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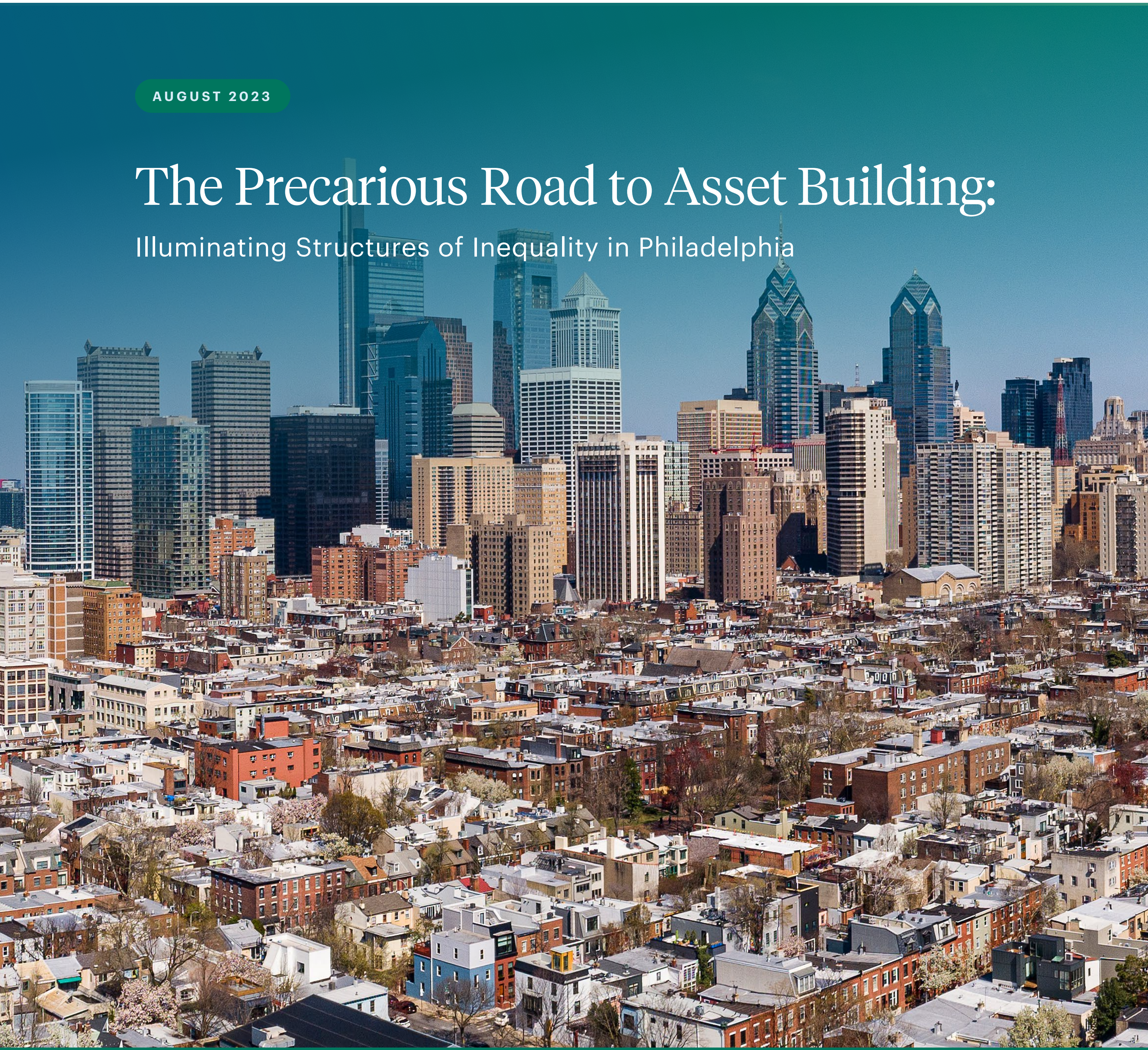
# The Precarious Road to Asset Building:

## Illuminating Structures of Inequality in Philadelphia



COMMUNITY DEVELOPMENT AND REGIONAL OUTREACH

Lisa Servon, University of Pennsylvania
Alex Charnov
Charlie Townsley

Samantha Porter, Federal Reserve Bank of Philadelphia
Theresa Dunne[1]

Alicia Atkinson, United Way of Greater Philadelphia and Southern New Jersey

[1] The views expressed in this report are solely those of the authors and do not necessarily reflect the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

# Executive Summary

This paper explores the following question: *How do Black Philadelphians experience structures that support or extract wealth?* We examined three systems that interact with asset building and financial well-being: mortgage refinancing, student debt, and criminal legal debt. The purpose of this paper is to share how 39 Philadelphians experienced student debt, criminal legal debt, and mortgage refinancing; their overall financial security; and their hopes and dreams for the future. To what extent do these stories support or challenge dominant narratives about Black people and their ability to build wealth?

The stories participants told us illustrate that Black Philadelphians' experiences with student debt and mortgage refinancing varied widely and that they could not count on these strategies' potential to create wealth or stability for themselves and their families. With respect to criminal legal debt, the effects of these practices were felt not only by the justice-impacted individuals but also their families.

Our research illuminated three themes that run through participants' stories about all three systems. First, we found that participants believed the prevailing narratives about education and homeownership being good investments and about the criminal legal system punishing individuals rather than families. Their experiences, however, did not always align with these narratives. Second, the participants encountered information opacity in all three systems. And third, participants' lack of a diverse portfolio of assets, especially liquid assets, often meant that they had to compromise their financial health to cope with unexpected financial situations and, in some cases, that they needed to take on debt to access assets. We argue that the qualitative data we collected, coupled with existing quantitative data on the Black-White wealth gap, provide paths that support the need for structural change that will enable equitable wealth building for Black Americans and create a more inclusive and thriving economy.

# Introduction

Philadelphia's high income-based poverty rate receives significant attention from researchers and policymakers. With a poverty rate at 23 percent, Philadelphia is the poorest large city in America. Although income-based poverty is an important measure, income alone is insufficient for understanding wealth inequity. Income does not take into consideration the wider financial portfolio that many more privileged and stable households have. Relying on income-based poverty also fails to help us understand intergenerational poverty, which is more related to wealth than it is to income. This study provides opportunities to further investigate this issue. The Equitable Wealth Initiative, a two-year project of the Federal Reserve Bank of Philadelphia and the United Way of Greater Philadelphia and Southern New Jersey, set out to examine wealth inequality — and more specifically the Black-White wealth gap in Philadelphia.

