

HOUSING

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KEY FINDINGS

- **Young millennials have lower rates of homeownership than Generation X, baby boomers, and the Silent Generation at comparable ages. We have to reach back to a generation born nearly a century ago—the Greatest Generation—to find homeownership rates lower than those found today among millennials.**
- **The racial gap in young-adult homeownership is larger for millennials than for any generation in the past century. Although the housing reforms after the civil rights era reduced the racial homeownership gap, all those gains have now been lost.**

Homeownership has been an essential component of the American Dream since at least the housing reforms of the New Deal. The New Deal's housing reforms, however, were replete with racially disparate implementation and housing discrimination. The resulting benefits of homeownership—such as the accumulation of wealth and housing stability—disproportionately accrued to white Americans. These injustices were in turn responsible for generating an asset-based middle class for whites but not for blacks.

The purpose of this article is to examine generational trends in homeownership, and in particular racial disparities in homeownership across generations. Since millennials entered adulthood in the aftermath of the Great Recession, their access to housing may have been especially compromised.

The Great Recession reduced Americans' net worth by 40 percent—\$50,000 at the median—and particularly affected wealth held in the form of home equity.¹ It hit black households (and homeowners) especially hard. The small amount of wealth that black households amassed prior to the Great Recession, mainly in the form of home equity, was almost obliterated after the recession. The homeownership rate for blacks, which increased by 17 percent between 1990 and 2005, fell back after the Great Recession to the 1990 baseline.² We know less, however, about how black millennials fared during this period, a topic that will be taken up here.

Racial disparities in homeownership among young adults

It is useful to begin by focusing on homeownership among black and white young adults between the ages of 20 and 29. Given the compounding nature of wealth creation, the early life course is important because an early investment in a home may secure a pathway of wealth building and asset security thereafter.

We analyze Census microdata from 1940 to 2017 to compare the performance of millennials with that of the four preceding generations: Generation X (1965–1980), baby boomers (1946–1964), the Silent Generation (1928–1945), and the Greatest Generation (1910–1927).³ For each generation, we examine homeownership for household heads by age cohort and race.⁴

Table 1 presents, for each generation, the black and white homeownership rates and the white advantage in homeownership as represented by the white rate divided by the black rate. Comparing household heads aged 20–29 across generations (see the diagonal of Table 1) reveals that the only generation with a lower homeownership rate than millennials is the Greatest Generation. This generation was coming out of the Great Depression in 1940 and didn't benefit much from the New Deal programs that assisted with homeownership. It is striking that for both blacks and whites, one has to reach back to the Greatest Generation—born approximately a century ago—to find homeownership rates that are lower than those now in play for

millennials.⁵

The homeownership rates for millennials are, then, substantially lower than those for their counterparts in Generation X. This decline is especially pronounced among black millennials. Relative to Generation X, the homeownership rate for white millennials who are 20–29 years old fell by about 5 percent (or 1.7 percentage points), from 34.4 to 32.7 percent. The black millennial rate fell even more, by nearly 40 percent (or 4.6 percentage points), from 16.5 to 11.9 percent.

This large drop in the black rate produced an enormous increase in the white homeownership advantage for millennials. To be sure, the white homeownership advantage has always been large for those aged 20–29; the white rate was always at least double the black rate. But for young millenni-

als in 2010, whites were a full 2.74 times more likely to own, an advantage that is larger than in any other period in Table 1.⁶

Trends in homeownership across the life course

We have so far focused on young adults because, given the cumulative and compounding nature of wealth, early entry into homeownership is especially beneficial. It is nonetheless useful to examine rate differences between older black and white adults as well. Figure 1 thus presents the white advantage rates (from Table 1) across generations and age cohorts.

Across generations, the white homeownership advantage is most pronounced for young adults, and given the compounding nature of wealth, this can result in the wealth gap increasing exponentially with age. For each generation, the ownership advantage for

Table 1. The only generation with a lower young-adult homeownership rate than millennials was the Greatest Generation.

		2017***	2010	2000	1990	1980	1970	1960	1950*	1940
Millennials	Age ranges	30-36	20-29							
	White advantage**	2.57	2.74							
	Black homeownership rate	22.4	11.9							
	White homeownership rate	57.7	32.7							
	Overall homeownership rate	47.5	27.1							
Gen X	Age ranges	40-46	30-39	20-29						
	White advantage	1.84	2.04	2.08						
	Black homeownership rate	39.1	31.1	16.5						
	White homeownership rate	71.7	63.4	34.4						
	Overall homeownership rate	62.1	53.5	29.2						
Boomers	Age ranges	60-66	50-59	40-49	30-39	20-29				
	White advantage	1.49	1.50	1.53	1.90	2.04				
	Black homeownership rate	55.1	53.6	50.5	33.7	19.3				
	White homeownership rate	82.2	80.5	77.4	63.8	39.4				
	Overall homeownership rate	76.8	75.0	71.1	57.7	35.7				
Silent	Age ranges	80-86	70-79	60-69	50-59	40-49	30-39	20-29		
	White advantage	1.16	1.29	1.33	1.41	1.48	1.87	2.54		
	Black homeownership rate	68.9	65.5	63.4	58.8	54.4	36.1	14.4		
	White homeownership rate	79.6	84.4	84.6	82.6	80.4	67.4	36.5		
	Overall homeownership rate	77.3	80.8	80.5	78.2	75.7	62.4	33.8		
Greatest	Age ranges	-	90-99	80-89	70-79	60-69	50-59	40-49	30-39	20-29
	White advantage	-	0.96	1.15	1.25	1.34	1.47	1.78	-	2.40
	Black homeownership rate	-	65.1	64.0	62.4	59.0	51.5	39.8	-	7.3
	White homeownership rate	-	62.4	73.4	77.7	79.2	75.7	70.9	-	17.4
	Overall homeownership rate	-	62.3	72.1	75.7	76.5	72.9	67.4	-	16.4

