

# HOUSING

The Stanford Center on Poverty and Inequality

BY MATTHEW DESMOND

Homeownership is firmly pressed into America's national identity. The Founding Fathers knotted full citizenship to land ownership and saw the yeoman farmer, sweating over his own soil, as the beating heart of America. Tenancy was seen as a social ill: Congress heard arguments that it “annihilates the love of country.” “Democracy,” Walt Whitman wrote, “asks for men and women with occupations, well-off, owners of houses and acres, and with cash in the bank ... and hastens to make them.”<sup>1</sup>

American democracy did not, however, “hasten to make” everyone an owner. The country's history of housing its people is inextricably bound up with its legacy of racism. Slavery and sharecropping; the creation of northern urban ghettos, ethnic tenements, and shack-settlements for migrant workers; the forcible resettlement of Native Americans to reservations; the systematic exclusion of nonwhite families from government-insured home mortgages—on and on, the history of racial injustice in the United States is in large part a history of the systematic dispossession of people of color from the land.<sup>2</sup>

Throughout the 19th and 20th centuries, if fathers couldn't leave an actual house to their children, they continued to pass along the dream of a house; indeed, it became “a model, a lesson,” says literary historian Jan Cohn.<sup>3</sup> There was a “symbolic inheritance” involved, as an intergenerational link to ownership was a ticket not only to some prosperity but also to full belonging.

This is said to be the American story, but as with all American stories, some are left out of its pages. In the 1930s and 1940s, New Deal policies that lifted millions of Americans into the middle class—particularly through a massive expansion of government-insured home mortgages—were denied to families of color. Black veterans, in particular, were excluded from GI mortgages, which accounted for 40 percent of all home loans in the years following World War II, and the Federal Housing Authority's official policy of redlining, enforced from

## KEY FINDINGS

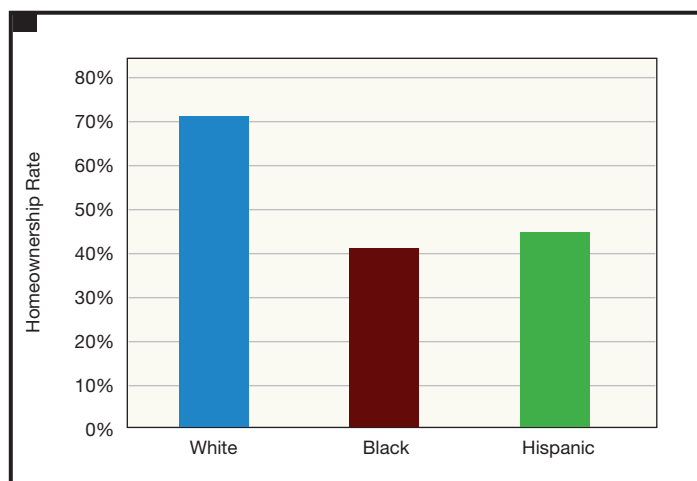
- Racial and ethnic gaps in homeownership, housing wealth, and tax expenditures on housing are still very wide. Whereas 71 percent of white families live in owner-occupied housing, only 41 percent of black families and 45 percent of Hispanic families do.
- Many nonwhite families were excluded from social programs that facilitated dramatic growth in homeownership in the mid-20th century.
- The ownership gap is related to an affordability gap. Black and Hispanic families are approximately twice as likely as white families to experience “extreme housing costs,” defined as spending at least 50 percent of income on housing.

1934 to 1968, inhibited homeownership in African-American communities.<sup>4</sup> White families got a New Deal; black families got the old one.

The enduring legacy of these racial policies is seen clearly in the simple fact that today most white families in America own their homes and most nonwhite families do not. More than 75 percent of all owner-occupied homes in the United States are owned and occupied by white families, though whites make up only 62 percent of the population.<sup>5</sup> As shown in Figure 1, 71 percent of white families live in owner-occupied housing, compared with 41 percent of black families and 45 percent of Hispanic families. These differences explain a large share of the racial wealth gap. In 2013, the average white household had a net worth of \$678,737, compared with \$95,261 for the average black household.<sup>6</sup> Nearly a third of the racial wealth gap is explained by differences in homeownership rates.<sup>7</sup>

Homeownership is not only an effective way that families can build wealth and save; it also activates some of the country's largest welfare benefits. In particular, homeowners enjoy the