Income-based poverty has been studied much more than wealth, partly because wealth is harder to measure. The lack of comprehensive data on wealth has resulted in much less attention being paid to wealth and asset building,[2] limiting our ability to understand the structural arrangements driving it. As a first step toward shifting the local understanding from one focused on alleviating income-based poverty to one focused on gaining a greater understanding of the Black-White wealth gap, this paper focuses on the lived experiences of Black Philadelphians through qualitative data collection with respect to the mechanisms that are thought to interact with wealth building.

## The Black-White Wealth Gap

The Black-White wealth gap is large and persistent. Mainstream American culture perpetuates several narratives about race and wealth that drive policy, practice, and belief systems about why some groups have built assets while others have not. These narratives place greater emphasis on individual behavior and bootstrapping their way out of poverty than on systems or structures (Soss 2011). Homeownership, education, and income are often pointed to as being the great equalizers when it comes to the racial wealth divide; however, research has shown that these strategies historically and continually work differently for Black people than they do for White people. Although these strategies are often sold as race-neutral, they are not.

The Black-White wealth gap refers to the gap in median net wealth between White and Black households. According to Trymaine Lee in his August 14, 2019, *New York Times Magazine* article, "Today's racial wealth gap is perhaps the most glaring legacy of American slavery and the violent economic dispossession that followed." The Black-White wealth gap dates back to legal restrictions, codified beginning at the country's founding and perpetuated thereafter, that limited opportunities for Black Americans to own property or assets. Because of the structural nature of anti-Black racism in American policy, Black households consistently score lower than their White peers in nearly every national metric of wealth — including asset ownership, intergenerational wealth transfers, and home value (Addo and Darity Jr. 2022; Thompson and Suarez 2019; Bhutta et al. 2020).

The terminology "Black-White wealth gap" highlights racial identity as a stronger predictor of wealth attainment than occupational sector or income (Addo and Darity Jr. 2022). For example, White working-class households have almost triple the median net wealth of Black professional-class households, and Black household heads with a college degree have just two-thirds the median net wealth of their White counterparts who never completed high school (Addo and Darity Jr. 2022). This leads us to conclude that wealth is often generational, and investing in education will not close that gap.

Today, the disparity between median Black and White wealth is as large as it was in the 1960s (adjusting for inflation) (Aliprantis, Carroll, and Young 2021; Derenoncourt et al. 2022). According to the Survey of Consumer Finances, White households had the highest level of median wealth in 2019, at $188,200, while the median

[2] Wealth (or net worth) is defined as the value of what you own, less the value of what you owe (see, for instance, Killewald et al. 2017, Oliver and Shapiro 2006). Wealth is key to families as it can bridge periods of unstable income or unexpected emergencies. Wealth is also key because it can be used for longer-term investments — a down payment for the purchase of a house, tuition for a child's college education, capital to start a business, or funds to allow for a secure retirement — without having to take on debt. These longer-term investments are often referred to as assets (Mann and Changanti, 2023). This paper will use assets when referring to something investable, and wealth when referring to someone's larger financial picture.

wealth of Black households was $24,100, or just 13 cents for every dollar of White wealth (Bhutta et al. 2020). This level of disparity persisted despite median wealth rising for all races and ethnicities in the U.S. from 2016 to 2019 and wealth growing at a faster rate for Black households than it did for White households (Bhutta et al. 2020). One explanation for how the racial wealth gap may continue to widen despite Black wealth growing more quickly than White wealth is racial differences in capital gains realized from investments in stocks and bonds. Capital gains from these investments primarily benefit White households in the United States, and the capital gains gap has grown significantly since the 1950s (Derenoncourt et al. 2022).

Declining homeownership rates among Black households in recent years is another concerning trend. Nationally, the Great Recession caused the homeownership gap to worsen since 2008; it is now the largest it has been in 50 years (McCargo, Choi, and Golding 2019). In Philadelphia, Black homeownership has steadily declined over the past 30 years, even though the city has a higher rate of Black homeownership than the country as a whole (Whiton, Singleton, and Ding 2021). Because homeownership is one of the most prevalent means of accruing wealth, declining homeownership rates could increase the racial wealth gap (Aladangady and Forde 2021). This trend raises concerns about opportunities for Black Philadelphians to build wealth through the housing market.

Wealth begets stability and social mobility by enabling investment that creates opportunities for future generations. The codification of racist policies and practices has resulted in structural arrangements that enable White wealth building while denying similar opportunities for Black households (Rothstein 2017, Hamilton and Darity 2010, Shapiro et al. 2013). A fully owned home — or one with equity — may allow its owner to open a line of credit without adding significantly to monthly costs or to pay for a child's college education. Similarly, an inheritance may enable the purchase of a home in the first place, without drawing on income or liquid savings. When accessing assets requires taking on large amounts of debt, as has been the case for Black households, further insecurity and financial precarity can result. For example, student debt payments may make saving for the future or buying a home impossible, and a lack of inheritance may limit one's ability to make a down payment on a first home. Individuals often take on debt because they lack the savings necessary to cope with unexpected expenses. According to the 2019 Survey of Consumer Finances, nearly 99 percent of White families have some liquid assets, with the mean value of those assets standing at about $8,100. Black families had only $1,500 in liquid assets (Schuetz 2020).

Debt of any kind decreases a household's net worth and lives on the minus side of the wealth equation. That debt is a critical component of understanding the Black-White wealth gap. A recent report published by the Aspen Institute maintains that insufficient attention has been paid to the debt side of the wealth equation (Hasan, Lucas McKay, and Smith-Ramani 2022). The authors argue that "most analyses focus on total asset holdings, intergenerational transfers, or disparities in

**TABLE 1** Percentage of Households Holding Debts, by Racial and Ethnic Groups (2019)

| Types of Debt | White | Black | Hispanic/Latino | Other and Multiracial |
|---|---|---|---|---|
| **Mortgage, Primary Residence** | 44.4% | 27.3% | 32% | 37.6% |
| **Other Property Debt** | 5.5% | 2.9% | 2.9% | 4.1% |
| **Credit Card Balance** | 44.5% | 47.7% | 49.9% | 43.7% |
| **Vehicle Loans** | 37.4% | 33.8% | 40.1% | 35.0% |
| **Education Loans** | 20.0% | 30.2% | 14.3% | 24.3% |
| **All Other Debt** | 15.8% | 16.1% | 18.7% | 17.4% |

**Sources**
The table is derived from the Aspen Institute Financial Security Program's 2022 report 101 Solutions for Inclusive Wealth Building, accessed at www.aspeninstitute.org/wp-content/uploads/2022/04/ASP-FSW_101Solutions_FINAL_Single1.pdf.

specific assets (such as home equity).” Data from the Federal Reserve’s 2019 Survey of Consumer Finances show that nearly 11 percent of U.S. households have no wealth or negative net worth. The situation is worse for Black households: Nearly 19 percent of Black households were in net debt. Table 1 illustrates the disparities among different racial/ethnic groups and specific types of debt.