Source: U.S. Census microdata, 1940–2017.

*Homeownership data for the 1950 Census unavailable.

** White advantage refers to the white homeownership rate / black homeownership rate.

***Cases for the Greatest Generation, as defined by our age cohorts, not available in the 2017 ACS microdata (i.e., no cases fell in the age range of 100–109 years old).

whites diminishes as the generation ages, a result that, in part, arises because there is a relatively large pool of non-owning blacks with the potential to become owners.

The more fundamental result in Figure 1 is that, while there was some evident progress in the period following the civil rights movement, all of those gains have been erased for the millennial generation. Following the civil rights movement, white young adults were still twice as likely to be homeowners, but their advantage narrowed somewhat. The attenuation in the white homeownership advantage could be attributable to the housing and lending reforms of the era. Those earlier gains have disappeared, though, and we are now worse off than when the time series started.

Whereas the white advantage decreased for young baby boomers and Gen Xers, the rate for black millennials has now reverted and is worse than in any other generation. It is noteworthy that this widening racial homeownership gap is occurring even as the white millennial generation homeownership rate is worsening compared with previous generations.

How could this have happened? Until recently, housing policies designed to spur fair lending and access to homeownership—such as the Fair Housing Act of 1968, the Equal Credit Opportunity Act of 1974, the Home Mortgage Disclosure Act of 1975, and the Community Reinvestment Act of 1977—appear to have had at least some marginal

effect.⁷ Yet, whether by design or enforcement, these policies seem to have lost whatever marginal effect they may have had, particularly with regard to millennials.

It is likely that urban gentrification and more stringent mortgage eligibility criteria, along with ongoing lending and housing discrimination, are impeding home purchases among millennials.⁸ Moreover, the surge in student debt may be spilling over to hurt millennials in the housing market, especially black millennials.⁹ The ongoing debate about student debt should explicitly take into account whether it has a disproportionate impact on black millennial college attendees. This is important because black young professionals are now beginning their careers with more student debt than their white counterparts.¹⁰

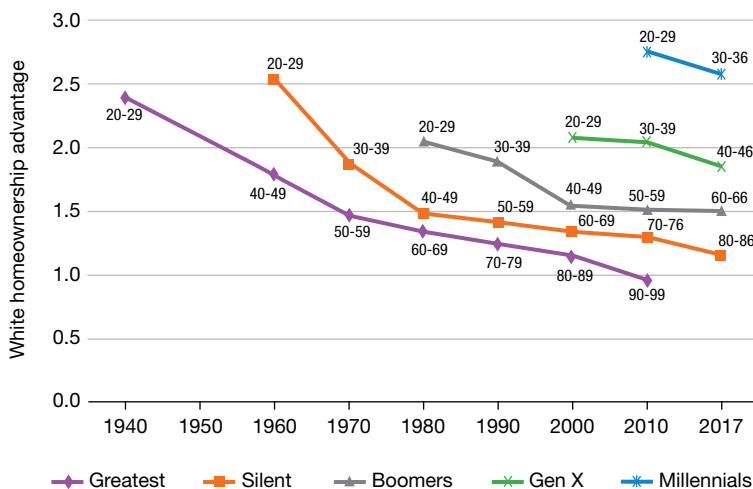
What’s to be done?

The trends in Figure 1 are stark. It is well known that federal policies adopted in the 1930s and 1940s were racist in both design and implementation.¹¹ Institutions like the Federal Housing Administration and initiatives like the G.I. Bill advantaged white home buyers relative to blacks. Redlining and restrictive covenants facilitated real estate and lending discrimination and led to racial inequities in housing markets. This meant that, for black households, the ability to build wealth and to transmit it across generations was blunted by such racist policies and practices. The dramatic and persistent racial wealth gap is reinforced by the twin effects of impaired access to fair lending and lower levels of inherited wealth.¹²

With the baby boomers and Generation X, we saw some attenuation in these disparities, an attenuation that may be due to the housing reforms following the civil rights era. Though this attenuation was slight, and a large racial gap in homeownership persisted, the pattern offered at least a positive trend. But those civil rights gains have been reversed. We are now seeing racial disparities in homeownership in excess of those observed in recent U.S. history.

