a home has a fair and unbiased opportunity to do so. This report is an important step in making that positive change happen.

Robin L. Wiessmann

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Introduction

In 2018, Reveal News, from the Center for Investigative Reporting, released an analysis of mortgage lending in communities across the United States; that analysis was described in the story *Kept Out*.[1] Based principally on their analysis of Home Mortgage Disclosure Act (HMDA) data, Reveal "...found a pattern of troubling denials for people of color across the country, including in major metropolitan areas such as Atlanta, Detroit, Philadelphia, St. Louis and San Antonio."[2] The statistical analysis was supported with a series of interviews conducted by Reveal reporters Aaron Glantz and Emmanuel Martinez — some of which were of Black Philadelphians relating the difficulty they encountered in the mortgage lending process. Glantz and Martinez also presented a more detailed Philadelphia case study that presented both the city's HMDA data and interviewees — people who wanted to obtain mortgages and others (e.g., realtors) who worked with the mortgage applicants.

So disturbing were the findings in this report that the Pennsylvania Housing Finance Agency (PHFA) decided more needed to be learned about the problems people experience in the process of getting credit and buying a home. Because PHFA supports a network of housing counselors that work with a significant number of people who wish to become first-time homebuyers, there was a unique opportunity to create a program and study the experiences of counseling clients in order to get a more nuanced and complete picture of the differential experiences of White people and people of color. PHFA enlisted the support of several counseling agencies, and Reinvestment Fund's Policy Solutions Group (Policy), to chronicle and analyze those experiences. PHFA called the program ***Barriers to Homeownership*** (hereafter, B2H).

1 See: https://revealnews.org/article/for-people-of-color-banks-are-shutting-the-door-to-homeownership/
2 Op. cit.

Because of the COVID-19 pandemic, this was not only a uniquely difficult period for B2H participants to realize their dreams of homeownership, but it was also a very challenging time to try and collect data responsive to the questions driving this inquiry. The B2H project is not a controlled experiment that yields data pointing to precise estimates of the extent/degree to which Black and brown people face discrimination in the housing market. By necessity, this inquiry evolved to accommodate the circumstances. It is a multi-method effort, merging analyses of quantitative data provided by clients to their counseling agencies with the qualitative recount of the experiences of aspirational purchasers through systematic interviews. Learnings from the data analysis and interviews were presented to groups of experts — lenders/realtors, counselors, and senior staff at PHFA and other state agencies.

We specifically note that the 215 clients who worked with the network of PHFA's housing counselors, and 43 interviewees who also spent considerable time with the Policy team answering a detailed set of questions, are not a random sampling of all of Pennsylvania's aspirational first-time homebuyers. Accordingly, as detailed later, they are not entirely representative of the universe of first-time homebuyers. As such, caution should be exercised in generalizing the results to all homebuyers. Notwithstanding that caution, there is much to be learned from the experiences of these people, and there are useful policy recommendations that emerge from those learnings that can be constructively acted upon.

2019, they report mean and median White wealth at $188,200 and $983,400. However, "Black and Hispanic families have considerably less wealth than White families. Black families' median and mean wealth is less than 15 percent that of White families, at $24,1000 and $142,500, respectively. Hispanic families' median and mean wealth is $36,100 and $165,500, respectively."[3] And while the authors report faster rates of wealth growth since the last survey among Black and Hispanic families than observed among Whites, it has "...only result[ed] in modest changes in the gaps in wealth between these families..."[4]

Wealth and homeownership are inextricably linked. As Bhutta, et al. argue, homeownership is a critical component of wealth. "On the one hand, the ability to purchase a home is a reflection of wealth a family already has... On the other hand, homeownership has also been found to yield strong financial returns on average and be a key channel through which families build wealth."[5] Using a multivariate regression model designed to see the effect of family homeownership and wealth on their children, they argue "The black-white homeownership gap decreases from 23.3 percentage points to 15.7 percentage points once the control variables are included. It further decreases to 12.8 percentage points when we include parental homeownership rate and wealth. This means that *parental variables explain about 12.4 percent ((15.7–12.8/23.3)) of the homeownership gap between black and white young adults" [emphasis added].*[6]

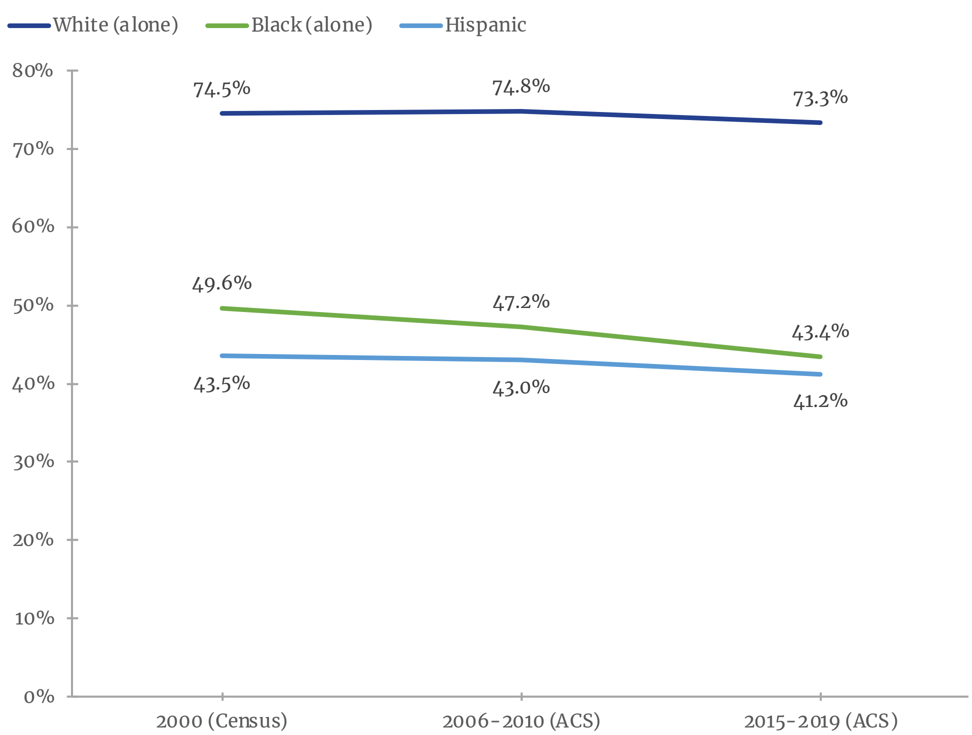
Homeownership in Pennsylvania

In Pennsylvania, as elsewhere, homeownership rates vary dramatically by race and ethnicity. Figure 1 shows that over the last 20 years, Pennsylvania's White homeownership rate stands approximately 30 percentage points above the Black and Hispanic rates. Moreover, while the White rate dropped minimally over the 20-year period, the Black and Hispanic rates also dropped, and in the case of Black households, even more substantially.

Homeownership and the Racial Wealth Gap, Nationally and in Pennsylvania

Many have chronicled the wealth gap between people of color and White people. The most comprehensive and regularly reported data on this topic comes from the Federal Reserve's Survey of Consumer Finances. In its most recent survey,

Figure 1: Homeownership Rates in Pennsylvania by Race Ethnicity



3 Op. cit.

4 Bhutta, Neil, Andrew C. Chang, Lisa J. Dettling, and Joanna W. Hsu. (2020). "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, September 28, 2020, https://doi.org/10.17016/2380-7172.2797.

5 Op. cit.

6 Choi, Jung Hyun, Jun Zhu, and Laurie Goodman. (2018). "Intergenerational Homeownership: The impact of parental homeownership and wealth on young adults' tenure choices." Urban Institute, p. 10. https://www.urban.org/sites/default/files/publication/99251/intergenerational_homeownership_0.pdf

Choi, et al., looking at a national sample of young adults aged 18-34, show that: (a) parents of White young adults had an 83.8% homeownership rate compared to 49.1% for parents of Black respondents and 65.2% of Hispanic respondents; (2) parental median wealth of White young adults was $215,000 compared to $14,397 for Black and $34,980 for Hispanic young adults.[7]

Localizing wealth analytics, especially for a renter population seeking to become homeowners, is difficult, and income is certainly not wealth. But income is part of the picture. In Pennsylvania, the typical White not Hispanic renter household has an income of $38,150 compared to $28,000 for Black not Hispanic renter households and $30,544 for Hispanic renters.

As an indicator of the presence of accumulated financial wealth, using data from the American Community Survey, we can observe the percentage of households that reported income derived from an estate or trust, interest, dividends, royalties, and rents received.[8] Table 1 presents those data — tabled for totals over $100, $250, and $500 per year — for heads of household, differentiated by whether they own or rent their homes. Separating these groups by tenure status is especially important because renters are the people most like B2H participants and who could become first-time homebuyers. First, owners of all races and ethnicities are more likely than renters to have these sources of income totaling up to any of the three reported threshold values. Second, White not Hispanic householders are by orders of magnitude more likely to have assets yielding the threshold income amounts shown; that is true both for owners and renters. For example, in Pennsylvania, 9.5% of White not Hispanic renter householders have assets leading to earning more than $100 per year and 7.4% earn more than $500 per year. That compares to 1.4% and 1% of Black not Hispanic householders, respectively, and 1.8% and 1.3% respectively of Hispanic householders. These disparities are manifest across racial/ethnic, tenure and geographic groups. But important to not lose sight of the fact that it takes assets (e.g., savings and investments) to have a down payment on a home and very small percentages of renters — especially renters of color — have these assets to any great degree.

These differences impact the prospects for first-time homebuyers finding a home; lower income will generally qualify applicants for smaller loans on less expensive homes. Further, contemporary sales prices (and current listings) document the decreasing number and percent of homes available at lower price points. This fact was underscored in a recently released study by the National Association of Realtors, and covered in the Philadelphia Inquirer.[9] And it is the experience of B2H participants as evidenced in interviews, and bolstered by subject matter experts with whom the B2H findings were reviewed.

Table 1: Households Earning Interest, Dividends and Rental Income Over $100, $250, and $500 By Tenure, 2019

	PA		Allegheny		Philadelphia	
	Owner	Renter	Owner	Renter	Owner	Renter
White NH						
< $100	22.9%	9.5%	24.7%	10.9%	23.8%	10.2%
> $250	20.3%	8.2%	21.9%	9.2%	20.9%	8.6%
> $500	18.5%	7.4%	19.9%	8.1%	19.3%	7.7%
Black NH						
< $100	7.2%	1.4%	6.8%	1.8%	6.1%	1.2%
> $250	6.3%	1.2%	6.1%	1.6%	5.4%	1.0%
> $500	5.8%	1.0%	5.7%	1.5%	4.9%	0.7%
Hispanic						
< $100	7.2%	1.8%	15.1%	5.2%	6.0%	2.2%
> $250	6.3%	1.4%	12.5%	4.2%	4.9%	1.6%
> $500	5.8%	1.3%	11.5%	3.2%	4.3%	1.6%

7 Op. cit. Pages 11-12.

8 **Steven Ruggles, Sarah Flood, Sophia Foster, Ronald Goeken, Jose Pacas, Megan Schouweiler and Matthew Sobek. IPUMS USA: Version 11.0 [dataset]. Minneapolis, MN: IPUMS, 2021. https://doi.org/10.18128/D010.V11.0**

9 Copyright ©2022 "The 'Double Trouble' of the Housing Market." NATIONAL ASSOCIATION OF REALTORS®. All rights reserved. Reprinted with permission. March 21, 2017, https://cdn.nar.realtor/sites/default/files/documents/2022-the-double-trouble-of-the-housing-market-02-07-2022.pdf. See also: https://www.inquirer.com/real-estate/housing/home-prices-supply-homebuyers-race-pennsylvania-nj-20220207.html.

COVID and the Housing Market

In the midst of this B2H effort, the environment within which we were all operating changed radically with the COVID-19 pandemic. The immediate impact on the Commonwealth and its residents was widespread and severe. For example, the number of unemployed people in Philadelphia — the largest city in the Commonwealth — jumped from approximately 43,000 (unemployment rate = 5.8%) in February 2020 to 145,000 in July (unemployment rate = 19.5%). In Pittsburgh, the second largest city in the Commonwealth, the number of unemployed people was 7,100 (unemployment rate = 5.3%) in February and it swelled to approximately 24,800 (unemployment rate = 15.4%) in July.[10] Pittsburgh's unemployment rate has nearly returned to its pre-pandemic level, but Philadelphia's has not yet.