We tend to think of debt taken on to purchase a home or to invest in education as “good debt” because the assumption is that these debts are investments that will generate wealth. Research shows, however, that categories such as “good debt” and “bad debt” need to be examined through the lens of race (Seamster 2019). Hasan et al. found that “compared [with] White people, the debt held by people of color is: (1) more likely to be harmful; (2) more likely to involve the court system; and (3) more likely to have spillover consequences” that affect their health and relationships (2022, p. 6). We examine the three types of debt — mortgage debt, student debt, and debt stemming from criminal fines and fees — that are the focus of this research in greater detail later.

## **Why These Three Issues:** The Complexities of Asset Accumulation

Our choice of the specific issues to study derives from existing research on strategies for wealth building. Student debt and homeownership/mortgage refinancing both involve types of debt that are widely thought to be routes to asset accumulation, although some argue that the way student debt operates can be extractive (Zaloom 2019; Mustaffa and Davis 2021; Davis et al. 2020). Criminal legal debt results from a set of extractive policies and practices that typically lead to long-term instability and block households’ ability to save and invest in assets that can support upward mobility.

### Mortgage Refinancing

Homeownership is considered to be a primary driver of wealth accumulation in the United States, yet buying a home, maintaining a home, and reaping the benefits of homeownership as an investment can work differently for Black Americans than they do for White Americans. Racial disparities in mortgage approvals and homeownership rates in general are well documented. In addition to historical policies that have explicitly prevented homeownership for Black Americans, racial disparities exist throughout the real estate/housing market (Santucci 2019). For mortgage originations, numerous studies have found that Black applicants are more likely to be denied than White applicants (Horowitz, Lim, and Ky 2022; Norton, Weidig, Kim, and Goldstein 2021). These studies suggest that disparities in denied applications are caused by factors such as low credit scores and high debt-to-income ratios, which can be drags on asset accumulation in other ways (Norton, Weidig, Kim, and Goldstein 2021).

Homeownership for Black families produces less wealth than homeownership for White families.

Homeownership for Black families produces less wealth than homeownership for White families. Even when housing and neighborhood characteristics were identical, White homebuyers believed predominantly Black neighborhoods were less safe and less desirable than White neighborhoods (Krysan, Farley, and Couper 2008). Homes in Black neighborhoods attract fewer buyers, which translates into significantly lower rates of home appreciation and opportunities for wealth building (Quick and Kahlenberg 2019). There are also issues in the appraisal process for Black Americans. Perry et al. (2018) found that homes in predominantly Black neighborhoods are undervalued by $48,000 on average.

The qualitative research conducted as part of the Equitable Wealth Initiative primarily focused on one financial aspect of homeownership — mortgage refinancing. Refinancing a mortgage is a fundamental way for homeowners to lower monthly costs, sustain their homes as assets, create access to liquidity, and prevent foreclosure. Mortgage refinance deserves its own focus within the study of the Black-White racial wealth gap, as it exemplifies how leveraging a home as an asset may create additional stability or wealth for some and not for others.

Refinancing is when an existing mortgage is replaced with a new mortgage that typically extends more favorable terms to the borrower, usually through a lower interest rate. By negotiating a new mortgage, it is possible to increase the ability to accumulate wealth in numerous ways; a homeowner might switch to a loan that has a lower interest rate and thus reduce the total amount of interest owed, or gain equity from a cash-out refinance. Refinancing in either of these ways can lead to short-term material financial gains for a household by reducing the long-term costs of credit.

Differences in the way that refinance events are or are not used by different racial groups influence how wealth is accumulated. Higher rates of refinance among White borrowers compared with Black borrowers would mean White borrowers are reducing a cost burden for themselves disproportionately relative to Black borrowers (Gerardi, Lambie-Hanson, and Willen 2021).

Research has shown that throughout the COVID-19 pandemic, refinance lending exploded, sparked in part by low interest rates. But refinancing activity differed by race, and out of all the refinance loans issued, the share issued to Black borrowers declined between 2018 and 2020 (Gerardi, Lambie-Hanson, and Willen 2021). Fewer refinance loans for Black borrowers means less savings relative to the savings of White borrowers, which is precisely what recent studies show; of the $5.3 billion per year saved for all households that refinanced, it is estimated that only $198 million, or 3.7 percent, went to Black households (Gerardi, Lambie-Hanson, and Willen 2021). The impact of this difference is likely an increase in the share of the racial wealth gap driven by differences in home equity — which occurred while Black households disproportionately suffered from the pandemic and its economic consequences (Gerardi, Lambie-Hanson, and Willen 2021).

Even when researchers controlled for the creditworthiness of the borrower and the characteristics of the loan, significant disparities remained between White and Black people who refinanced their mortgages. In a study of mortgage refinancing in Delaware, New Jersey, and Pennsylvania between 2018–19 and 2020, DeMaria (2022) found that, while refinance mortgage originations grew significantly for White and Hispanic borrowers, Black mortgage refinancing originations lagged. The difference likely derives from two factors: (1) Black borrowers were less likely to apply for mortgage refinancing; and (2) the denial rate for Black applicants was higher. With respect to the second factor, the most common reason for denial among Black applicants was credit history, “a cause that may be related to observed racial differences in credit quality and the likelihood of having a credit score, both rooted in historical practices that prevented Black consumers from fully participating in the credit market” (DeMaria, p. 8).

