



## A 7 point plan to increase Black homeownership by 3 million households by 2030

The Black homeownership rate has plummeted to levels not seen since segregation in housing was legal. Even more disturbing is the fact that in the decade since the end of the Great Recession, it has continued to fall, while every other demographic group has seen significant recovery. The reasons for this crisis are well documented and include systemic racism, equity stripping and a significant loss of affordable housing stock and mortgages. It is compounded by multiple generations of explicit discrimination under Federal law that had a direct impact in suppressing homeownership rates for people of color, as well as by the unique factors first generation homebuyers face, like the lack of family downpayment assistance and experienced advice from preceding generations of homeowners.<sup>1</sup>

The numbers tell the story. The homeownership rate for Blacks under age 35 is below 20% – less than half the rate for whites. The gap closes some over the lifecycle, but even for those aged 35-54, the Black homeownership rate is just 50% compared to over 70% for whites.<sup>2</sup> Overall, the gap – more precisely, the chasm – today is even higher than it was in 1968 when the Fair Housing Act was enacted. Bringing the Black homeownership rate up to the level of whites would require increasing the number of Black homeowners by roughly five million, an increase of approximately 72%.

Even more troubling, the Urban Institute projects that over the next twenty years all net new household growth will be from families of color, but that the homeownership rate, left unaddressed, will continue to fall for every age group under age 85.<sup>3</sup> More strikingly, the same study projects that the Black homeownership rate will fall even further by 2040, with the decline particularly pronounced for households age 45-74. As homeownership is an important source of building wealth<sup>4</sup>, this is an economic disaster for the Black families who will be unable to achieve homeownership, but it is also a moral and economic problem for the country. The safety and soundness of the future mortgage market depends on there being consumers who can access safe and responsible loans. Acting now to

<sup>1</sup> Alanna, McCargo, and Jung Hyun Choi. 2020. [Closing the Gaps: Building Black Wealth through Homeownership](#). Urban Institute

<sup>2</sup> Neil Bhutta, Andrew C. Chang, Lisa J. Dettling, and Joanne W. Hsu .2020. [Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances](#). Federal Reserve Board.

<sup>3</sup> Laurie Goodman and Jun Zhu. 2021. [By 2040, the US Will Experience Modest Homeownership Declines. But for Black Households, the Impact Will Be Dramatic](#). Urban Institute.

<sup>4</sup> Laurie Goodman, and Christopher Mayer. 2018. [Homeownership and the American Dream](#). Journal of Economic Perspective, 32(1), pp 31-58.

increase homeownership among underserved communities is a cost-effective solution to strengthen the middle-class and grow the economy.<sup>5</sup>

While there remains a deep desire among Black renters to become homeowners, numerous barriers persist, some overt and some more subtle. To close the gap, Black homebuyers need support through improved and targeted financial and homeownership programming and preparation. Strategic partnerships between lenders, housing counseling agencies, and other key stakeholders are paramount to reaching and supporting underserved communities.

This plan identifies seven sets of tangible, actionable and scalable steps that will make it possible to increase Black homeownership by 3 million net new homeowners by 2030, an increase of more than 10 points in the Black homeownership rate, bringing it to a level never previously attained. From there, new strategies will be developed to close the racial homeownership gap completely.

These recommendations are the work of over one hundred housing leaders that span the political spectrum in every area of housing advocacy and industry. It is the product of two years of work, and hundreds of hours of meetings by the Steering Committee as well as five workstreams that specifically addressed the unique challenges and opportunities regarding mortgage lending; housing production; counseling and down payment assistance; civil and consumer rights; and marketing. Each workstream produced detailed recommendations of tangible changes in law, regulation, business practice and outreach that, once completed, will contribute to moving the dial towards the creation of 3 million net new Black homeowners by 2030. The 7-point steps are focused not only on bringing in new homeowners but also sustaining existing homeowners. They are complementary and needs to be worked on simultaneously in order to increase the effectiveness.

Every organization that has signed on to the seven point plan may not play an advocacy role on every item in the workstream recommendations. But all of the organizations listed below support the objective of increasing homeownership in America by 3 million net new Black households. Our contributions will focus on the areas where we can add the most value, and make the most material progress. No single aspect of this 7 Point Plan will be enough to reach this historic goal. Additionally, studies show that Black homeowners accumulate housing wealth at a slower pace than white homeowners, which also needs to be addressed in the future.<sup>6</sup> While the focus of this first stage is increasing 3 million net new Black homeowners, by working together, we can achieve a critical mass of progress that will get us to our initial object and prepare us for the next phase – closing the racial homeownership and housing wealth gap completely.