For several months, the participating counseling agencies were closed. When they reopened, counseling sessions were virtual. The homebuying process itself, once restarted, radically changed. What had previously been an intensive, in-person search process became a challenging virtual process. Difficult for anyone, this change was reported by aspirational homebuyers and counselors interviewed to be even more difficult for first-time homebuyers. Many of these aspirational homebuyers temporarily or permanently halted their homebuying process.

Also, during this time, there were a number of changes in the housing market (e.g., very limited for-sale inventory, homes selling above asking prices, homes being purchased with only virtual inspections) including a period of rapidly rising home prices. These price increases drove a near-unprecedented increase in the degree to which homeownership became unaffordable. Price changes are reflected in data reported by Kevin Gillen of Drexel University's Lindy Institute, which show that home prices in Philadelphia rose 14.5% from Q2 2020 to Q2 2021. Gillen reported that Philadelphia's median home sale price topped $200,000 for the first time. Moreover, the degree to which home prices became unaffordable rose at a rate comparable to right before the housing bubble (See Figures 2, 3 and 4).[11]

But all was not adverse to peoples' aspirations to become homeowners. For example, Philadelphia's Philly First Home program (launched before the pandemic) — providing down payment assistance grants up to $10,000 — helped more than 2,700 people become first-time owners in Philadelphia. Data on the program show that 22.3% of beneficiaries were people at or below 50% of AMI; 34.1% were at 50%–80% AMI. It was also remarkably successful reaching people of color; 57.4% of beneficiaries were Black and 26.3% were Hispanic.[12]

Additionally, mortgage interest rates dropped significantly from the beginning of the pandemic through the end of 2020 — and have remained low, albeit recently rising, since (See Figure 5). This had the effect of increasing the buying power of aspirational homeowners all along the income spectrum.[13]

Figure 2: Home Price Appreciation in Philadelphia

Total House Price Appreciation Rates by Geographic Market

Period	Philadelphia County*	Philadelphia MSA**	U.S.A.**
41-Year	557.8%	658.8%	429.4%
10-Year	69.7%	53.9%	77.7%
1-Year	14.5%	7.9%	12.6%
1-Quarter	2.8%	1.2%	3.5%

*Empirically estimated by Kevin C. Gillen Ph.D.

**Source: U.S. Federal Housing Finance Agency (FHFA). These numbers are through 2021Q1 only. "MSA"="Metropolitan Statistical Area", which is the entire 10-county region.

Lindy Institute

10 U.S. Bureau of Labor Statistics.

11 See: https://drexel.edu/lindyinstitute/initiatives/housing-reports/ Figures extracted from Second Quarter 2021 reports.

12 Program statistics provided by Philadelphia City Council. Approximately 4% of the total home buyers came to Philadelphia from another part of Pennsylvania; 1% came from out of state to Philadelphia.

13 See: http://www.freddiemac.com/pmms/archive.html

Figure 3: Philadelphia House Price Index

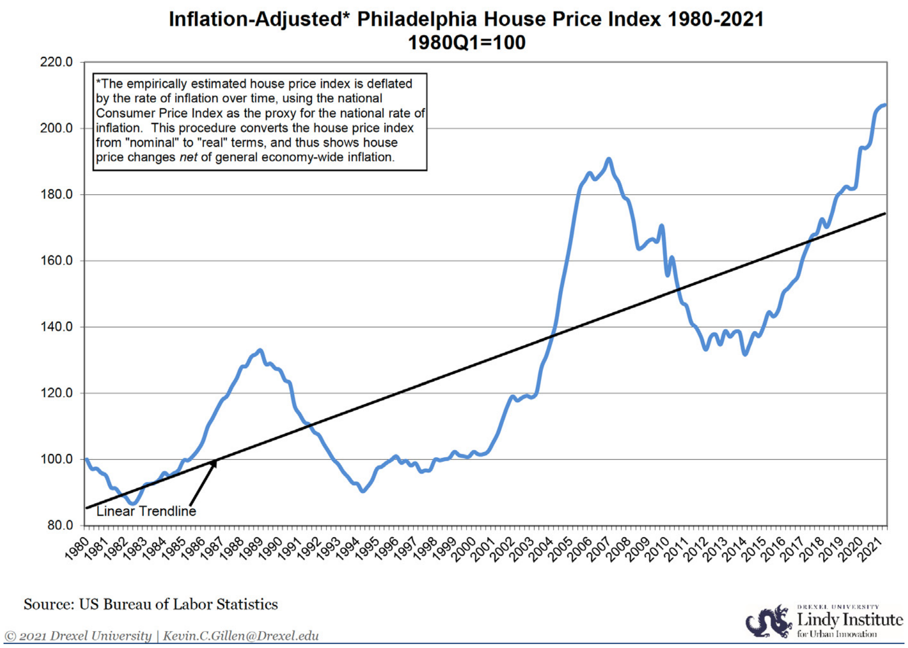


Figure 4: Housing Affordability in Philadelphia

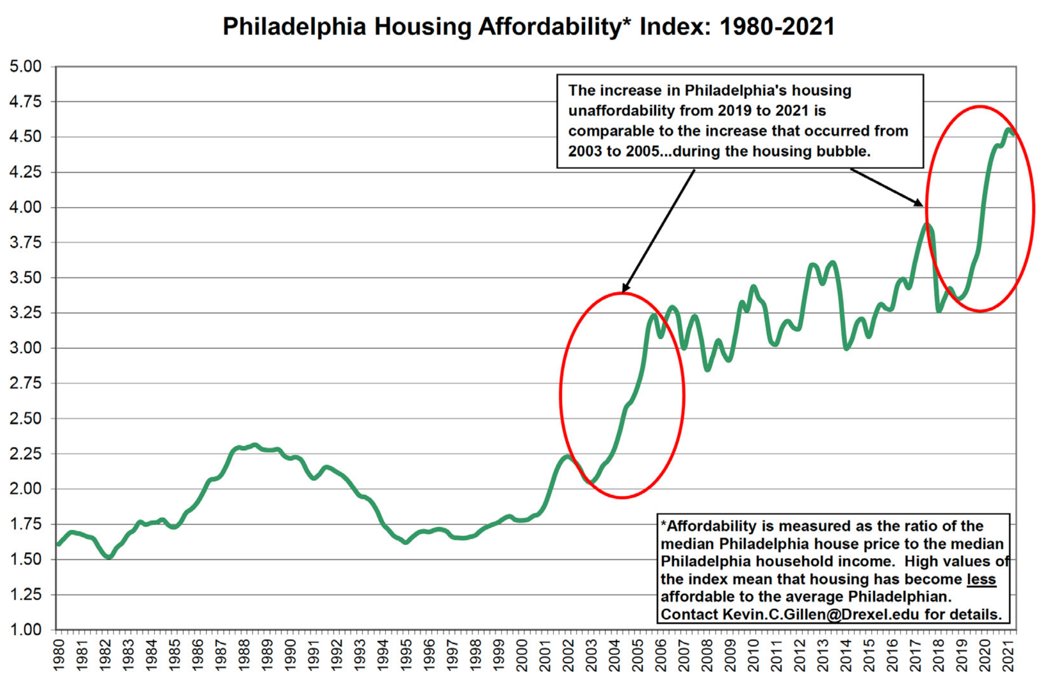


Figure 5: 30-Year Fixed Rate Mortgage Interest Rates

Analysis of Home Mortgage Disclosure Act (HMDA) Data, 2018–2020

We begin this review of mortgage data with a description of the existing tenure of the housing stock for the Commonwealth of Pennsylvania along with Allegheny and Philadelphia counties. The US Census' 5-Year American Community Survey, 2015-2019 (ACS) is the data source for this analysis.[14] Highlights of these data are:

- Across the Commonwealth, more than two-thirds (68.6%) of housing units are occupied by their owners.
- A slightly lower percentage of owner occupancy is observed in Allegheny county (64.2%).
- In Philadelphia, approximately half (52.2%) of homes are owner occupied.
- The White not Hispanic (NH) homeownership rate is substantially greater than that found among Black NH and Hispanic households.
- The disparity between Black NH and White NH homeownership is substantially higher in Allegheny county (nearly 47 percentage points) than in Philadelphia (10 percentage points).
- Like Black NH households, Hispanic households are also far less likely than White NH households to be owner occupied, and the disparity is greater in Allegheny county than Philadelphia.
- Across the Commonwealth and in Allegheny county, White NH occupied households comprise almost 90% of the Commonwealth's owner occupied housing stock.
- In Philadelphia, a city with a much larger Black NH population than anywhere else in the Commonwealth, Black NH headed owner households comprise 37% of all owner households.
- Hispanic headed households comprise a 3.1% share of the Commonwealth's and 0.9% of Allegheny county's owner households.
- Philadelphia, a city with a larger population of Hispanic households, has 9.3% of its owner households headed by Hispanics.

14 Policy analysis of ACS 2015-2019 individual household Census data. Hispanic households are defined in this table as Hispanic regardless of the householder's stated race. Data obtained from:
Steven Ruggles, Sarah Flood, Ronald Goeken, Josiah Grover, Erin Meyer, Jose Pacas and Matthew Sobek. IPUMS USA: Version 10.0 [dataset]. Minneapolis, MN: IPUMS, 2020. https://doi.org/10.18128/D010.V10.0 *We note that data derived from the individual household records do not always match exactly to that which is reported in the ACS aggregate tables.*

Table 2: Housing Tenure, 2015-2019[15]

	PA		Allegheny		Philadelphia	
	#	%	#	%	#	%
Total Occupied HUs	5,053,107		541,543		601,337	
Owner Occupied HUs	3,465,068	68.6%	347,678	64.2%	313,693	52.2%
White (NH)						
Total Occupied HUs	4,085,735		440,138		240,789	
Owner Occupied HUs	3,029,066	74.1%	311,827	70.8%	141,443	58.7%
Black (NH)						
Total Occupied HUs	494,448		65,732		240,884	
Owner Occupied HUs	213,885	43.3%	21,490	32.7%	116,533	48.4%
Other/Multiple Race (NH)						
Total Occupied HUs	210,045		27,147		51,864	
Owner Occupied HUs	115,821	55.1%	11,094	40.9%	26,640	51.4%
Hispanic						
Total Occupied HUs	262,879		8,526		67,800	
Owner Occupied HUs	106,296	40.4%	3,267	38.3%	29,077	42.9%
White (NH) Owners as a % of All Owners		**87.4%**		**89.7%**		**45.1%**
Black (NH) Owners as a % of All Owners		**6.2%**		**6.2%**		**37.1%**
Hispanic Owners as a % of All Owners		**3.1%**		**0.9%**		**9.3%**

Highlights of the 2018-2020 HMDA Reports:

Table 3: HMDA Loan Volume

	2018-2019			2020		
	PA	Allegheny	Philadelphia	PA	Allegheny	Philadelphia
Applications	330728	33226	33481	175350	17584	17854
Approvals	253724	26311	24657	134680	13970	13374
% Approved	76.7%	79.2%	73.6%	76.8%	79.4%	74.9%
Originations	246460	25808	23978	131027	13691	13001
% Originated	74.5%	77.7%	71.6%	74.7%	77.9%	72.8%
Denials	29325	2006	3175	14472	998	1370
% Denied	8.9%	6.0%	9.5%	8.3%	5.7%	7.7%

Table 3 presents the application, origination and denial volume and rates for the Commonwealth of Pennsylvania and also Allegheny and Philadelphia counties separately.[16] Between 2018/2019 and 2020, in general, denial rates have declined slightly across the Commonwealth and in Allegheny and Philadelphia counties. Denial rates in Philadelphia have been and continue to be higher than those observed in Allegheny county.

Across the Commonwealth, approximately two-thirds of applications are for conventional loans and the remainder are for government-insured loans.[17] Denial rates tend to be lower among applications for conventional loans compared to those that are government-insured. The denial rate differences

15 "NH" denotes householders who are of the identified race, but not self-identifying as Hispanic.