## Student Debt

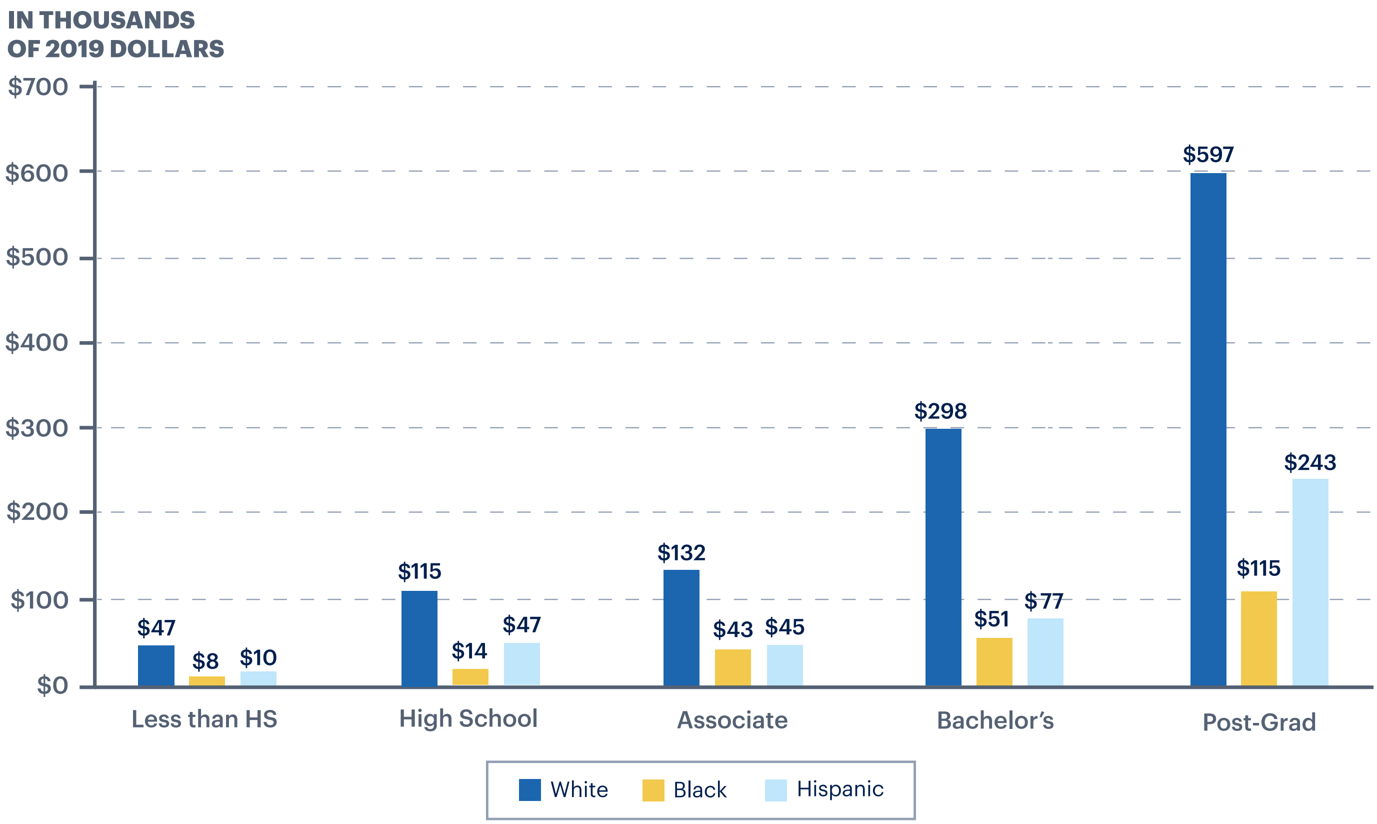
Postsecondary education is promoted as a significant gateway to wealth accumulation in the United States (Webber 2022). The predominant narrative asserts that investment in higher education will yield returns in the form of greater income and assets. Recent research challenges this narrative, especially as it applies to Black borrowers.

Tamborini et al. (2015) found a significant difference in lifetime earnings — often called the college income premium — between people who had a bachelor’s degree and people who did not. Lifetime earnings are important for financial stability in retirement and a person’s ability to pass down liquid assets to family members. This income premium, however, is persistently less for Black people than it is for White people (Geary 2022). In a study using data from the Survey of Consumer Finances, Emmons, Kent, and Ricketts (2019) found that both the college income premium and the college wealth premium have declined for all cohorts born after 1940, with the wealth premium declining much more steeply.

A comparison of college wealth premium data for Black and White individuals is sobering. For White college graduates, the wealth premium declined from 247 percent for those born in the 1930s to 42 percent for those born in the 1980s. For Black college graduates, the premium declined from 500 percent to zero over the same period (Emmons, Kent, and Ricketts 2019). The combination of rising costs and declining premiums raises important questions about the benefits of taking on significant debt to obtain a college degree.

The total cost of attending both four-year public and four-year private college has nearly tripled since 1980 (Ma and Pender 2022). Taking on debt to finance higher education is common practice, with almost one in five Americans holding student loans (Fowers and Douglas-Gabriel 2022) and nearly one in three adults

FIGURE 1 **Median Household Wealth by Race/Ethnicity and Education**
2019




**Note**
Uses data from the Federal Reserve Board's Survey of Consumer Finances.

**Source**
Federal Reserve Bank of St. Louis, www.stlouisfed.org/en/on-the-economy/2021/january/wealth-gaps-white-black-hispanic-families-2019

having taken on education debt at some time in their life (Board of Governors of the Federal Reserve System 2022; Braga 2016). Education borrowing has been the fastest-growing segment of consumer debt throughout the 2000s (Ritter 2018). Although education loans are seen as a long-term investment meant to finance a path toward greater income, financial stability, and ultimately wealth building, they often fail to deliver on that promise (Hamilton et al. 2015; Emmons, Kent, and Ricketts 2019).

Student debt is more burdensome for Black Americans than it is for any other group. A larger percentage of 25- to 55-year-old Black borrowers have student loan debt than their White and Hispanic peers. They owe more in student loans on average, and the debt they hold makes up a larger share of their financial portfolios (Braga 2016, Addo and Darity Jr. 2021). The median amount of student loan debt that Black borrowers hold is $7,000 more than the median debt of White student borrowers, and Black borrowers are "especially likely" to carry student debt that pushes their net worth below zero (Hasan, Lucas McKay, and Smith-Ramani 2022, p. 4). However, the debt does not appear to help them improve their financial situations as much as it aids White Americans.

Black Americans are also more likely than White Americans to be behind on student loan payments and to have outstanding student debt (Board of Governors of the Federal Reserve System 2022). A report by the Institute on Assets and Social Policy at Brandeis University's Heller School found that 20 years after starting college, the median Black borrower still owed 95 percent of their original student loans, while the median student debt of White borrowers had been reduced by nearly the same 95 percent (Sullivan et al. 2019).

One key element in determining the levels of education loans one might borrow is the federal student loan funding formula. This funding formula is based on income rather than assets; the formula that calculates how much a family can afford to pay excludes retirement savings and home equity. As a result, White students end up receiving larger education subsidies than Black students with similar family incomes but different levels of assets (Levine and Ritter 2022). In addition, the debt Black parents take on to finance their children's education is riskier and more costly than the debt White parents take on (Hicks et al. 2021).