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<sup>5</sup> Nick Noel, Duwain Pinder, Shelley Stewart, and Jason Wright, *The Economic Impact Of Closing The Racial Wealth Gap*, McKinsey & Company (August 13, 2020), <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-economic-impact-of-closing-the-racial-wealth-gap#>; Dana M. Peterson and Catherin L. Mann, *Closing The Racial Inequality Gaps: The Economic Cost of Black Inequality in the U.S.*, Citi GPS: Global Perspectives & Solutions (September 20, 2020), <https://www.citivelocity.com/citigps/closing-the-racial-inequality-gaps/>; Jeff Cox, *Morgan Stanley Says Housing Discrimination Has Taken A Huge Toll On The Economy*, CNBC, November 13, 2020.

<sup>6</sup> Michael Neal, Jung Hyun Choi and John Walsh. 2020. *Before the Pandemic, Homeowners of Color Faced Structural Barriers to the Benefits of Homeownership*. Urban Institute.

## 1. Homeownership Counseling

Major barriers depressing Black homeownership include credit, student loan debt, and lack of information and resources for first time and especially first generation homebuyers.<sup>7</sup> Pre-purchase homeownership counseling is foundational to bridging these barriers as well as growing the pool of mortgage ready homebuyers. Counseling borrowers who have been denied mortgage approval is critical to preparing them to reenter the home buyer market. Post-purchase counseling is also an important component of sustaining homeownership, particularly given inevitable volatility in income and expenses. Black homeowners are more likely to switch back to renting, losing the opportunity for building wealth.<sup>8</sup> Post purchase counseling can significantly mitigate delinquency and reduce servicing and loss mitigation costs.<sup>9</sup> It must be better facilitated and monetized. Housing counseling agencies provide in-person and online housing counseling and homebuyer education activities including pre-purchase, post-purchase, delinquency, credit, financial coaching, homebuyer education workshops and classes, financial capability and reverse mortgage counseling. However, they are significantly underfunded. Funding must increase and capacity sustainably expanded. Best practices must be shared and scaled. The value of counseling must be recognized and incorporated into all aspects of the homebuying process for first time, and especially, first generation homebuyers.

## 2. Downpayment Assistance

Homeownership is the primary way that most Americans build wealth. Unfortunately, historic and ongoing discriminatory housing policies result in Black families and other people of color being excluded from having access to owning a home, even when they have sufficient income to cover debt service. As a result, persistent and growing racial wealth gaps continue with many hardworking families lacking the resources to save for a down payment to purchase their first home. Additionally, many first time home buyers receive down payment support from their family members, especially their homeowner parents. Black young adults, whose parents are less likely to be homeowners and have wealth are less likely to receive support to make downpayment.<sup>10</sup> A substantial, sustainable and targeted down payment assistance program will serve as a critical first step in addressing these disparities, strengthening the wealth building capacity for millions while also growing the economy.

## 3. Housing Production

Housing supply shortages are greatest for entry-level and lower-priced homes affordable to first-time homebuyers. Rising land prices, zoning restrictions on housing development, costly building permits, labor shortages and the high cost of lumber and other materials all contribute to the under-supply of for-sale, entry-level homes.<sup>11</sup> Many of these costs are fixed, making more affordable starter homes comparatively less economic. Another contributing factor to supply

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<sup>7</sup> Laurie Goodman, Alanna McCargo, Bing Bai, Edward Golding, and Sarah Stochak. 2018. [\*Barriers to Accessing Homeownership: Downpayment, Credit and Affordability – 2018\*](#). Urban Institute.

<sup>8</sup> Jung Hyun Choi, Laurie Goodman, and Alanna McCargo. 2019. [\*Three Differences Between Black and White Homeownership that Add to the Housing Wealth Gap\*](#). Urban Institute.

<sup>9</sup> Corianne Payton Scally, Camille H. Anoll, Jung Hyun Choi, Patrick Spauster, Leah Hende, Diane K. Levy, and Bing Bai. 2019. *Responding to a Crisis: The National Foreclosure Mitigation Counseling Program, 2008-2018 - A Capstone Evaluation*. Urban Institute.

<sup>10</sup> Jung Hyun Choi, Jun Zhu and Laurie Goodman. 2018. [\*Intergenerational Homeownership. The Impact of Parental Homeownership and Wealth on Young Adults' Tenure Choices\*](#). Urban Institute.