16 In this section, the universe of HMDA data is limited to 1st lien, non-reverse, owner occupied applicants for mortgages to purchase homes. Not detailed in the tables, although in the universe, are loan applications that were withdrawn or closed for incompleteness.

17 "Government-insured" is defined as loans insured by the FHA, VA, RHS or FSA.

between conventional and government-insured loans are notably higher in Allegheny and Philadelphia counties, compared to the entire Commonwealth.

Table 4: Loan Types and Actions Taken on Applications

	2018-2019			2020		
	PA	Allegheny	Philadelphia	PA	Allegheny	Philadelphia
Conventional	221184	24486	23022	121950	13535	12315
Government (FHA, VA, FSA, RHS)	109544	8740	10459	53400	4049	5539
% Conventional	66.9%	73.7%	68.8%	69.5%	77.0%	69.0%
% Government	33.1%	26.3%	31.2%	30.5%	23.0%	31.0%
Conventional Approvals	170873	19613	17295	94225	10910	9357
% of Conventional Approved	77.3%	80.1%	75.1%	77.3%	80.6%	76.0%
Conventional Denials	18218	1247	1918	9525	668	817
% Of Conventional Denied	8.2%	5.1%	8.3%	7.8%	4.9%	6.6%
Government Approvals	82851	6698	7362	40455	3060	4017
% Of Government Approved	75.6%	76.6%	70.4%	75.8%	75.6%	72.5%
Government Denials	11107	759	1257	4947	330	553
% Of Government Denied	10.1%	8.7%	12.0%	9.3%	8.2%	10.0%

Table 5 examines whether there are differences in loan types based on the race/ethnicity of applicants. Across the Commonwealth, and especially in Allegheny and Philadelphia counties, Black NH and Hispanic applicants pursue government-insured loans at more than 2-4 times the percentage of White NH applicants (the disparity is most pronounced in Philadelphia where 17% of White NH compared to 62% of Black NH applicants seek government-insured loans).

Table 5: Loan Types and Race/Ethnicity of Applicant

	2018-2019			2020		
	PA	Allegheny	Philadelphia	PA	Allegheny	Philadelphia
White Not Hispanic Applications	237896	24592	14472	122475	12819	7643
White Not Hispanic Applications Conventional	164474	18347	11786	88826	10133	6347
White Not Hispanic Applications Government	73422	6245	2686	33649	2686	1296
% Government Of White Not Hispanic Applicants	30.9%	25.4%	18.6%	27.5%	21.0%	17.0%
Black Not Hispanic Applications	20644	2016	7101	11738	1160	3925
Black Not Hispanic Applications Conventional	8265	920	2708	4896	534	1493
Black Not Hispanic Applications Government	12379	1096	4393	6842	626	2432
% Government Of Black Not Hispanic Applicants	60.0%	54.4%	61.9%	58.3%	54.0%	62.0%
Hispanic Applications	20187	651	3692	11921	371	1898
Hispanic Applications Conventional	9481	434	1854	5951	264	949
Hispanic Applications Government	10706	217	1838	5970	107	949
% Government Of Hispanic Applicants	53.0%	33.3%	49.8%	50.1%	28.8%	50.0%

Table 6 expands on Tables 4 and 5 to examine the outcomes of applications by both the race/ethnicity of the applicant and the type of loan that they pursue. These data show that: (1) in each geographic group and loan type, White NH applicants have substantially lower denial rates than Black NH and Hispanic applicants; (2) denial rates among those applicants seeking government-insured loans are generally, although not always, higher than conventional loans; (3) the denial rate differentials between Black NH and Hispanic applicants, compared to White NH applicants are generally 2-3 times greater.

Table 6: Loan Type and Action Taken by Race/Ethnicity of Applicant

	2018-2019			2020		
Conventional	**PA**	**Allegheny**	**Philadelphia**	**PA**	**Allegheny**	**Philadelphia**
White Not Hispanic Applications	164474	18347	11786	88826	10133	6347
White Not Hispanic Originations	126037	14695	9119	68706	8262	4979
White Not Hispanic Denials	12313	842	558	6225	411	267
% White Not Hispanic Applicants Denied	7.5%	4.6%	4.7%	7.0%	4.1%	4.2%
Black Not Hispanic Applications	8265	920	2708	4896	534	1493
Black Not Hispanic Originations	5445	650	1717	3255	357	971
Black Not Hispanic Denials	1280	97	460	665	71	207
% Black Not Hispanic Applicants Denied	15.5%	10.5%	17.0%	13.6%	13.3%	13.9%
Hispanic Applications	9481	434	1854	5951	264	949
Hispanic Originations	6609	319	1354	4011	193	703
Hispanic Denials	1335	33	232	791	17	74
% Hispanic Applicants Denied	14.1%	7.6%	12.5%	13.3%	6.4%	7.8%
Government						
White Not Hispanic Applications	73422	6245	2686	33649	2686	1296
White Not Hispanic Originations	56125	4866	2001	25703	2064	978
White Not Hispanic Denials	6430	457	200	2601	187	88
% White Not Hispanic Applicants Denied	8.8%	7.3%	7.4%	7.7%	7.0%	6.8%
Black Not Hispanic Applications	12379	1096	4393	6842	626	2432
Black Not Hispanic Originations	8126	697	2786	4511	404	1610
Black Not Hispanic Denials	1683	164	604	892	76	293
% Black Not Hispanic Applicants Denied	13.6%	15.0%	13.7%	13.0%	12.1%	12.0%
Hispanic Applications	10706	217	1838	5970	107	949
Hispanic Originations	7117	151	1310	4340	79	697
Hispanic Denials	1272	26	234	661	10	81
% Hispanic Applicants Denied	11.9%	12.0%	12.7%	11.1%	9.3%	8.5%

Table 7 presents data on the denial experience of applicants for mortgage credit in relation to their income and race/ethnicity. These data show that, in general, the higher the income, the lower the denial rate. That is a finding that is observed across years and geographies. And within groups defined by race/ethnicity, higher income applicants have lower denial rates. But what is also true is that comparisons of groups by race/ethnicity show that when borrowers are equated by income, Black NH and Hispanic applicants are at a disadvantage to White NH applicants as evidenced in the higher denial rates. In fact, many of the comparisons show that higher income Black NH and Hispanic applicants have higher denial rates than lower income White NH applicants (e.g., Black NH applicants with income over $90k have a denial rate of 8.9%; White NH applicants with incomes between $45k and $90k are denied 7.5% of the time).

Table 7: Denial Rates by Income and Race/Ethnicity of Applicants

	2018-2019			2020		
	PA	Allegheny	Philadelphia	PA	Allegheny	Philadelphia
All Applicants						
% Denied of Applicants with Incomes Under $45k	17.5%	11.9%	17.2%	16.9%	12.6%	14.3%
% Denied of Applicants with Incomes $45-$90k	8.4%	5.8%	8.1%	7.7%	5.5%	6.5%
% Denied of Applicants with Incomes Over $90k	4.8%	3.8%	5.3%	4.7%	3.3%	5.0%
White Not Hispanic Applicants						
% Denied of Applicants with Incomes Under $45k	16.6%	10.3%	12.0%	16.0%	10.9%	12.3%
% Denied of Applicants with Incomes $45-$90k	7.5%	5.1%	4.5%	6.9%	4.6%	4.0%
% Denied of Applicants with Incomes Over $90k	4.3%	3.5%	4.3%	4.0%	2.6%	3.8%
Black Not Hispanic Applicants						
% Denied of Applicants with Incomes Under $45k	21.2%	18.2%	19.9%	19.0%	15.9%	16.5%
% Denied of Applicants with Incomes $45-$90k	12.5%	10.4%	12.3%	11.5%	12.2%	10.4%
% Denied of Applicants with Incomes Over $90k	8.9%	8.2%	9.5%	10.3%	8.0%	11.9%
Hispanic Applicants						
% Denied of Applicants with Incomes Under $45k	17.3%	22.2%	15.1%	16.6%	11.4%	9.9%
% Denied of Applicants with Incomes $45-$90k	11.1%	8.7%	10.8%	10.4%	9.2%	7.1%
% Denied of Applicants with Incomes Over $90k	6.6%	4.2%	5.1%	6.9%	3.9%	3.8%

As observed in Table 8, lenders report information about the racial composition of the neighborhood within which the property is located. Across periods and geographies, the denial rates for loans in majority minority neighborhoods (i.e., Census tracts) are substantially greater than what is observed in areas in which minority group members do not predominate.

Table 8: Denial Rates by Racial Composition of Census Tract

	2018-2019			2020		
	PA	Allegheny	Philadelphia	PA	Allegheny	Philadelphia
% Denials From Majority Neighborhoods	8.5%	5.8%	6.7%	7.9%	5.5%	5.2%
% Denials From Majority Minority Neighborhoods	12.8%	11.9%	12.2%	11.4%	10.2%	10.3%

HMDA requires that institutions report the main reasons an applicant was denied. Table 9 presents the top three first reasons applications were denied. There is great similarity in the reasons, regardless of the applicants' race/ethnicity. The top three reasons are: (1) debt-to-income ratio; (2) credit history; and (3) collateral. In any given year to any given geography one or another reason may predominate. In more common language, these denial reasons indicate that lenders denied applicants because they are seeking more debt than their income would permit (i.e., debt-to-income ratio) or their credit history (i.e., credit score) is inadequate under the lender's underwriting criteria. Collateral is defined under HMDA as "Value or type of collateral is not sufficient".[18]

18 https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjUtsqJrtr1AhWGMd8KHaOJA1EQFnoECC8QAQ&url=https%3A%2F%2Fwww.ffiec.gov%2Fhmda%2Fpdf%2F2013guide.pdf&usg=AOvVaw0ZAi_zu7godZR3kdtPULl9

Table 9: Top Three Lender-Reported First Reasons for Denial by Race/Ethnicity of Applicants

	2018-2019			2020		
	PA	Allegheny	Philadelphia	PA	Allegheny	Philadelphia
All Applicants: First Reason For Denial (Top 3 Reasons)						
Debt-to-Income Ratio	7888	534	835	4055	305	369
Credit History	6743	330	557	3332	152	226
Collateral	5162	375	610	2115		229
Other					132	
White Not Hispanic Applicants: First Reason For Denial (Top 3 Reasons)						
Debt-to-Income Ratio	4823	322	167	2340	182	83
Credity History	4526	195		2217	93	
Collateral	3430	261	174	1409		66
Credit Application Incomplete			140		81	60
Black Not Hispanic Applicants: First Reason For Denial (Top 3 Reasons)						
Debt-to-Income Ratio	840	82	268	450	45	136
Credity History	773	71	267	402	33	123
Collateral	457	41	193	180		75
Other					24	
Hispanic Applicants: First Reason For Denial (Top 3 Reasons)						
Debt-to-Income Ratio	762	18	115	458	9	43
Credity History	560	9	79	313		27
Collateral	425	13	88	172	4	22
Other					4	

HMDA data, starting just a few years ago, began including the applicants' debt-to-income (DTI) ratio and their loan-to-value (LTV) ratio; HMDA data do not include the applicants' credit score. Thus, we have information on two of the three primary reasons people are denied. And more generally, in underwriting, lenders are looking at an applicant's ability to pay (as evidenced by indicators such as the DTI), willingness to pay (the credit score) and collateral (the LTV). Table 10 shows the denial rate disparities accounting for DTI and LTV, two of the three crucial elements of underwriting, by defining "well qualified" as applicants with DTIs of 36% or less and LTVs of 80% or less; "less well qualified" applicants had higher DTIs and LTVs.

Table 10 shows that across all racial groupings and geographies, the denial rates of less qualified applicants are substantially greater than observed among well qualified applicants – this is to be expected. We also observe that the denial rates of Black NH and Hispanic well qualified and less qualified applicants are greater than their respective White NH counterparts. In other words, when groups of applicants are made similar in terms of qualifications, Black NH and Hispanic applicants are still at a disadvantage in the comparison to White NH applicants. Moreover, the denial rates of well qualified Black NH and Hispanic applicants are even sometimes greater than White NH applicants that are less qualified. In some years and geographies, the differences are stark. For example, in Philadelphia in 2020, 15.7% of Black NH and 12% of Hispanic applicants who are well qualified are denied compared to 6.7% of less qualified White NH applicants. In Allegheny and Philadelphia counties in 2018-2019, 13% and 17.1% of Black NH and Hispanic well qualified applicants were denied compared to 8.7% and 8.1% of less qualified White NH applicants.