The widespread availability of student loans, the long-term nature of their repayment, and uncertainty that they will result in meaningful economic gains (Hill and Redding 2022) has led some researchers to label them as extractive (Seamster and Charron-Chenier 2017). Mustaffa and Davis surveyed 1,300 Black borrowers and conducted in-depth interviews with 100 of them at various life points to understand their experiences with student loans (Mustaffa and Davis 2021). Their findings lead them to counter the prevailing narrative that "student debt is good debt." The Education Trust found that Black borrowers regret taking out student loans by a two-to-one margin (Jackson and Mustaffa 2022). In a 2020 report issued by the NAACP, *Legislation, Policy, and the Black Student Debt Crisis*, the authors disagree with the common framing of higher education as a race-neutral public good (Davis et al. 2020). They argue that, although investments in higher education may be "race-neutral on their surface, critical racial analyses have shown that Black people are concentrated in institutions that historically and currently receive less government funding and have lower operating budgets, all of which contributes to institutions failing Black students and their ability to persist and ultimately graduate" (Davis et al. 2020, p. 10).

Rather than functioning as an asset strategy that operates equally for all, student debt contributes significantly to the country's Black-White wealth gap (Oliver and Shapiro 2019). As Hicks et al. argue, "Black Americans cannot gain wealth in the same way as White Americans with higher education" (2021, p. 12). Higher education does enable wealth accumulation across racial and ethnic categories. However, it does not narrow the Black-White wealth gap (Kent and Ricketts 2021). Figure 1 illustrates the relationship between household wealth, education level, and race/ethnicity (Kent and Ricketts 2021).

## Criminal Legal Debt

Abundant research documents the ways in which policing and the criminal legal system operate differently for Black and White Americans (Wang 2018; Pierson et al. 2020). We examine one aspect of the criminal legal system here: its use of legal financial obligations (LFOs). LFOs include costs, restitution, surcharges, and other financial penalties imposed on individuals involved in the criminal legal system. The consequences of nonpayment include greater debt from accrued interest, prolonged contact with the criminal legal system, disenfranchisement, and reincarceration.

Throughout the period of mass incarceration (approximately 1970–2000), the criminal legal system underwent a period of financialization characterized by increased levying of fines and fees, the privatization of prisons, and changes in the ways imprisoned people procure goods and services. Financialization has served several purposes: It has helped pay for the expansion of the criminal legal system; it has funded municipal budgets, in some cases even being thought of as an explicit revenue stream (Shoub et al. 2021; Harris, Ash, and Fagan 2020; Huebner and Giuffre 2022; United States Department of Justice Civil Rights Division 2015; Fagan and Ash 2017); and it has enabled profit-making opportunities through privatization.

Financialization has also shifted the costs of criminal justice functions to defendants, creating long-term debt, increasing justice involvement, and disproportionately burdening low-income communities of color (Harris, Evans, and Beckett 2010). The financialization of the criminal legal system has left a disproportionate number of Black, Latinx, and low-income individuals with a financial "second sentence" resulting from their justice involvement (Pacewicz and Robinson 2021; Stewart et al. 2022; Huebner and Giuffre 2022; Pattillo and Kirk 2021; Servon and Esquier 2022; Servon, Esquier, and Tiley 2021). Since 2008, almost every state has increased monetary sanctions or added new ones, and the categories that trigger fines have expanded (Menendez and Eisen 2019; Bannon, Diller, and Nagrecha 2010; Harris, Evans, and Beckett 2010; Ruback 2015; Sobol 2016). Harris et al. (2010) estimate that 66 percent of incarcerated individuals have financial sanctions, and as many as 84 percent of those on probation incur fines and fees (Bonczar 1995).

Several researchers (A. Harris 2016; Wang 2018; Page and Soss 2021) argue that the system of fines and fees is extractive and rooted in racial capitalism, the process of "deriving social and economic value from the racial identity of another person" (Leong 2016). This system overly burdens the Black and low-income communities that are disproportionately affected by mass incarceration (Harris 2016; Wang 2018; Friedman 2020). Similarly, Friedman (2020) makes the case that "the contemporary expansion of monetary sanctions in the United States is a preeminent progression of racial capitalism penology" (p. 177). Wang (2018) points to the 2015 U.S. Department of Justice's investigation of the Ferguson Police Department, which revealed a history of routine racial bias by public officials and police officers who targeted Black communities to generate revenue from fines and fees (United States Department of Justice Civil Rights Division 2015). The Ferguson case is not isolated; the 2017 U.S. Commission on Civil Rights found that municipalities with higher shares of Black and Latino populations rely more heavily on revenue from fees and fines (U.S. Commission on Civil Rights 2017).

Although there is scant research on the spatial implications of financialization, the research that does exist shows that a disproportionate number of justice-involved individuals come from a relatively small number of neighborhoods (Kurgan, Cadora, Williams, and Reinfurt 2006). Kurgan, Cadora, Williams, and Reinfurt coined the term *million dollar block* to describe places wherein taxpayers spend $1 million or more to incarcerate residents of a single city block. However, million dollar block research is limited to government spending on incarceration and does not examine the concomitant process of wealth extraction.

O'Neill et al. (2022) use longitudinal data from Washington state to derive neighborhoods' *LFO burden* and examine neighborhood-level associations between and among LFO sentence amounts, poverty, and racial and ethnic demographics. They find that LFOs are more burdensome in high-poverty communities and communities of color, and that LFOs act as a "mechanism of exclusion" in places where residents are already excluded from mechanisms of upward mobility.

Racial disparities in the criminal legal system also have indirect consequences that shape Black Americans' ability to build wealth. Research shows that the criminal legal system punishes Black people more severely than White people (Rehavi and Starr 2014; Schmitt, Reedt, and Blackwell 2017). Longer prison sentences mean more time outside the labor force and, often, frayed social networks.

The burden of LFOs falls not only on the individuals who are assessed LFOs but also their family members and communities (deVuono-Powell et al. 2015; Katzenstein and Waller 2015; Coates 2015). With respect to purely financial impacts, some research shows that the family of an incarcerated person pays over $13,000, on average, in court-related costs, and one in three families go into debt to cover costs (deVuono-Powell et al. 2015). Women bear the brunt of these financial burdens. This is money that could otherwise be used to invest in assets and build wealth.

# Methodology

Our research question was: *How do Black Philadelphians experience structures that support or extract wealth?* Our research focuses on three aspects of wealth accumulation and extraction: mortgage refinancing, student debt, and criminal legal debt. These topics were chosen as they are relevant and are significant to Philadelphia.