<sup>11</sup> Michael Neal, Laurie Goodman, and Cait Young. 2020. [\*Housing Supply Chartbook\*](#). Urban Institute.

shortages is the lack of market incentive to rehabilitate dilapidated homes in many distressed communities where vacant homes sit underutilized. The cost of new construction or rehabilitation often exceeds what the home could sell for in these communities. This dynamic, known as the “value” or “appraisal” gap, discourages investment and perpetuates a downward spiral of declining home values in communities that have been left behind. Without economic interventions in distressed communities, land use reforms, and public investment in dedicated affordable homes, the shortage of decent, affordable entry-level homeownership opportunities will continue to pose a major barrier to Black homeownership.

#### **4. Credit and Lending**

Credit remains a major barrier to homeownership, particularly for Black homebuyers. The high cost of origination and servicing also creates barriers to obtaining home loans in communities where home prices are most affordable and smaller mortgages are essential. Innovation in mortgage credit scoring and mortgage products are an essential component of any successful strategy.<sup>12</sup> Achieving homeownership is not enough. Sustaining homeownership is the ultimate objective. Not everyone is ready to be a homeowner immediately, but credit evaluation needs to do a better job of identifying those that are ready and those that are not ready yet and provide referrals to housing counselors who can turn a “no” into a “not yet.” Mortgage products also need to target populations that have not only been historically underserved by the mortgage finance system; they have been specifically excluded. Addressing these inequities requires direct interventions like special purpose credit programs (SPCP) and specified pools for mortgage securitization.

#### **5. Civil and Consumer Rights**

A legacy of housing and lending discrimination, which excluded Black households from communities, denied them access to credit, and constrained opportunities to build household equity, all contributed significantly to the homeownership gap we witness today between African Americans and white Americans. The federal government must fully enforce the nation’s fair housing and consumer-protection laws to mitigate the role of ongoing discrimination in perpetuating the homeownership gap. The government must utilize, protect, and restore all legal doctrines and provisions of law that address systemic discriminatory policies and other practices that serve as unlawful barriers to housing opportunity. Federal agencies must also be fully resourced to effectively implement fair housing and consumer-protection laws.

#### **6. Homeownership Sustainability**

Black homeownership rates have fallen in part because Black homeowners have shorter spells of ownership than white homeowners.<sup>13</sup> Sustaining homeownership has received less attention than helping renters become owners. Loss of a home impacts not only the family experiencing foreclosure, but the expectations for homeownership of their friends and family. For older homeowners, foreclosure may not be recoverable due to approaching retirement.<sup>14</sup> According to

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<sup>12</sup> Karan Kaul. 2021. [Adopting Alternative Data in Credit Scoring Would Allow Millions of Consumers to Access Credit](#). Urban Institute.

<sup>13</sup> Jung Hyun Choi, Laurie Goodman, and Alanna McCargo. 2019. [Three Differences Between Black and White Homeownership that Add to the Housing Wealth Gap](#). Urban Institute.

<sup>14</sup> Rolf Pendall and Carl Hedman. 2018. Three Goals for Restoring Black Homeownership.

<https://www.urban.org/urban-wire/three-goals-restoring-black-homeownership> by. Urban Wire: Housing and Housing Finance blog. February 27, 2018.

the Federal Reserve Bank of St. Louis, people of color experienced foreclosure rates significantly higher than comparable white homeowners.<sup>15</sup> Early intervention, ex-ante counseling and COVID-19 related homeownership assistance are essential components of sustaining homeownership.

## **7. Marketing and Outreach**

The first step to successfully reaching mortgage ready Black homebuyers is to complete a comprehensive marketing study to develop a targeted advertising and marketing campaign. This will be followed with a major national advertising campaign. Pre-pandemic there were 1.7 million mortgage-ready Black millennials who made \$100,000 or more annually, according to Freddie Mac. At least 3 million Black households were identified as mortgage ready, and more than 2 million were able to meet income requirements, but didn't have enough credit history to meet traditional requirements for home loans, Freddie Mac found. Why is this? Without detailed answers to this fundamental question, many of the strategies in this plan will be undercut by a lack of interest. There are likely many factors at play, including the impact of mass foreclosures and equity stripping in communities of color during the Great Recession, the multigenerational impact of racism on attitudes about the meaning of "the American Dream," lack of informed parental support and guidance available to first generation homebuyers, who are disproportionately people of color; significantly higher levels of student debt despite high incomes; and other factors not yet identified. In the 1990s, homeownership among all people of color rose significantly. Moving the needle in the 2020s will require a concerted effort that is consistent with 21<sup>st</sup> century marketing tools and outlets.

The undersigned are committed to contributing to creating 3 million net new Black homebuyers by 2030 by working collaboratively to achieve our goal and laying the foundation to close the homeownership gap completely.