Table 10: Denial Rate by Qualification and Race/Ethnicity of Applicants

	2018-2019			2020		
	PA	Allegheny	Philadelphia	PA	Allegheny	Philadelphia
Well Qualified White Not Hispanic Applicants	37998	4597	2713	20279	2445	1360
% Denied	3.8%	3.2%	4.2%	3.5%	2.9%	4.1%
Well Qualified Black Not Hispanic Applicants	723	77	175	454	62	83
% Denied	10.5%	13.0%	17.1%	11.9%	9.7%	15.7%
Well Qualified Hispanic Applicants	1047	96	162	689	50	75
% Denied	9.7%	5.2%	14.2%	9.0%	6.0%	12.0%
Less Well Qualified White Not Hispanic Applicants	76332	6706	3786	36611	3288	1849
% Denied	12.1%	8.7%	8.1%	11.6%	7.6%	6.7%
Less Well Qualified Black Not Hispanic Applicants	10269	866	3475	5579	457	1858
% Denied	18.6%	18.8%	19.2%	17.8%	17.7%	17.9%
Less Well Qualified Hispanic Applicants	9529	197	1782	5357	118	859
% Denied	16.8%	16.2%	15.7%	16.4%	11.9%	11.1%

In sum, using more contemporary HMDA data but different methodologies than the Center for Investigative Reporting, we observe across the Commonwealth and specifically in Allegheny and Philadelphia counties that Black NH and Hispanic applicants are generally at a disadvantage in comparison to comparable White NH counterparts accessing mortgage credit. Moreover, we observe that the groups rely on different mortgage products (White NH more likely to use conventional loans and Black NH and Hispanic people with government-insured). These two differences, especially in a real estate market where inventory is low and competition among buyers is high, translate into a uniquely more difficult process for people of color to obtain the credit necessary to realize their dream to become homeowners.

Profile of the Barriers to Homeownership Clients

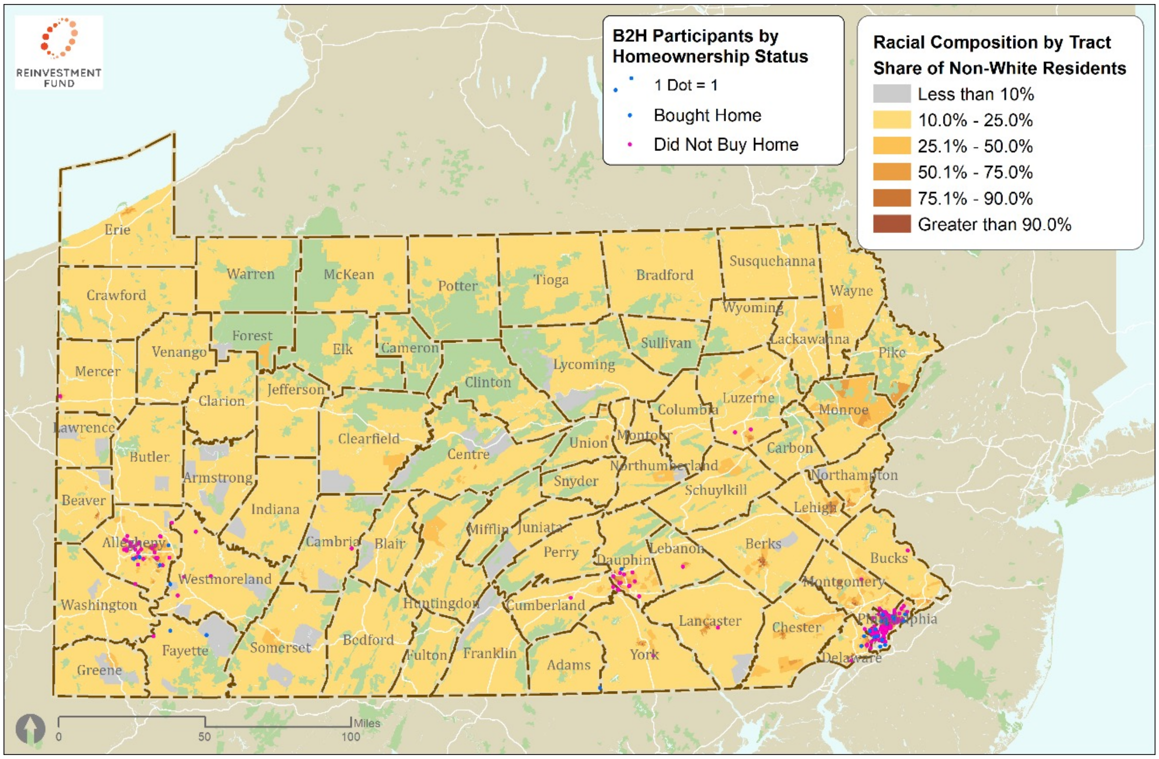
B2H clients were recruited by three counseling agencies: Advantage Credit Counseling Services, located in Pittsburgh, PA (https://www.advantageccs.org/); Northwest Counseling Service, Inc., located in the West Oak Lane neighborhood of Philadelphia (https://www.nwcsinc.org/); Clarifi, located in downtown Philadelphia (https://www.clarifi.org/).

The agencies were compensated by PHFA for services provided to B2H clients. Clients signed releases with the agencies at the beginning of the process enabling the agencies to share their personal financial data with Policy. Additionally, the agencies contacted clients that Policy selected for interview, and obtained releases from those clients permitting Policy to conduct the interviews. Agencies compensated clients upon completion of their interviews.

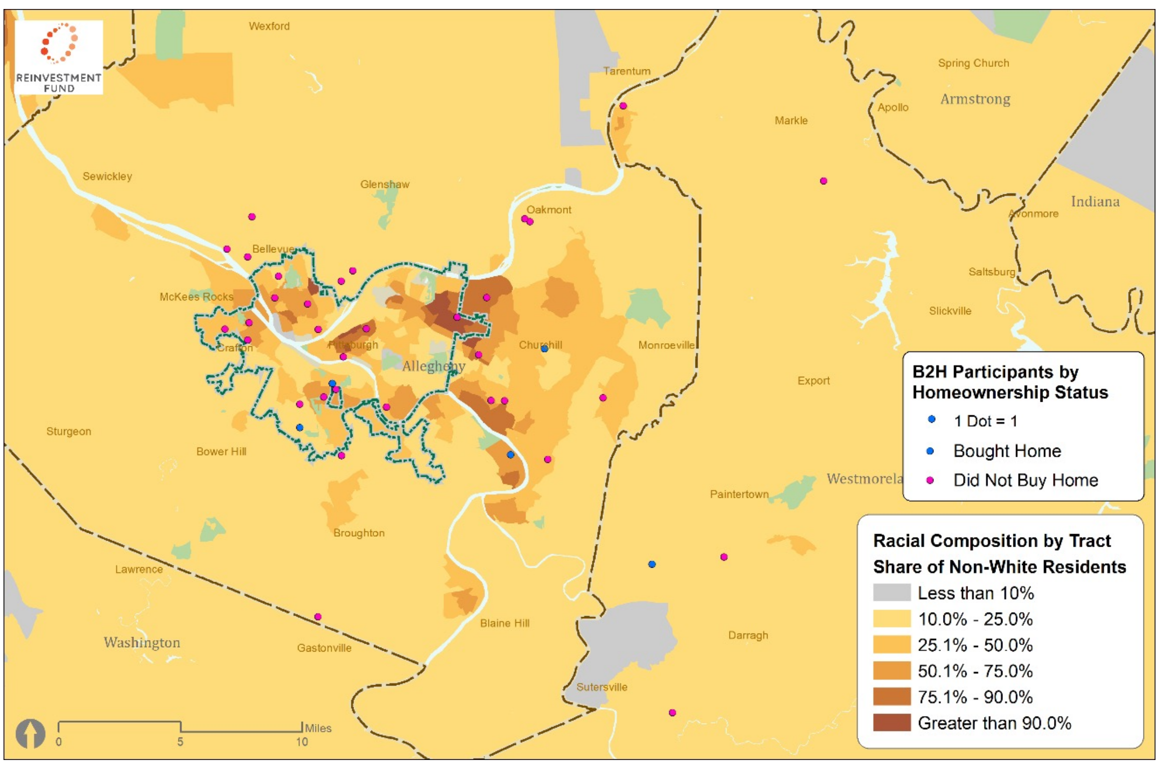
It is important to note that clients were not selected randomly for participation in the B2H project; they were recruited by the agencies. Further, clients were not selected randomly for interviews. In fact, initially they were purposively selected to ensure a mix of clients by race/ethnicity and gender, as well as to be reflective of a mixture of outcomes (i.e., did they get a home). That said, the agencies were unable to reach all clients selected for interviews — and some that were contacted declined to be interviewed. As a result, interviews reflected more the availability and willingness of clients to be interviewed than a purposive sample.

Of the 215 enrolled clients, Advantage Credit Counseling Service worked with 68 (31.6%), Clarifi worked with 120 (55.8%) and Northwest Counseling Services worked with 27 (12.6%). As can be observed in Maps 1 through 4, clients were clustered in three parts of the Commonwealth: (a) in Western Pennsylvania, generally in the Pittsburgh area; (b) in Southcentral Pennsylvania, generally around Harrisburg and York; (c) in Southeast Pennsylvania generally in the city/county of Philadelphia. Specifically, 63% of clients were in Philadelphia; 16% were in Allegheny county (12% in Pittsburgh) and 4% were in Harrisburg.

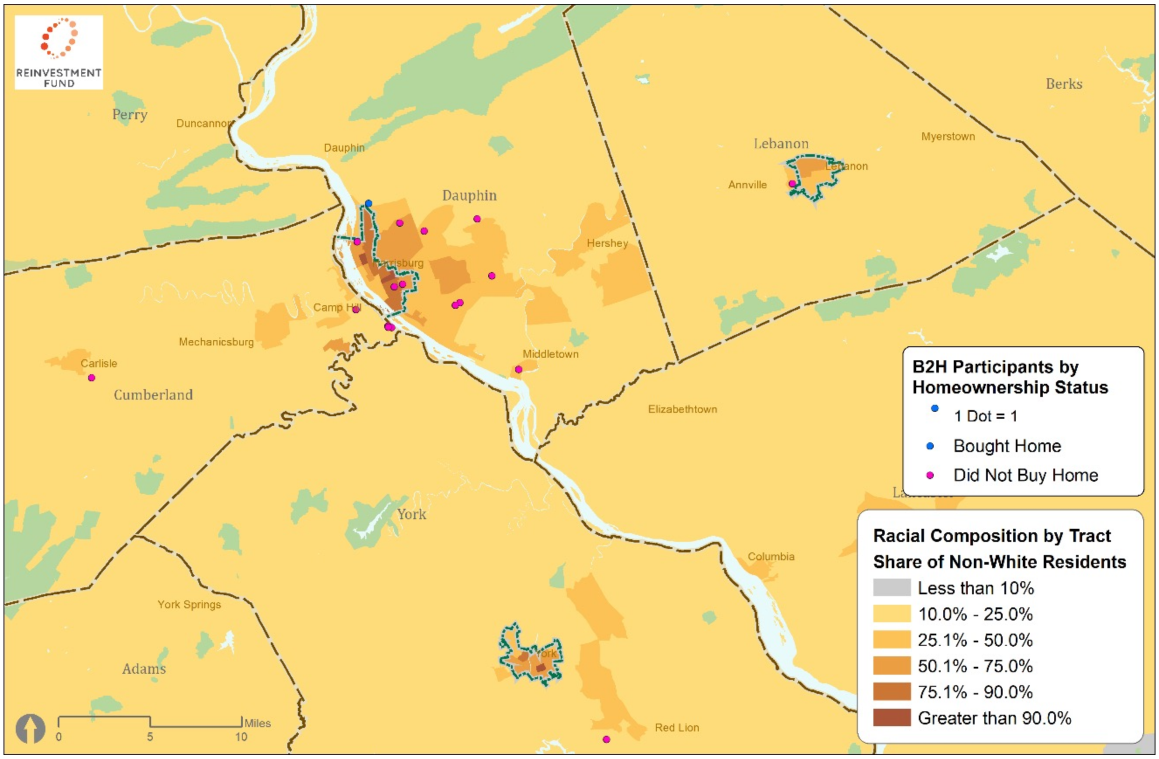
Map 1: Barriers to Homeownership Participants Across the Commonwealth