FIGURE 1. Homeownership Rates by Race/Ethnicity

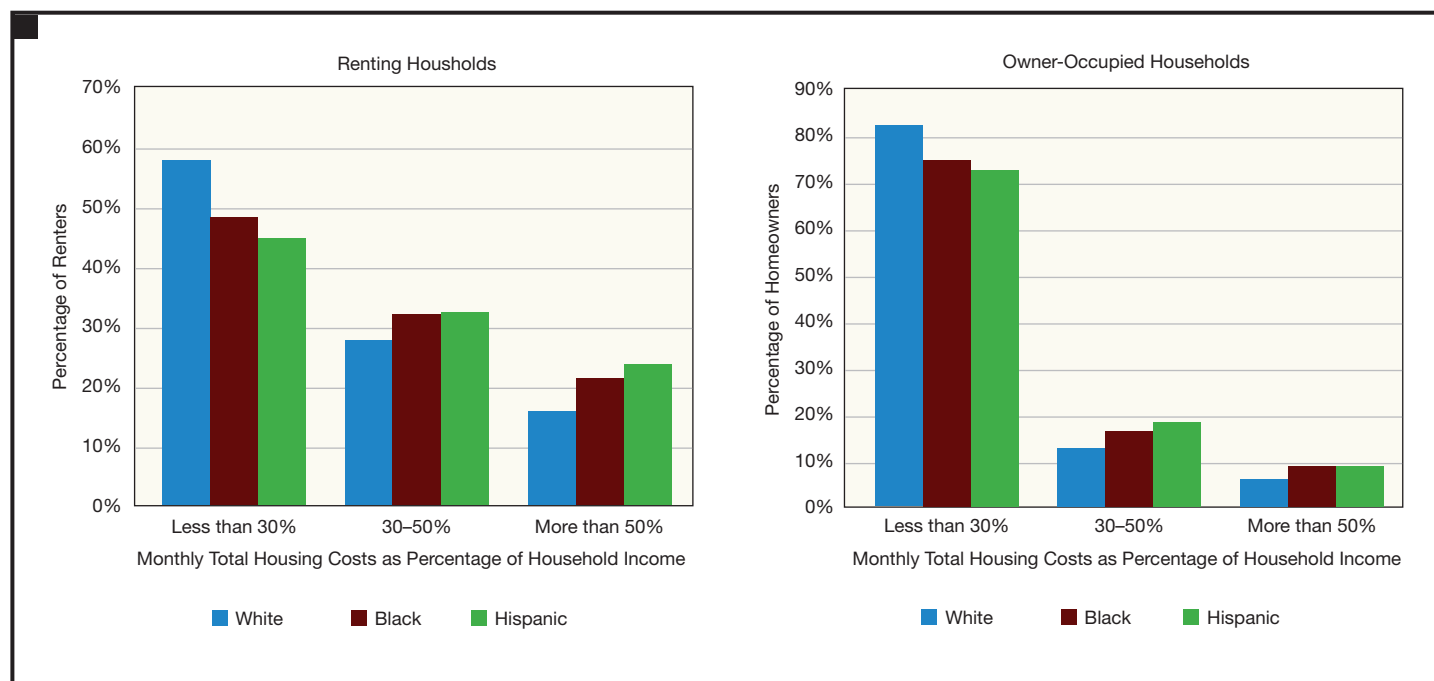


Source: American Community Survey, 2014.

mortgage interest deduction, an entitlement that allows them to deduct from their taxes interest paid on home mortgages valued at \$1 million or less. In 2016, the federal government dedicated \$71 billion to the mortgage interest deduction and an additional \$63 billion to other homeowner subsidies, such as real estate and property tax exclusions, making such expenditures some of the most lavish in the tax code.<sup>8</sup> But the majority of nonwhite families are excluded from homeowner subsidies. Even after controlling for age and household income, black families are 57 percent less likely than white families to own mortgaged homes. Hispanic families are 51 percent less likely and American Indian families are 41 percent less likely.<sup>9</sup>

Differences in homeownership rates partly account for racial differences in housing affordability. In recent years, housing costs have risen at a much faster rate than incomes, particularly among renters.<sup>10</sup> As a result, black and Hispanic families

FIGURE 2. Housing Cost Burden by Race/Ethnicity and Homeownership Status



Note: Housing costs include mortgage payments, property taxes, contract rent, utilities, property insurance, and mobile home park fees. Here, income refers to the sum of all wages, salaries, benefits, and some in-kind aid (food assistance) for the householder, her or his relatives living under the same roof, and a "primary individual" living in the same household but unrelated to the householder. These estimates exclude renter households reporting no cash income as well as those reporting zero or negative income. They also exclude families reporting housing costs in excess of 100 percent of income. For some households, this scenario reflects response error. For others, including those living off savings and those whose rent and utility bill actually is larger than their income, it does not. Source: American Housing Survey, 2015.

are twice as likely as white families to experience “extreme housing costs,” defined as spending at least 50 percent of income on housing. Roughly 1 in 6 black and Hispanic households dedicate at least half of their income to rent and utility costs, compared with 1 in 12 white families. But the majority of homeowners, regardless of race, spend less than 30 percent of their income on housing. As displayed in Figure 2, only 9 percent of black and Hispanic homeowners spend over half of their income on housing, compared with more than 20 percent of black and Hispanic renters.

The spillover effects of these racial and ethnic differences in affordability are profound. Families living in unaffordable housing make fewer investments in their children, which likely has direct effects on those children’s cognitive development and later well-being.<sup>11</sup> Rent-burdened families also have less money to buy basic necessities, such as medical care and clothing. Researchers have connected unaffordable housing to stress-induced illnesses, such as hypertension and anxiety, while others have shown that families who receive housing assistance after years on the waiting list consistently use their freed-up income to purchase more food, helping their children to become better nourished and healthier.<sup>12</sup>

Because they are disproportionately renters, black and Hispanic families are also more vulnerable to eviction and involuntary mobility. Researchers have linked eviction to downward mobility, material hardship, savings and job loss, depression, suicide, and other negative outcomes, showing it to be a cause, not just a condition, of poverty.<sup>13</sup> One study from Milwaukee found that between 2009 and 2011, 9 percent of white renters, 12 percent of black renters, and (owing in large part to landlord foreclosures) 23 percent of Hispanic renters had experienced a forced move in the previous two years.<sup>14</sup> Women of color, and mothers in particular, are at especially high risk of eviction.<sup>15</sup>

Housing is a fundamental human need, necessary to promote family, economic, and community stability. The lack of stable, affordable housing is a wellspring for multiple kinds of social maladies, from homelessness and material hardship to school instability and health disparities. Unequal access to affordable, stable, and owner-occupied housing remains a prime driver of racial and ethnic inequality in America. ■

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*Matthew Desmond is John L. Loeb Associate Professor of the Social Sciences at Harvard University. He leads the housing research group at the Stanford Center on Poverty and Inequality.*

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