### Black Homeownership Collaborative Steering Committee

Steve O'Connor, Mortgage Bankers Association (co-chair)

Antoine Thompson, National Association of Real Estate Brokers (co-chair)

David Dworkin, National Housing Conference (executive secretary, marketing co-chair)

Jung Choi, Urban Institute

Bryan Greene, National Association of REALTORS®

Derrick Johnson, NAACP

Marc Morial, National Urban League

Janneke Ratcliff, Urban Institute

Lisa Rice, National Fair Housing Alliance (Civil and Consumer Rights workstream co-chair)

Cy Richardson, National Urban League

Jackie Ward Richardson, NAACP

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<sup>15</sup> Carlos Garriga, Lowell R. Ricketts, and Don E. Schlagenhauf. 2017. The Homeownership Experience of Minorities During the Great Recession. Federal Reserve Bank of St. Louis Review, 99(1), pp. 139-67.  
<https://files.stlouisfed.org/files/htdocs/publications/review/2017-02-15/the-homeownership-experience-of-minorities-during-the-great-recession.pdf>

## Black Homeownership Collaborative Members

Cerita Battles, JP Morgan Chase (Lending co-chair)  
Bruce Dorpalen, National Housing Resource Center (Counseling and DPA co-chair)  
Marcia Griffin, HomeFree USA (Marketing co-chair)  
Simone Griffin, HomeFree USA (Counseling and DPA co-chair)  
Mike Kingsella, Up For Growth (Production co-chair)  
Charles Lowery, New American Funding (Lending co-chair)  
Jeremy Potter, Quicken Loans (Lending co-chair)  
Chris Vincent, Habitat for Humanity International (Production co-chair)

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AGORA Community Services Corporation, NFP  
Arizona Housing Coalition  
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Center for Community Progress  
Center for NYC Neighborhoods  
Central Jersey Housing Resource Center Corp. (CJHRC)  
Centre for Homeownership & Economic Development Corporation, Inc.  
Chhaya CDC  
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Citizens' Housing and Planning Association  
Commerce Mortgage  
Community Development Network of Maryland  
Community Housing Development Corporation of North Richmond  
Consumer Credit and Budget Counseling, Inc (d/b/a National Foundation for Debt Management)  
Consumer Credit Counseling Service of Buffalo, Inc.  
Consumer Credit Counseling Services of Maryland (CCCSMD)  
Credit and Homeownership Empowerment Services, Inc. (CHES, Inc.)  
Conrad Egan  
eHome America  
Florida Alliance for Community Solutions, Inc.  
Framework Homeownership  
Frayser CDC  
Genworth  
Greater KC Housing Information Center  
Guild Mortgage  
Habitat for Humanity International  
Habitat for Humanity of Minnesota  
HomeFree USA  
Homewise  
Hope Enterprise Corporation/Hope Credit Union  
Housing Action Illinois

Housing Options Provided for the Elderly, Inc  
Housing Partnership Equity Trust  
Housing Policy Council  
JP Morgan Chase  
Sarah Bainton Kahn  
Keuka Housing Council, Inc.  
Leadership Conference on Civil and Human Rights  
Long Island Housing Services, Inc.  
Low Income Investment Fund  
Mainstream Finance  
Manufactured Housing Institute  
Margert Community Corporation  
Massachusetts Affordable Housing Alliance  
Milken Institute  
Minnesota Homeownership Center  
Mortgage Bankers Association  
Movin' Out, Inc.  
NAACP  
National Association of Hispanic Real Estate Professionals  
National CAPACD- National Coalition for Asian Pacific American Community Development  
National Community Reinvestment Coalition  
National Community Stabilization Trust  
National Council of State Housing Agencies  
National Fair Housing Alliance  
National Housing Conference  
National Housing Resource Center  
National NeighborWorks Association  
National Urban League  
Navicore Solutions  
NCLC  
Neighborhood Housing Services of Chicago  
Neighborhood Housing Services of South Florida, Inc.  
NeighborWorks  
New American Funding  
Newtown Community Development Corporation  
NHS Brooklyn, CDC, Inc.  
Jackie O'Garrow  
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Open Communities  
Project LIFT  
Proud Ground  
Quicken Loans  
Rensselaer County Housing Resources, Inc.  
RUPCO Inc.  
Rural Community Assistance Corporation  
Sconiers Homeless Preventive Organization Inc 501c4

SKA Marin  
Sowing Empowerment & Economic Development, Inc (SEED)  
Springfield Housing Authority  
SSG Community Solutions  
St. Petersburg Neighborhood Housing Services, Inc. (d/b/a Neighborhood Home Solutions)  
Take Charge America, Inc.  
Tenfold  
The Homeowners Employment Corporation  
The Leadership Conference on Civil and Human Rights  
The Waterfront Project, Inc  
Troy Rehabilitation and Improvement Program, Inc.  
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