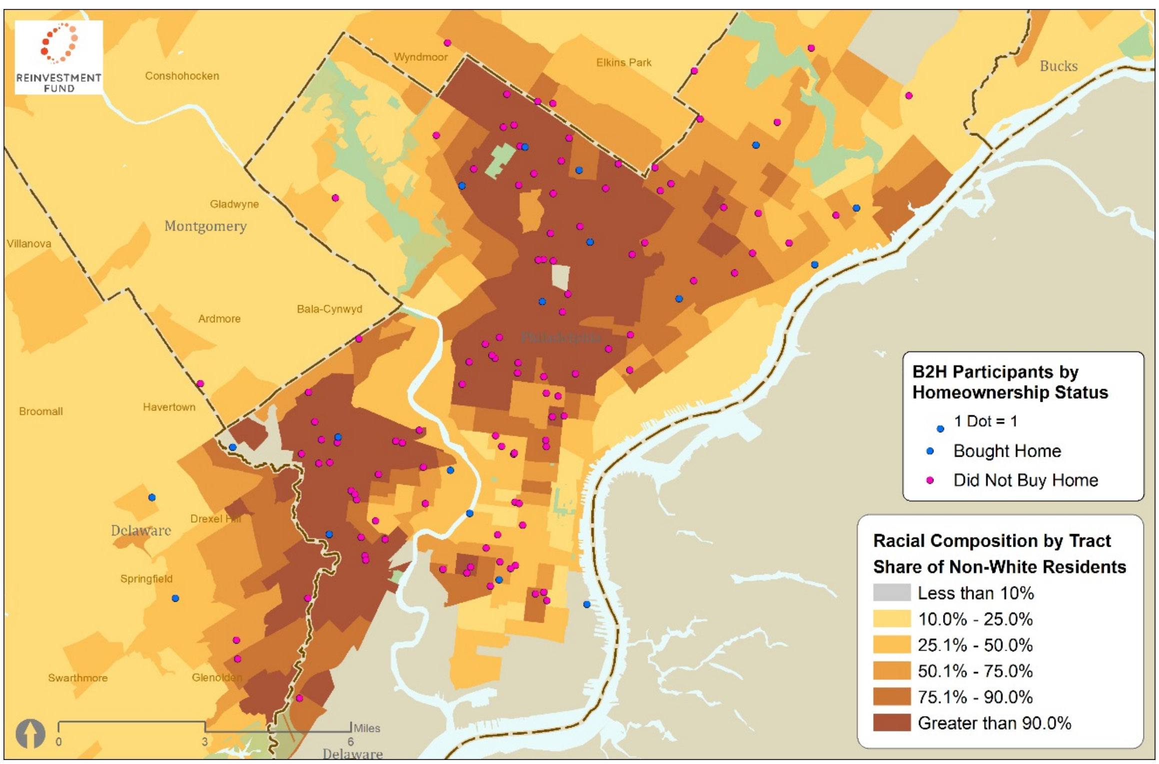
Map 2: Barriers to Homeownership Participants in Southwest Pennsylvania



Map 3: Barriers to Homeownership Participants in Southcentral Pennsylvania



Map 4: Barriers to Homeownership Participants in Southeast Pennsylvania



Racially, B2H clients are predominantly racial/ethnic minority group members. Of enrolled clients, 68% identified as Black, 24% White, and the remainder were other races or did not report their race. Four percent of clients identified as Hispanic (inclusive of those who identified as White or Black).

B2H clients are also predominantly female (76%). Typically, clients are unmarried (70%) and 31% are females who are the heads of their households. Eighty six percent are expected to purchase as either single or head of household, and 11% as a married couple.

Clients in B2H provided employment status data at initial contact with their counseling agency. At that time, 85% were employed full time and another 6% worked part time. Four percent of B2H clients were unemployed and disabled, and the remaining 2% were either looking for work or were serving as a caregiver for a family member; there was a small amount of missing data in client records making up the difference.

The income of typical B2H clients could be characterized as somewhat above the statewide average, with an annualized monthly income of $46,848 (based on median) to $49,200 (based on mean); see Table 11. Approximately 25% of B2H clients have incomes below the statewide average.

However, income is only part of the equation for clients looking to become homeowners; expenses are also critical. The typical client had $2,212 in monthly expenses (mean = $2,371). As observed in Table 12, B2H clients did have some assets (median = $5,000) — and some had reasonably substantial assets (25% had $18,640 or more). However, liabilities were even more substantial with the typical liability amount of $16,549; 25% more than $48,671. Several clients interviewed reported that their debt was student debt; other expenses (e.g., medical) were also mentioned as uses of credit.

The most recent data on income levels for Pennsylvania renters, critical because B2H clients generally represent a population of renters who are looking to become first-time homebuyers, are found in the American Community Survey for 2019. Policy analysis of these data show that the typical renter household in Pennsylvania had an income of $36,056; Allegheny renters averaged $35,555 and Philadelphia $33,227.

Table 11: Financial Characteristics of B2H Clients

Monthly Gross Wages	
25th Percentile	$2,626
Median	$3,628
75th Percentile	$4,950
Mean	$3,836
Monthly Income	
25th Percentile	$2,857
Median	$3,904
75th Percentile	$5,139
Mean	$4,100
Monthly Expenses	
25th Percentile	$1,601
Median	$2,212
75th Percentile	$2,862
Mean	$2,371

Table 12: Assets/Debt of B2H Clients

Total Assets	
25th Percentile	$1,007
Median	$5,000
75th Percentile	$18,641
Mean	$18,540
Total Debt	
25th Percentile	$1,198
Median	$16,549
75th Percentile	$48,672
Mean	$38,665

B2H clients, on average, were not spending an extraordinary percentage of their income; the typical client had a DTI ratio of 32%, though 25% were spending more than 53%. Table 13 also shows that the debt-utilization-ratio (i.e., the amount of available credit, typically on credit cards, that is being used by the client) was also 32%. In other words, the typical client was far from "maxed out" on their credit. That said, 25% of clients had a debt-utilization-ratio of more than 85% and 10% were completely maxed out.

Table 13: Debt-To-Income and Debt Utilization Among B2H Clients

Debt-to-Income	
10th Percentile	5.0
25th Percentile	16.0
Median	32.0
75th Percentile	53.5
90th Percentile	71.6
Mean	39.5
Debt Utilization Ratio	
10th Percentile	0.0
25th Percentile	5.5
Median	32.0
75th Percentile	85.0
90th Percentile	100.0
Mean	47.9

As it relates to client credit scores (Table 14), they were slightly above the lower bound of what is usually expected of mortgage applicants (median 636).[19] However, 25% had scores below 586 meaning that they had to increase their scores by at least 35 points to reach the lower levels of generally accepted thresholds of credit score eligibility.

Table 14: Credit Scores of B2H Clients

HUD Credit Score	
10th Percentile	532.8
25th Percentile	586.0
Median	639.0
75th Percentile	710.5
90th Percentile	771.8
Mean	636.0

Counselors estimate a "mortgage readiness" status for each client at the point that they begin their work together; four tiers represent readiness. Tier 1 clients are, based on the totality of their circumstances, effectively ready to purchase on initial assessment. Tier 2 clients are estimated to be between 3 and 6 months from ready; Tier 3 between 7 and 18 months; Tier 4 are expected to need 19 or more months to be ready to buy.

Table 15 presents the distribution of clients by tier. Nearly 15% of B2H clients were thought to be nearly ready to buy on initial presentation;[20] another 44% were expected to need less than 6 months of work to be ready. Approximately one-third of the clients needed between 7 and 18 months and 9% were more than a year and a half away from readiness, as estimated by their counselors.

Tier readiness does reflect credit scores, as expected. The typical Tier 1 client had a credit score of 700; Tier 2 at 665; Tier 3 588 and Tier 4 560. Given that Tier 2 clients have, on average, credit scores above the minimum 620 industry threshold, some other critical feature is likely what is presenting the challenge to work on over the 3–6-month period (e.g., building up savings for a down payment and to cover closing and related costs, establishing a longer period of steady employment, paying down debt — all of which were mentioned by one or another interviewee as an area of work for them in counseling).

Table 15: Tier Readiness of B2H Clients

	Number of Clients	Percent of Clients
Tier 1	32	14.9%
Tier 2	95	44.2%
Tier 3	69	32.1%
Tier 4	19	8.8%

Characteristics of clients do vary substantially by their race/ethnicity. As shown in Table 16, the typical Black or other race (API or Hispanic) client had substantially lower income and credit scores; debt-to-income ratios were very similar.

19 As of December 2021, FNMA's requirements were 620. See: https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/Subpart-B3-Underwriting-Borrowers/Chapter-B3-5-Credit-Assessment/Section-B3-5-1-Credit-Scores/1032996841/B3-5-1-01-General-Requirements-for-Credit-Scores-08-05-2020.htm

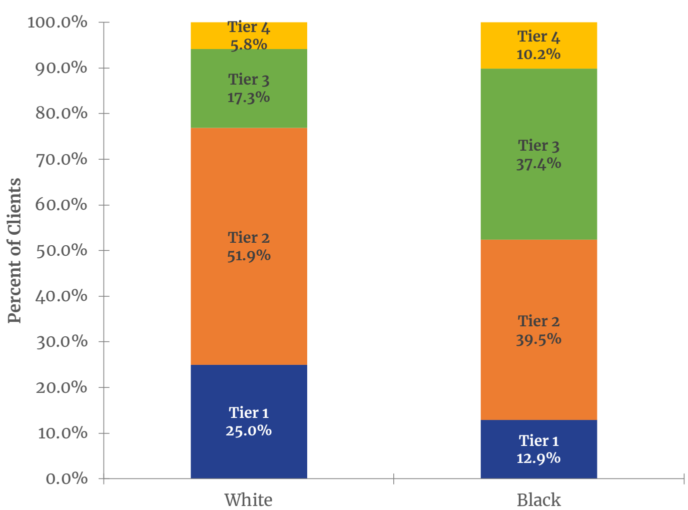
20 Philadelphia's Philly First Home program required clients to work with a counselor as part of the eligibility process for the down payment/closing cost assistance offered. Several clients interviewed who availed themselves of that program noted that they were ready to buy, and attended counseling as a prerequisite to access that assistance.

Table 16: B2H Client Characteristics by Race/Ethnicity

Median Monthly Income	
White	$4,866.50
Black	$3,543.00
Other	$4,236.50
Did not Answer	$4,634.50
Median DTI	
White	31.5
Black	32.0
Other	33.0
Did not Answer	24.0
Median Credit Score	
White	700
Black	633
Other	645
Did not Answer	589

Tier readiness does vary by race of client, with higher percentages of White clients being closer to ready to buy at the time they first met with their B2H counselors. For example, 25% of White clients are Tier 1 compared to 12.9% of Black clients. Similarly, nearly 52% of White clients are in Tier 2 compared to just under 40% of Black clients. On the other hand, 37.4% of Black clients are in Tier 3 and 10.2% are in Tier 4 compared to 17.3% and 5.8% of White clients, respectively.