Wealth or net worth — typically captured as what you own minus what you owe — lends itself to quantitative measurement. However, given the general paucity of reliable local information on wealth levels, Philadelphia, like many localities, lacks the data to put a number on the gap. Furthermore, collecting that data is both costly and time-consuming. The lack of comprehensive quantitative data is one reason why we conducted a qualitative study of the Black-White wealth gap in Philadelphia. By examining how issues related to wealth affect peoples' lives, we are able to provide a more fulsome and nuanced understanding of the issues than can be gleaned from numbers alone. The research tools and approach used in this study were approved by the Institutional Review Board at the University of Pennsylvania.

Qualitative research has long been used as a tool to study these issues. Thomas M. Shapiro and Melvin Oliver led a mixed-methods study that included foundational qualitative research on the Black-White wealth gap in the early to mid-1990s, leading to texts such as *The Hidden Cost of Being African American: How Wealth Perpetuates Inequality*, *Black Wealth /White Wealth: A New Perspective on Racial Inequality*, and most recently, *Toxic Inequality: How America's Wealth Gap Destroys Mobility, Deepens the Racial Divide, and Threatens Our Future*. These works added to our collective understanding of how racial inequities and wealth need to be discussed in tandem when tackling intergenerational poverty. *The Financial Diaries: How American Families Cope in a World of Uncertainty*, by Jonathan Morduch and Rachel Schneider, followed 235 families over the course of a year and collected detailed quantitative and qualitative data on their financial lives. In 2015, the Federal Reserve Bank of Boston commissioned a qualitative study on Black-identifying Bostonians, authored by Regine O. Jackson, Darrick Hamilton, and William A. Darity Jr., *Low Wealth and Economic Insecurity Among Middle-Class Blacks in Boston*.

The qualitative research conducted in these studies propelled the conversation and our collective understanding about wealth and financial security, and led to shifts in how our society thinks about approaching these societal and structural problems. Qualitative research is a powerful tool that allows us to examine inequities, trends, and patterns at a micro level to better understand how we can mitigate harm and increase well-being. Since racial inequities and biases often operate in dynamics that are relational, studying these issues through a qualitative lens allows for deeper insights and understanding.

This research is exploratory. Our goal was to identify Philadelphians who had experienced one of three issues we identified as being potential challenges to asset accumulation — mortgage refinancing, student debt, and criminal legal debt — and then interview them about their experiences.[3] We created a Qualtrics survey to collect information on potential interview participants. We modeled our questions from the U.S. census and the Panel Study of Income Dynamics (PSID) when applicable. We distributed the survey by partnering with community-based organizations (CBOs) in Philadelphia with which the research team, the Federal Reserve Bank of Philadelphia, and the United Way of Greater Philadelphia and Southern New Jersey had existing relationships, and at community events.[4] To be considered for the interview portion of the research, survey respondents had to have

[3] Originally, we were also looking for survey participants who were experiencing issues with tangled titles. The term "tangled title" refers to a situation in which the deed from a home is not transferred to an heir before the homeowner dies. The legal process that ensues is often opaque and expensive and can take years to resolve. "Heir's property" is another term used to describe this situation. However, we did not get enough respondents who experienced this and therefore did not include it in the paper.

[4] We introduced the study to CBOs that the researchers and other members of the Equitable Wealth Initiative team knew from previous work. We discussed opportunities for the CBOs to participate in two Zoom meetings. Ultimately, we sent the survey to 10 organizations. We also attended in-person events in the community in partnership with these CBOs. We initially lacked many respondents who had experienced criminal legal debt, so we also distributed to a program that works with formerly incarcerated individuals during the second round of survey collection.

experienced one or more of the issues we were trying to learn more about, identified as Black or White, and indicated a willingness to be interviewed. We set out to interview both Black and White Philadelphians because we wanted to explore whether the ways the two groups talked about the issues we cared about differed.

The CBOs sent the survey to their constituents via email, and we collected responses between August 1, 2022, and October 10, 2022. The survey included demographic questions as well as questions about the three issues. The survey was only available in English. Respondents were compensated with a $10 gift card and asked whether they would be interested in participating in an interview. We received 252 responses during our initial round of survey collection. A second round of survey collection resulted in 36 additional responses; however, we were unable to obtain complete demographic and economic information from these respondents because of modifications in Qualtrics parameters between the first and second rounds of the survey.

Of the 252 survey respondents with demographic data, 47.6 percent identified as Black, 28.2 percent identified as White, 14.7 percent identified as Asian, 7.1 percent identified as Hispanic or Latino, and 9.1 percent identified as some other race or multiple races. Women made up 63.1 percent of respondents, and 36.5 percent were men. Over three-quarters of Black respondents were women (76.7 percent). The median age for Black respondents was

## TABLE 2 Survey Respondent Demographics by Race and Ethnicity Compared with Philadelphia

| Race and ethnicity | Survey respondents | | | | | Philadelphia | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total respondents | % of total | Median age | Female % | Male % | Total population | % of total | Median age | Female % | Male % |
| Total | 252 | -- | 37 | 63.1 | 36.5 | 1,581,531 | -- | 34.6 | 52.7 | 47.3 |
| Black or African American | 120 | 47.6 | 44 | 76.7 | 22.5 | 654,092 | 41.4 | 34.4 | 54.3 | 45.7 |
| White | 71 | 28.2 | 32 | 43.7 | 56.3 | 622,027 | 39.3 | 36.9 | 51.4 | 48.6 |
| Asian | 37 | 14.7 | 35 | 56.8 | 43.2 | 117,274 | 7.4 | 33.6 | 52.4 | 47.6 |
| Hispanic or Latino | 18 | 7.1 | 34 | 44.4 | 55.6 | 238,112 | 15.1 | 27.9 | 50.4 | 49.6 |
| American Indian or Alaska Native | 7 | 2.8 | 37 | 71.4 | 28.6 | 5,255 | 0.3 | 34.6 | 48.6 | 51.4 |
| Native Hawaiian or Pacific Islander | 2 | 0.8 | 30.5 | 50.0 | 50.0 | 588 | 0.0 | 35.4 | 65.5 | 34.5 |
| Some other race | 8 | 3.2 | 35 | 62.5 | 37.5 | 114,988 | 7.3 | 29.8 | 50.8 | 49.2 |
| Two or more races | 6 | 2.4 | 36.5 | 50.0 | 50.0 | 67,307 | 4.3 | 24.9 | 52.1 | 47.9 |

**Note**
Race variables include those of any ethnicity, while the Hispanic or Latino variable includes those of any race. These variables are not mutually exclusive, and therefore do not equal the total population count.

**Source**
2022 Equitable Wealth Initiative Survey, the Federal Reserve Bank of Philadelphia, United Way of Greater Philadelphia and Southern New Jersey, and the University of Pennsylvania, and American Community Survey 5-year estimates (2016–2020), accessed October 2022, data.census.gov/cedsci/all?q=ACS.