To address these racial disparities in homeownership, the ideal solution would be a direct one. For instance, reparations could directly compensate blacks for a 400-year-long history of dispossession and discrimination that dates back to chattel slavery, when blacks were the capital assets of a white plantation class. This was the beginning of a long history of oppression and unfairness that finds its most recent expression

Figure 1. The black-white disparity in homeownership among young adults is at an all-time high.



in housing inequities. When America is ready for the interrogation and reconciliation necessary to redress past racial injustices, reparations—especially in the form of capital and land transfer—would be the most direct, just, and parsimonious way to address them.

In the interim, we need universal programs administered in a race-conscious way that break from our nation's past and ensure that financially low-resourced Americans, a group that is disproportionately black, are provided with the

capital necessary to build wealth and pass it along to future generations.

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Notes

1. Mui, Ylan Q. 2012. "Americans Saw Wealth Plummet 40 Percent from 2007 to 2010, Federal Reserve Says." *Washington Post*, June 11.
2. The black homeownership rate increased from 42 percent in 1990 to 49 percent in 2005 and stood at 42 percent in 2016—the same rate as in 1990. McKernan, Signe-Mary, Caroline Ratcliffe, C. Eugene Steuerle, Caleb Quakenbush, and Emma Kalish. 2017. "Wealth Inequality Is Growing." Urban Institute.
3. Doherty, Carroll, Jocelyn Kiley, and Olive O'Hea. 2018. "The Generation Gap in American Politics: Wide and Growing Divides in Views of Racial Discrimination." Pew Research Center.
4. We use the 1 percent sample from the decennial Census for the following years: 1940, 1960, 1970, 1980, 1990, and 2000. For 2010 and 2017, we use the one-year sample from the American Community Survey (ACS). We assess the homeownership rates for each age cohort or generation at 10-year increments (and at a seven-year increment in the case of the 2017 ACS data). Homeownership data for the 1950 census was not available. For more information, see Collins, William J., and Robert A. Margo. 2011. "Race and Home Ownership from the Civil War to the Present." NBER Working Paper 16665.
5. Choi, Jung Hyun, Jun Zhu, and Laurie Goodman. 2018. "The State of Millennial Homeownership." Urban Institute.
6. Note that in 2010 there is an inversion of the white advantage over blacks for the Greatest Generation. By 2010, individuals in the Greatest Generation would have defied the odds of mortality and reached at least 90 years of age. Based on life expectancy data from the CDC, the odds of living to this age are especially low for black Americans. This group is therefore highly selected (in ways that would likely correlate with homeownership). See Arias, Elizabeth. 2016. "Changes in Life Expectancy by Race and Hispanic Origin in the United States, 2013–2014." National Center for Health Statistics.
7. See, for instance, Freeman, Lance, and Darrick Hamilton. 2004. "The Changing Determinants of Inter-Racial Home Ownership Disparities: New York City in the 1990s." *Housing Studies* 19(3), 301–323.
8. For instance, Perry et al. find that otherwise similarly matched homes in predominantly black neighborhoods have substantially lower home values than comparable homes in non-majority-black neighborhoods. See Perry, Andrew M., Jonathan Rothwell, and David Harshbarger. 2018. "The Devaluation of Assets in Black Neighborhoods." Brookings Institution.
9. Morgan, Julie Margetta, and Marshall Steinbaum. 2018. "The Student Debt Crisis, Labor Market Credentialization, and Racial Inequality." Roosevelt Institute. See also *Consumer & Community Context*, FederalReserve.gov. 2019. Retrieved from https://www.federalreserve.gov/publications/files/consumer-community-context-201901.pdf?mod=article_inline.
10. Houle, Jason N., and Fenaba R. Addo. 2018. "Racial Disparities in Student Debt and the Reproduction of the Fragile Black Middle Class." *Sociology of Race and Ethnicity*.
11. Katznelson, Ira. 2006. *When Affirmative Action Was White: An Untold History of Racial Inequality in Twentieth-Century America*. New York: W.W. Norton. See also Lui, Meizhu., et al. 2006. *The Color of Wealth: The Story Behind the U.S. Racial Wealth Divide*. New York: New Press. See also Oliver, Melvin L., and Thomas M. Shapiro, eds. 2006. *Black Wealth / White Wealth: A New Perspective on Racial Inequality*. New York: Routledge.
12. Glantz, Aaron, and Emmanuel Martinez. 2018. "For People of Color, Banks Are Shutting the Door to Homeownership." Center for Investigative Reporting. See also Jones, Janelle. 2017. "Receiving an Inheritance Helps White Families More than Black Families." Economic Policy Institute. See also Hamilton, Darrick, and William Darity Jr. 2017. "The Political Economy of Education, Financial Literacy and the Racial Wealth Gap." *Federal Reserve Bank of St. Louis Review*.