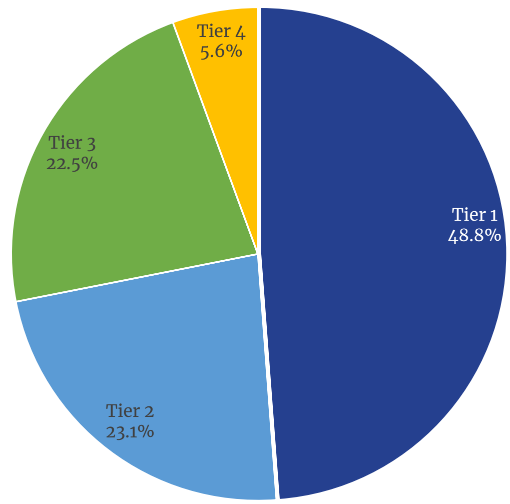
Figure 6: Tier Readiness by Race



Clients Do Change with Counseling

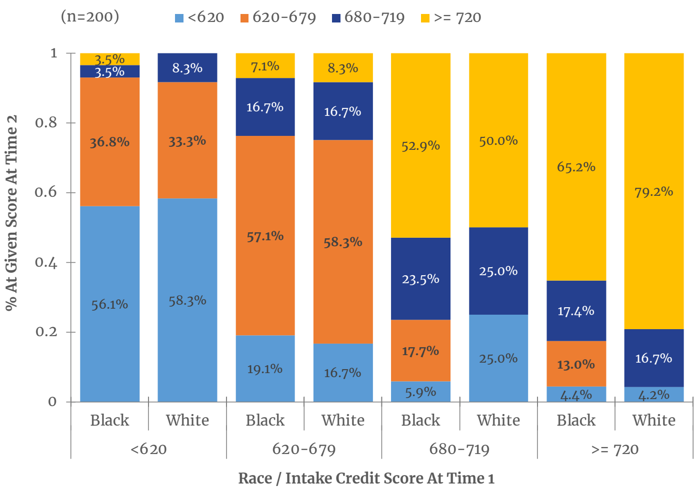
Clients do experience positive readiness changes as they work with their counselors. Counseling agencies provided data on clients at the end of the program. Notwithstanding the pandemic and its social and economic impacts — especially for people of color and for people of more modest means — there was a substantial rise in the percent of clients ending in Tier 1 (14.9% at entry and 48.8% at conclusion); there was a commensurate drop in Tier 2, from 44.2% at entry to 23.1% at conclusion, but that is a result of a migration into Tier 1. Tier 3 and Tier 4 both declined from 32.1% to 22.5% and 8.8% to 5.6%, respectively.

Figure 7: Tier Readiness at End Of Counseling for B2H Clients



And changes occur similarly, whether the client is a person of color or is White. Figure 8 shows the degree to which a client's credit score changed based on their initial credit score and their race. For example, among clients entering counseling with a credit score under 620, 36.8% of Black and 33.3% of White clients got that score up to the 620–679 range. Another 7%–8% of each group rose to up over 680. That pattern seems to hold, up to those clients that started out in the 720 range where, it seems, there was somewhat more slippage (perhaps due to the pandemic). While 65% of Black clients held their 720+ score through counseling, that percentage was 79% among White clients. Still though, more than 82% of Black clients maintained scores over 680, which certainly is in the general range of mortgage eligibility.

Figure 8: Change in Credit Score by Race of B2H Clients



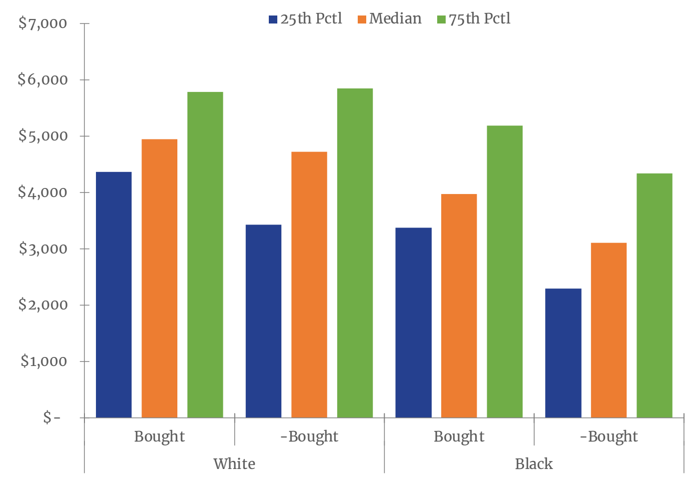
...And Many Clients Do Purchase Homes

Across the Commonwealth, 70 of 215 (32.6%) clients in the B2H program purchased homes. That figure is heavily influenced by the number of Philadelphia clients, and the unique racial/ethnic demographics of Philadelphia vis-a-vis the Commonwealth. First, 63% of participants were from Philadelphia. Second, the Philly First Home program was available to first-time homebuyers for any eligible household up to 120% of the area median income purchasing a home in Philadelphia. In Philadelphia, 43.4% of B2H clients purchased homes and 41% of those used Philly First Home. Outside of Philadelphia, the percent of B2H clients who purchased was 15% (12 of 80 clients).

Racially, we observed differences in the journey to become a homeowner. Forty three percent of White clients compared to 29% of Black and 27% of other race (largely Hispanic) clients purchased homes.

Figure 9 shows that, in general, people (Black or White) who purchased homes had higher incomes than their same race counterparts who did not. But it also shows that Black clients who purchased homes did so with lower incomes than their White counterparts. In fact, many Black clients had incomes below White clients who did not purchase.

Figure 9: Purchase Status by Race and Income of B2H Clients



Generally speaking, clients who purchased homes, Black or White, had higher credit scores than those who did not. But as observed in Figure 10, typical Black buyers had credit scores more than 75 points below those of White buyers.[21] In fact, as observed in the percentile distributions offered in Figure 10, most (75%) Black buyers had scores under 720 while 75% of White buyers had scores over 705.

Figure 10: Purchase Status by Race and Credit Score Of B2H Clients

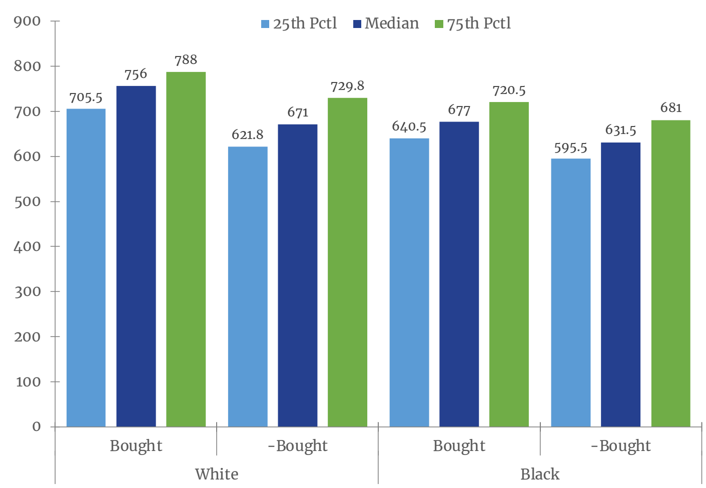


Table 17 displays the degree to which those participants who achieved credit scores generally acceptable under FHA or conventional standards achieved homeownership. The relationship is not straightforward. First, several of the categories of credit scores within the White participant group had fewer than 10 cases (those cells are presented in italics). Second, although based on a small number of cases, a substantial percentage of the White participants with credit scores under 620 did buy homes; nearly three times higher than Black participants. Alternatively, a slightly higher percentage of Black participants purchased homes than their White counterparts where the credit score range was 620–679. Once credit scores reached 680 or higher, higher percentages of White participants bought homes. In fact, at the highest credit

21 Although it is difficult to know with certainty, we believe that the differential is driven at least in part by the large number of Black homebuyers who participated in the more credit score lenient Philly First Home program.

score level, 720 and above, 63.6% of White participants compared to 42.9% of Black participants purchased homes.

Table 17: Outcomes by Race and Credit Score At Time 2

Time 2 FICO	Black		White	
	Bought	-Bought	Bought	-Bought
<620	15.8%	84.2%	42.9%	57.1%
620-679	34.9%	65.1%	28.6%	71.4%
680-719	50.0%	50.0%	57.1%	42.9%
>= 720	42.9%	57.1%	63.6%	36.4%

Some Clients Made Racially Integrative Moves

Agencies endeavored to collect data from clients on the zip codes where, if they purchased a home, they moved. Of the 70 participants that purchased homes while working with the B2H program, 22 clients changed zip codes; 25 clients did supply final address data. Fifty four percent of Black clients and 42% of White clients changed the zip code of their residence when they became homeowners.

Of those Black clients that purchased but stayed in the same zip code, the percentage of Black residents who stayed within the zip codes in which they lived was 66%; those who changed zip codes lived in areas that were 58.6% Black. However, the move that these clients made was, on average, to a neighborhood that was substantially Black, but less so on average (49.7%). In fact, the percent White of the old and new neighborhoods for Black movers changed from 29.7% to 32.7%. Thus, Black clients generally made modestly integrative moves. There was also a small increase in the percent Hispanic in neighborhoods into which Black clients moved (5.6% to 10.5%).

White clients similarly made integrative moves, yet still to places where White residents predominate. Those White clients that moved went from neighborhoods that were 66.7% White to areas that were 51.6% White. And they went from areas that were 17.6% Black to areas that were 32.1% Black. Like Black people, White people moved into areas with a slightly greater representation of Hispanic residents (7.2% to 9.2%).

We do not observe substantial changes in terms of the income level of neighborhoods into which people moved. Black people who moved went from areas with a typical household income of $41,262 to areas with an income level of $41,838. Whites moved to lower income areas; the typical White mover went from areas with typical incomes of $62,385 to areas with incomes of $47,669.

Thus, even among those who purchased homes, many chose to stay in the neighborhoods within which they formerly lived and rented. But of those that moved, the data suggest that the moves they made were integrative moves along racial and ethnic lines; that is true for both Black and White movers. There is no evidence that the moves took B2H clients to higher income neighborhoods.

What Barriers to Homeownership Clients Say About Their Quest to Become Homeowners

Comprehensive interviews were conducted with 43 B2H clients using video conferencing; each interview took between 30 and 60 minutes and at least two Policy staff participated in the interview.[22] With the permission of interviewees, interviews were recorded, and detailed notes were also taken. Interview questions were reviewed and approved by PHFA.

As stated previously, clients were initially purposively selected in order to ensure a representation of interviewees by race, geography, level of readiness to purchase at intake, and outcome (if known). However, agencies had difficulty contacting and, even with financial incentives, getting agreements with some clients for follow-up interviews. The purposive selection strategy was abandoned in favor of interviewing clients who could be contacted by the agencies and who agreed to be interviewed.

In the end, 43 clients were interviewed. Of those interviewed, 28 (65%) were Black, 12 (28%) were White, one client was Hispanic and three (7%) were other/multiple races. There was a mixture of outcomes in that 22 (51.2%) interviewees purchased homes. Clients interviewed were, like the universe of clients, dispersed across the Commonwealth; 15 (34.9%) resided in Allegheny county (11 were in the city of Pittsburgh); 19 (44.2%) were in Philadelphia; 4 (9.3%) were in suburban Southeastern Pennsylvania, 2 (4.7%) were in Southwestern Pennsylvania and the remainder were in Southcentral Pennsylvania.

Importantly for purposes of contrasting experiences, there was a mixture by race in terms of the conclusion of the process; 46% of Black interviewees had purchased homes compared to 75% of White interviewees. It is important to emphasize that these were not randomly selected clients, and caution must be used generalizing from their experiences to the population of B2H clients.

Interview reports were reviewed and analyzed by Policy staff, extracting the general themes and any differences that emerged between interviewees of color and White interviewees.

Clients were uniformly happy that they made the transition from renting to owning. They were happy with their new homes and the neighborhoods in which they now live. Clients referred to their new neighborhoods as "quiet" and "peaceful". This stood in stark contrast to how some referred to their old neighborhoods.

Many Philadelphia clients reported benefitting from the Philly First Home program. They noted that the down payment assistance was critical in their ability to purchase a home, and without it, some reported homeownership would not have been realized.

22 Only a small number of clients preferred a phone call, and their wishes were accommodated.

"There's like no crime here. Everyone's like super nice ... I try to be a team player and you know clean up the trash on Sundays out there. And there's a couple neighbors who do the same so it's a really nice like community down here. We're all pretty nice and say 'Hi', not that we know each other really well, but it's very friendly."

27-year-old White male who purchased a home in the Grays Ferry section of Philadelphia.

"It's so quiet, my neighbors are so nice. It's peaceful, I don't hear police sirens, ambulance sirens. I like where I live because it's just a neighborhood feel and they welcomed me and were so sweet. It's quiet; I like that ... it's very peaceful where I live at now compared to the city."

47-year-old Black female who purchased a home outside of Pittsburgh.

"No problems with no crime or sirens. Everybody's walking their dogs and everybody's friendly ... no issues whatsoever around here at all ... In my old area there was a lot more noise, dirt bikes ... ambulances. If you wanted to go outside and read a book that was just not gonna happen. This area is quiet; I don't hear anything, and I like that."