44 years, seven years higher than the median age across all survey respondents. Compared with Philadelphia's population, a greater share of respondents were women, a greater share were Black or Asian, and a smaller share were White and Hispanic or Latino, according to data from the 2020 American Community Survey.

Survey respondents were also asked questions related to their financial assets and debt. Among survey respondents who answered these questions, 79.8 percent had a checking account, while 69.4 percent had a savings account. Credit card debt was the most common form of debt among respondents at 60.3 percent, similar to the percentage of Philadelphia residents with credit card debt (59.8 percent). Thirty-four percent of all respondents had mortgage debt, which is roughly 15 percentage points higher than residents in Philadelphia.[5] Moreover, 26.6 percent of respondents had student loans, 7.1 percent had home equity loans, 2.4 percent had a home equity line of credit, and 3.2 percent had legal debt.

We contacted prospective interviewees via email, text, and phone to schedule interviews. Some did not respond or were unreachable. We expressed a preference for conducting interviews in person at a location chosen by the interviewee to increase their comfort with the interview dynamics; we met in peoples' homes, places of employment, parks, and cafes. For those who could not or did not want to meet in person, we conducted the interviews on Zoom. The interviews lasted about an hour, on average. Interviewees were given a $25 gift card for their participation. Ultimately, we conducted 39 interviews: 17 with people who had experience with student debt, 18 with people who had criminal justice debt, and 14 with people who had refinanced or attempted to refinance their mortgage (see Figure 2). Thirty-five interviewees identified as Black and four identified as White. Thirty-three identified as women, five as men, and one preferred not to respond. Several interviewees had experience with more than one of the issues we studied. The typical interviewee was middle-aged and identified as a Black woman.

We developed interview protocols that included a set of standard questions about wealth and well-being, as well as the participant's general financial well-being, financial aspirations, and perspective on the relationship between race and their financial life. We also created a set of questions tailored to each of the issues we were examining.

We applied a rigorous coding and analysis process to the data (Salmona et al. 2019). With participants' permission, we recorded the interviews and had them professionally transcribed. Participants were assigned an alias to protect their identity. We then read through the transcripts and reviewed our fieldnotes to identify key concepts, themes, and patterns related to our research question. We used this information to develop a codebook based on our initial understanding of the data; the codebook included a hierarchy in which similar codes were grouped under broader categories. It also included a definition of each code to increase the probability that codes would be applied consistently. Next, we conducted a first round of coding using Dedoose software. We used the memo function of Dedoose to take notes on our thoughts at the end of each coding session, to keep track of data that did not fit the codes well, and to

[5] Information shown for Philadelphia consumers is based on the FRBNY Consumer Credit Panel/Equifax data (CCP, accessed October 2022), an anonymized, nationally representative one-in-20 sample of all individuals in the United States with a Social Security number and credit file. The CCP is a longitudinal panel that provides a quarterly snapshot of consumer credit use. These estimates were produced by staff at the Federal Reserve Bank of Philadelphia. The number of consumers in each category was multiplied by 20 to derive population estimates using the CCP.

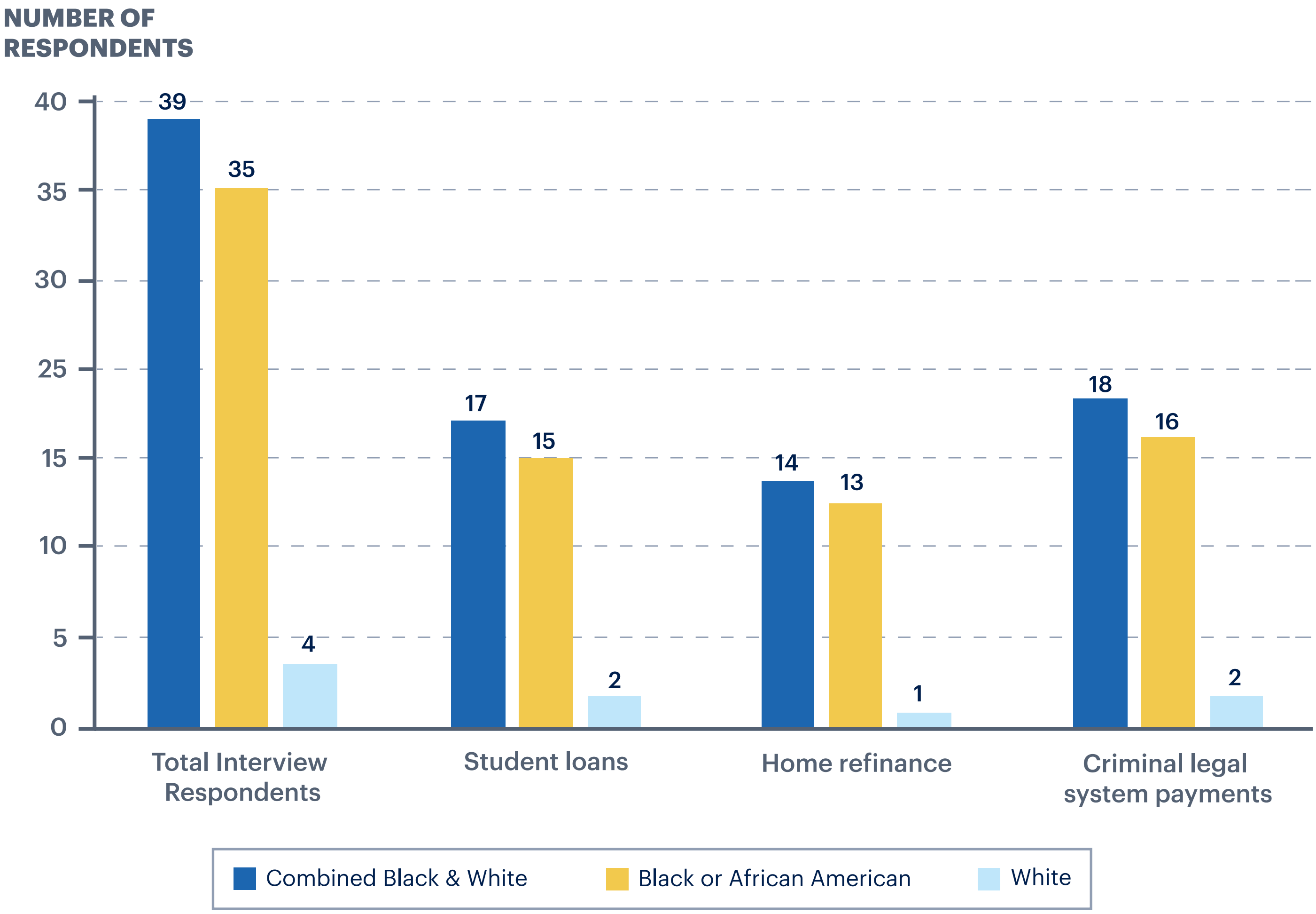
**AMONG SURVEY RESPONDENTS:**

| 79.8% | 69.4% | 60.3% | 34.1% | 26.6% | 7.1% | 3.2% | 2.4% |
|---|---|---|---|---|---|---|---|
| had a checking account | had a savings account | had credit card debt | had mortgage debt | had student loans | had home equity loans | had legal debt | had a home equity line of credit |

Shares reflect the percentage of survey respondents who answered survey questions related to their financial assets and debts.