39-year-old Hispanic male who purchased a home in the Olney/Fern Rock section of Philadelphia.

And speaking about her new neighborhood, this 26-year-old Black female who purchased a home in the Wynnefield section of Philadelphia stated:

"I didn't have a lawn mower and my neighbor saw me sitting there trying to cut it with like shears and she was like 'do you want me to help you and teach you how to mow your own lawn?' And I really appreciated that. The neighbors are super welcoming, so I like it here."

COVID-19 represented a challenge for interviewees in multiple ways: scheduling appointments with counselors and the virtual format of counseling; the income / job loss that they experienced; interviewee or family member caught COVID-19; the very hot real estate market. However, clients who did not get homes generally didn't attribute their inability to buy singularly to COVID-19.

- Some clients noted that when they got into financial trouble during the pandemic, they turned to their credit cards, which did not help their ability to ready themselves to purchase a home.

On the other hand, for some, COVID-19 represented a help. This, they said, came in the form of lower expenses and increased income (e.g., added unemployment benefits).

COVID "...set us back a whole year ... I had all my credit cleaned up, everything was good, but COVID hit, and I also got sick. So that was months taken off with me going to the doctor and this and that and I did not get back into the swing of things until now ... while I was off, I used a lot of my credit cards ... just trying to keep up with everything, and so that set us back, me getting sick and COVID."

52-year-old Black female from the Pittsburg area who did not get a home.

"We kind of benefitted from COVID if that makes sense. I was out of work, and he still worked so we really buckled down on our finances and basically lived off of his [interviewee's fiancée] income. Eventually after the unemployment hit, we just kind of started stashing that all ... we used that to pay down credit cards, build up our down payment, and those kinds of things. Since we couldn't go anywhere either, different things we were spending money on really decreased ... when things opened up, we had a lot more in savings than we originally thought that we would have."

36-year-old White female who got a home in the area outside of Pittsburgh.

Clients were generally positive about their counseling. In particular, they found assistance with budgeting and understanding how much house they could afford most helpful.

The realtors with whom clients worked (perhaps the only in-person contact they had in the transaction) were generally considered helpful both in terms of explaining the complexity of the transaction and acting both as a quarterback for the transaction as well as advocate for the client.

"The counseling piece honestly was the most beneficial, like because I would've never gotten my home without it ... working with [his counselor], he gave me a lot of insight and he was very knowledgeable in terms of just like knowing exactly what to do even with the mortgage process and working with lenders. He gave me some insight on that. That was definitely beneficial.

26-year-old Black male who got a home in the Kingsessing neighborhood of Philadelphia.

"My real estate agent, she was awesome ... no question was a dumb question. She was like I've been through this a million times with first-time homebuyers ... I would like to emphasize that your real estate agent makes a great difference, in my opinion. She was so informative ... I sent her houses I wanted to see all the time and she made appointments to see them. She was upfront where there were multiple offers. She also counseled me on like what to bid for a house. She just answered so many questions and she didn't get annoyed with all the questions and me calling her and sending her homes ... all the inspections I needed for the house. She sent me information and who to go to so I wouldn't get taken advantage of ... I feel my realtor, she was the most significant. As far as the bank they were just, ... I didn't get to know them."

47-year-old Black female who got a home in the suburban Pittsburgh area.

Typically, clients did not report favorable relationships with their lenders. There were reports of poor communication, frequent changes in what was being asked and even sometimes unprofessional or bad attitudes towards the clients.

- Contact with lenders was almost exclusively by phone, email, and text — a source of frustration for many clients.

Several clients report being given options of conventional or FHA loans.

- Our observation, based on explanations offered by clients, is that they did not fully comprehend the differences between conventional and FHA loans.

- Some clients reported relying on the recommendation of the lender because, as first-time homebuyers, they did not know what was best for them.

Regarding the lender ... "I contacted the lender through email, text messages, and over the phone. I had a very bad experience with her. I did not like the experience with her and would never recommend her to anyone else ... Like she just wasn't professional to me at all; she had attitude when I'm trying to explain to her something. I work there [a prison], I know how things go ... She was just like totally unprofessional to me ... I kept trying to tell her that you can't text me and try to explain something because you don't know a person's tone through text ... she was unprofessional ... My realtor would even text her 'Like hey, she's not understanding what you're saying. Can you just give her a call?' She still didn't want to do nothing."

27-year-old Black female who got a home in the Tacony section of Philadelphia.

One 47-year-old Black female interviewee who bought a home outside of Pittsburgh reported getting a conventional loan when all along she thought it was going to be FHA. It was changed without her knowledge until the very end. She didn't complain because the interest rate was "great", but it was a last-minute surprise.

"Why was this changed?" "Why isn't this an FHA" "I could have spoken up more."

Client reports on the terms of their loan suggest that they were generally in the market range for interest rates available at this time (between 2% and 3.5%) — lower than some clients expected going into the transaction.

Closing was typically viewed as a difficult and stressful process; everything was very last minute, lots of tension and pressure, and the point in the transaction where communication would frequently break down.

"I was able to call the guy [lender] any time of day. You know any questions I had they helped us with ... they were very hands-on, as much as they could be during the pandemic."

37-year-old White male who purchased a home in the Tacony section of Philadelphia.

The loan officer was "super available" ... "He was very on top of things."

30-year-old White female who purchased a home in West Philadelphia.

"[lender] was not my favorite ... I'd probably go with a different lender, and knowing now too from experience like shopping around a little bit more with lenders to see what the best option is. It was our first time so we kind of leaned on their experience more."

27-year-old White male who got a home in the Grays Ferry section of Philadelphia.

"Closing felt long and things dragged out a bit until we were very close to the date when we might have to reapply."

White male and 34-year-old Black female couple who got a home on Southwest Pennsylvania.

"[the closing] process was pretty smooth sailing until the end when closing was delayed due to an extra document needed."

36-year-old White female who got a home in Southwest Pennsylvania.

"He [lender] strongly recommended the loan we went with, so I didn't really look into other options."

31-year-old White female who got a home in the East Passyunk section of Philadelphia.

Black and Hispanic interviewees more frequently reported that they had to ask questions and advocate for themselves to get information from their lenders. While White clients also described being active in the transaction, any frustration was attributed more to "the process" than their race.

"A lot of people have their family and stuff to lean on ... but I don't have as many people to lean on who know all these things. I think it affected ... the things I knew and having to ask more questions versus just getting the information readily. I think I had to be more of an advocate and strong-minded to get the information needed."

24-year-old Black female who got a home in Grays Ferry. The home she purchased was her grandparents' old home.

Homeowning is "... something I'm more familiar with for sure. I have three siblings; two of them own homes already, and my parents were really pushing me to own a home too. They were like 'it's a good investment.'"

24-year-old White male who bought a home in the Cedar Park section of Philadelphia.

"I'm originally from Canada and the majority of my family lives there, and they all buy houses out there. My mom who lives here with my stepdad own their house as well ... my boyfriend's family too they buy houses as well."

29-year-old White male who bought a home in the Grays Ferry section of Philadelphia.

Summary of Findings & Recommendations

Findings

The B2H program was an effort to understand how and why reports of mortgage lending disparities persist, more than 50 years after the passage of the federal Fair Housing Act, not to mention the Equal Credit Opportunity Act, the Home Mortgage Disclosure Act, and the Community Reinvestment Act. By studying a group of people seeking to become first-time homebuyers in Pennsylvania — supported by PHFA's housing counseling network — the hope was that the actual experience of people navigating the homebuying process could shed light on why lending outcomes are different for people of color and White people. The findings highlight the many and varied factors contributing to those disparities. Put simply: ***Disparities in mortgage lending, and the home buying process more generally, are about much more than disparities in mortgage lending.***

Analysis of HMDA data continues to show racial differences in loan application outcomes. ***People of color are more likely to be denied than White NH people; people seeking loans for homes in substantially minority areas are also more likely to be denied than applicants in White areas***. It is also true that the loan products people obtain are different. ***Black NH people are substantially more likely to end up with a government-insured loan product, and White people, conventional loans***. But we know that the economic circumstances of Black NH and Hispanic people are not equal to those of White NH people. Income and wealth disparities persist, and these are two critical factors in obtaining a loan.

But the analysis of the most recent HMDA data also shows a disparity in outcomes even when we equate applicants in terms of their ability to pay (DTI) and collateral (LTV); we cannot equate them on credit score as that is not reported in the public HMDA file. Although imperfect, the analysis shows that ***Black NH and Hispanic people are more likely to experience a denial than White NH people of similar qualifications.*** In fact, ***some comparisons show that less well qualified White NH applicants fare better than well qualified Black NH applicants.***

The experiences of B2H clients offer a window into the issue. ***Applicants of color who participated in the B2H program entered the program with less advantageous income, assets, and credit scores. As judged by their counselors upon entry, they needed a more substantial, longer-term effort to become homeowners than White applicants.*** But we also observed that ***applicants of color were able to raise their credit scores to a degree comparable to White participants (and hold on to those scores) even in the midst of a global pandemic.***

Not a single B2H participant stated that they were subject to overt acts of discrimination by counselors, realtors, or lenders – although participants, Black and White, noted that race is an intrinsic part of all interactions, including the parts of the process involved in buying a home.

B2H participants reported being very satisfied with their real estate agents. That is a very positive finding that national studies of discrimination in years past would not have anticipated. This is progress that should not go unrecognized.

B2H clients also offered positive comments about housing counseling and the practical learnings from that experience (e.g., budgeting, how much house one could afford, what the credit score is and how to improve it and their overall credit profile). These issue areas are things that some White participants said they learned from their families of origin, but Black B2H participants did not. This difference is to be expected given the vastly differential experience of Black and Hispanic adults compared to White young adults in terms of the homeownership status of their families of origin.

But B2H participants were not nearly as positive about their experience with their lenders, even if they were able to purchase a home. Communication – the modality, content, tone, frequency – was typically what clients reported as problematic. Clients, especially clients of color, reported needing an advocate with their lenders, a role frequently played by their realtors. B2H participants also pointed to problems leading up to loan closing. This was not noted as particularly smooth by many participants, but Black clients who got to that point in the transaction were more uniformly critical.

B2H clients did improve their prospects as aspirational homeowners, as evidenced in improved credit scores and overall mortgage readiness. In both regards, notwithstanding the COVID-19 pandemic and its greater impact generally on persons of color and families of more modest means, improvements were experienced both by participants of color and White.

At least in part a function of the different income distribution of Black and White participants, ***Black buyers tended to have lower incomes than White buyers.*** Further, ***Black buyers did achieve homeownership with lower credit scores than White buyers.*** This, we think, is influenced by the number of Black homebuyers in Philadelphia who availed themselves of the Philly First Home program.

Despite challenges that B2H participants reported with lenders and the housing market in general, many B2H participants purchased homes, but the results were not equal; ***43% of White clients compared to 29% of Black and 27% of other race (largely Hispanic) clients purchased homes.***

Putting everything together, we can gain insight into the disparate outcomes in the homebuying process through the lens of "microaggressions." Although the term microaggression has been politicized in the popular media, there is a serious academic underpinning to it.[23] Microaggressions are defined in the literature as:

> … often unconsciously delivered in the form of subtle snubs or dismissive looks, gestures, and tones. These exchanges are so pervasive and automatic in daily conversations and interactions that they are often dismissed and glossed over as being innocent and innocuous. Yet … microaggressions are detrimental to persons of color because they impair

23 See, for example: Wong, G., Derthick, A.O., David, E.J.R. et al. The What, the Why, and the How: A Review of Racial Microaggressions Research in Psychology. Race and Social Problems, 6, 181–200 (2014). https://doi.org/10.1007/s12552-013-9107-9

performance in a multitude of settings by sapping the psychic and spiritual energy of recipients and by creating inequities."[24] (p. 273).

In the politicized uses of this term, there is the suggestion that the trauma of discrimination, if it even exists, is a hyper-sensitive reaction on the part of the victim. That is thought because, at best, the microaggression was an unintentional slight from the person who made the comment.

While there is not a significant body of research on the application of the microaggression framework to the mortgage lending or homebuying process, the cumulative impact of repeated microaggressions, as evidenced in some of the quotes offered by interviewees (and in the comparison of quotes from White interviewees in relation to persons of color on the same topic), reasonably impacts one's ability to persevere through a challenging and alien proces—a process that begins for people of color who are working to overcome an economic disadvantage.

Recommendations

The answer to the question driving this inquiry is complex and difficult to tie singularly to the mortgage lending process. Stated differently, buying a home is both the culmination and intersection of institutions and life histories that place people of color at a disadvantage, both entering the process and navigating through it. Therefore, efforts to address the mortgage lending disparity need to focus not only on disparities in actual lending processes and actions taken by lenders, but also that which brings people to lending at different levels of readiness.[25]

What follows is a set of recommendations organized around issues surfaced in the analysis of B2H participant data, interviews, and comments from subject matter experts who reviewed the findings. Recommendations are organized into categories focused on: (1) actions that PHFA can directly take or encourage of its partner lenders; (2) actions at the state or federal level that PHFA (and its state agency partners) could encourage; (3) challenges in sectors outside of PHFA's direct sphere of influence, but this inquiry reveals are important to aspirational homebuyers of color.

Actions That PHFA Can Directly Take or Encourage of Its Partner Lenders

Down payments are needed to buy a home — the source of which is generally from assets/savings, a gift from a relative or an inheritance, or a public program. Buyers of color typically have less wealth than White buyers.[26] One way to address the asset disparity is through ***expansion of assistance programs that overcome the lack of assets that make it more difficult to attain homeownership.*** Buyers, Black and White, reported how important the Philly First Home program was because it provided that which they did not have — a down payment. Although not raised by B2H participants, it is worthy of note that in 2021, PHFA launched the Keystone Forgivable in Ten Years loan program (K-Fit).[27] K-Fit, like Philly First Home, addresses the lack of assets. Accordingly, ***PHFA's support and expansion of programs such as this — especially for people with credit scores below the 660–700 range, like so many B2H clients — directly addresses a critical impediment to homeownership for all people, but especially people of color. It is important to ensure that these down payment assistance programs do not unnecessarily put beneficiaries at a disadvantage to other buyers who do not need this help in the speed and logistics of financing a home. And it is also important to think of these assistance programs not as an expense to bear by the source of the funds, but an investment that leads to asset accumulation and all of the short- and long-term benefits associated with homeownership for that family and future generations.***

Table 18: PHFA's K-Fit Porgram Statistics For CY 2021

Area	Loan Volume	% to Minority Borrowers	Av K-Fit Loan	Avg Credit Score	% Scores 660-700
Allegheny	132	12.9%	$7,729	728	13.2%
Philadelphia	829	57.4%	$10,832	717	38.5%
Statewide	2217	40.1%	$7,574	720	38.2%

Other PA counties with more than 50 loans include: Berks (112, 63.4% minority), Bucks (94, 21.3%), Dauphin (51, 33.3%), Delaware (146, 54.8%), Lancaster (63, 23.8%), Lehigh (88, 78.4%), Montgomery (119, 37%) and York (90, 18.9%).

Reinvestment Fund tabulation of data provided by PHFA.

The increasingly virtual aspect of the mortgage lending process was reported by many as not particularly effective – not a high-quality customer experience. In particular, some B2H participants of color expressed how poorly electronic forms of communication worked for them. Communication was less than complete (e.g., clients not understanding why their lender asked them for something — or asked them for that something multiple times) and this had the effect of putting off many B2H participants of color (some used terms like "rude" or "unprofessional" to characterize the interactions with their lenders — defining traits of microaggressions, as defined above). But beyond poor communication, there is also differential communication. The contrast in B2H participants' recounts of their experiences with their lenders suggests that, intentionally or not, lender communication with applicants has room to improve. ***Improved communication with applicants can be accomplished***

24 Sue, Derald Wing, Capodilupo, Christina M. et al. Racial Microaggressions in Everyday Life: Implications for Clinical Practice. American Psychologist, 62, 4, 271-286 (June 2007).

25 We note that the recently released report "What's Behind the Racial Homeownership Gap in Philadelphia?" (December 2021) by the Federal Reserve Bank of Philadelphia (Jacob Whiton, Theresa Singleton, Lei Ding) specifically acknowledges the need to look beyond lending to address problems in lending when they write "Policies should also target the structural barriers in the labor and housing markets that create unique disadvantages for Philadelphia's aspiring Black homeowners." https://www.philadelphiafed.org/-/media/frbp/assets/community-development/briefs/cdro-brief-homeownership2-final.pdf

26 Bhutta, et al. state "One reason wealth-holding is relatively high among White families is they are considerably more likely to have received an inheritance or gift. Another reason is White families report other indicators associated with higher levels of family support ... nearly 30% of White families report having received an inheritance or gift, compared to about 10 percent of Black families, 7 percent of Hispanic families, and 18 percent of other families."

27 K-FIT is available to people with credit scores over 660; it is paired with PHFA's Keystone Home Loan Program. K-Fit provides significant down payment and closing cost assistance (5% of the lesser of the purchase price or appraise value with no maximum dollar limit) to buyers in Pennsylvania.

with training (inclusive of that which is focused on elimination of microaggressions), monitoring, fair housing self-testing, and creation of alternatives for applicants with differing needs or preferences. All of these are activities that PHFA can encourage among its partner lenders. ***Other state agencies (e.g., Pennsylvania Treasury) can similarly encourage these activities of those lenders with whom they do regular business.***

PHFA also can influence the fair housing / fair lending environment by ***encouraging its lending, counseling, and grantee partners to align their activities with their municipality's plan to affirmatively further fair housing.***[28],[29] The analyses associated with those plans will point to the unique issues in a community, and aligning investments and activities with plans to address the identified fair housing issues will support realizing change.

The saying "sunlight is the best disinfectant" is attributed to Associate Justice Louis Brandeis. Transparency around mortgage lending activity through passage of the Home Mortgage Disclosure Act has enhanced the ability of the public, fair housing advocates, academics, and fair housing law enforcement (and private attorneys general) to examine and address disparities in lending. PHFA is involved in the provision of credit, counseling and assistance for homeowners who are unable to meet their mortgage obligations. ***Annual reporting, in a HMDA-like manner, on the breakdown of beneficiaries of PHFA financing by the protected classes of the federal Fair Housing Act or the state's Human Relations Act would go far to enhance public transparency.***

Actions PHFA Can Encourage at the State or Federal Level

B2H participants report (and contemporary reports in the popular press illustrate) that any borrower circumstance that slows a transaction puts that aspirational homeowner at a distinct disadvantage, particularly in hot markets and for desirable homes. Borrowers of color use government-insured loans more frequently. Subject matter experts who reviewed and commented on the findings of this inquiry noted that FHA loans take longer and oftentimes require actions by a seller that a conventional loan would not. In weighing two potential buyers — a Black bidder with an FHA loan and a White bidder with a conventional loan — the seller will go with the White bidder. This speaks to the ***need for government-insured credit that does not undermine the loan product's utility (i.e., a more lenient credit score or lower down payment requirement) with a process that makes the homebuyer less likely to succeed in a tight market.***

B2H participants had uniformly positive experiences with their realtors. Twenty years ago, that might not have been the case. Pennsylvania has licensing and continuing education requirements related to knowledge of federal and state fair housing law for people who sell real estate. While many lending institutions do train staff on fair housing, it is not an industry requirement. ***Fair housing training as a best practice for PHFA's partner lenders, and for financial institutions with which other state agencies do business, should be encouraged to ensure equal treatment of applicants and enhance the customer experience***.

As it relates to the lending process, the Fair Housing Act provides a legal incentive for a financial institution to engage in self-testing and which takes corrective to address any observed problem (42 U.S. Code § 3614–1 - Incentives for self-testing and self-correction). Self-testing is an effective way for a financial institution to ensure that people seeking credit are treated equally. But further, financial institutions may have policies that seem neutral on their face but serve to disadvantage one group of borrowers over another without serving a substantial, legitimate, nondiscriminatory business interest, or there is no less discriminatory alternative that could also serve that specific interest. Differences in the way income is earned, investments are held, credit is used (or not), and families are comprised suggest that ***it is time for a comprehensive look at mortgage lending policies and practices that unnecessarily lead to loan denials or adverse product offerings or pricing; this should be encouraged at the financial institution, GSE and industry levels.*** One illustrative example is Fannie Mae now crediting first-time homebuyers for a positive rent history. A review of PHFA's loan program requirements is encouraged to ensure that all policies are acting in a manner that both manages risk and does not unnecessarily disadvantage groups of borrowers. And PHFA can encourage this as a best practice for its partner lenders.

The need for a vigorous and public fair housing enforcement effort was reaffirmed in President Biden's "**Memorandum on Redressing Our Nation's and the Federal Government's History of Discriminatory Housing Practices and Policies**" dated January 28, 2021. Historically the federal government through the US Department of HUD and Department of Justice accepted the federal responsibility; state Attorneys General brought cases at the state level. ***A concerted, enforcement effort is necessary to ferret out those practices and policies that serve to disadvantage applicants of color in the contemporary lending market, and to ensure that lenders understand that there are certain consequences for the violation of state and federal law. Because of the deep knowledge of mortgage lending among the leadership and staff of PHFA, it can encourage and support such investigative and enforcement actions throughout state government.*** PHFA's active support of a multi-agency effort to help homeowners in the Poconos area of Pennsylvania several years ago serves as a good example of its ability to contribute to such efforts. ***PHFA and other state agencies can also, as a best practice, refrain from doing business with financial institutions against which a local, state or federal agency has made a finding of discrimination.***

Challenges in Sectors Outside of PHFA's Direct Sphere of Influence

B2H participants report that buying a home is complex. At the same time, life experience and personal and social networks with people who are homeowners makes that process a little less daunting. People of color are far less likely to have grown up in a home owned by their family, and such buyers cannot benefit from the familiarity

28 There is a precedent for PHFA encouraging its grantees under the PHARE program (2021 RFP) to ensure that grantees are familiar with a local Assessment of Fair Housing (or statewide assessment, if the locality does not have such an assessment), and to articulate how the grant-funded activities address identified fair housing issues.

29 Where the municipality does not have such a plan, the state's plan can substitute.
Pennsylvania's plan can be found here: https://dced.pa.gov/download/pa-ai-for-fair-housing-final-draft-2015/?wpdmdl=56387. Philadelphia's plan: http://www.pha.phila.gov/media/176930/afh-2016-for-web.pdf

that would bring. And personal financial literacy, while a challenge for many, is reported to be uniquely so for African Americans (especially female African Americans).[30] B2H participants report that their housing counselors and realtors helped compensate for that disparity. But so would ***inclusion of critical, practical aspects of buying, owning, and maintaining a home in high school curricula across the Commonwealth.*** This is not something easily addressed in a relatively brief session that occurs right before buying a home, but ***should be part of a series of classes offered over the high school experience***.

In closing, the Black Homeownership Collaborative recently released a bold 3 by 30 plan (3 million new Black homeowners by 2030). Collaborative members include the National Fair Housing Alliance, Mortgage Bankers Association, NAACP, National Association of Realtors, National Association of Real Estate Brokers (Realtist), National Housing Conference, and National Urban League. The recommendations offered here, coming from the learnings gained through study of B2H participants, match or complement those offered in 3 by 30. ***The implication is that PHFA can have a significant set of partners in achieving the goal of addressing those forces that impede people of color from achieving higher rates of homeownership.***

30 Yakobosky, Paul J., Annamaria Lisardi and Andrea Hasler (2020). Financial Literacy, Wellness and Resilience Among African Americans. https://gflec.org/wp-content/uploads/2020/10/TIAA_GFLEC_Report_AAPFinIndex_Sept2020_02.pdf?x91519. Among the findings are that African American – White differentials in knowledge were particularly acute in the areas of borrowing, saving, earning, "go-to info sources", earning and investing. They also observed that the African American – White differential in "financial fragility" (evidenced by whether people believed that they were "certain" that they could come up with $2,000 if something unexpected arose) was 59% for White and 35% for African Americans. Fragility improved substantially with age, education, and income.

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About Reinvestment Fund

Reinvestment Fund is a national mission-driven financial institution that creates opportunity for underserved people and places through partnerships. We marshal the capital, analytics, and expertise necessary to build strong, healthy, and more equitable communities. Learn more at www.reinvestment.com.