FIGURE 2

## Interviewees Who Responded "Yes" to Issue-Based Questions




**Sources**

2022 Equitable Wealth Initiative Survey, the Federal Reserve Bank of Philadelphia, United Way of Greater Philadelphia and Southern New Jersey, and the University of Pennsylvania.

**Notes**

The analysis for each issue-based question only includes respondents who responded to these questions on the survey, and excludes respondents who did not provide a response. Among interview respondents, the student debt sample contains 36 respondents; the mortgage refinancing sample contains 33 respondents; and the criminal legal fines or fees sample contains 39 respondents.

identify codes that lacked clarity. After analyzing the coded data, we revised the codebook. Based on our findings, we combined some codes, deleted those that had not been applied, and added some new codes. We then conducted a second round of coding using the revised codebook. The findings we present here are based on our analysis of the second round of coding.

Following the second round of coding, we invited all interviewees to participate in one of two data walk events. These data walks served two purposes. First, they enabled further engagement with the project among interviewees and enabled participants to understand how their stories were being utilized and carried forward in the work. We placed a high value on transparency and engagement in this work, and these events furthered those goals. Second, the data walk events served as a check on our initial findings and understanding of the data. At each event, groups of four to five participants moved through stations focused on one of four themes: race and financial well-being, homeownership, student debt, and definitions of wealth. Data from the surveys and representative quotes from the interviews were posted at each station. A facilitator at each station guided participants through a 15-minute conversation centered on the data and solicited their reactions. They also provided interviewees with a way to remain engaged with the research. We provided food and childcare at these events, and participants were compensated with a $50 gift card. A total of 16 interviewees participated in the data walks. In presenting our findings, we have changed the names of all interviewees and omitted any details that could enable their identification.

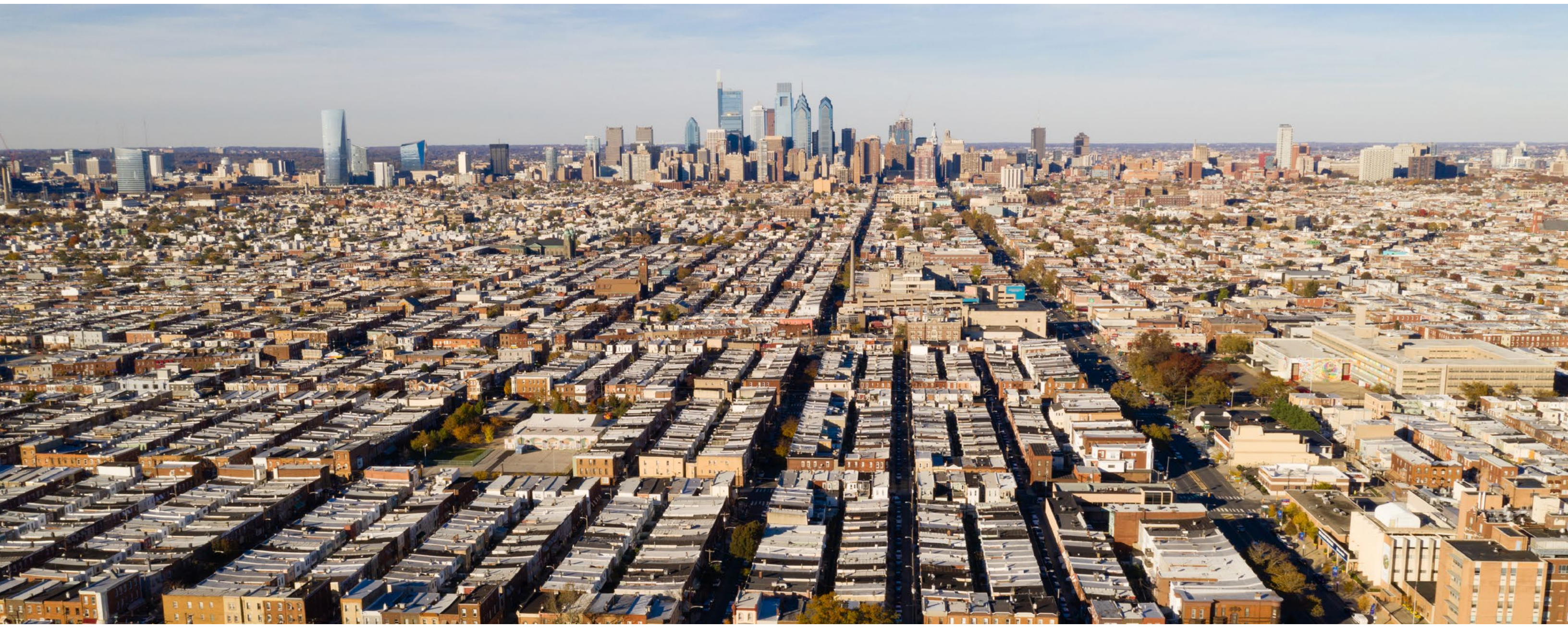
The exploratory nature of this research does not enable us to make broad generalizations about Philadelphia or about Philadelphians who have experienced the issues we studied. Still, the stories we collected illustrate a rich range of experiences and provide important insight into key components of the structures shaping wealth attainment and extraction in Philadelphia. Beyond this study, the findings will be important for shaping future research, both qualitative and quantitative.

# Findings

The findings from our interviews illustrate that participants had a breadth of experiences with the systems and structures that administer student debt, criminal legal debt, and mortgage refinancing. As we analyzed the coded interview transcripts, three themes emerged from our research that operate as a throughline across the issues we investigated:

- Participants who took on student debt, bought their homes, and/or experienced criminal legal debt often bought into the mainstream narratives of the United States – that student debt is good debt, that homeownership is the best way to build assets, and that the criminal legal system punishes individuals. Those whose experiences differed from these narratives expressed confusion and uncertainty wondering why, if they did everything right, were they still struggling? Some linked their struggles with these systems to their race.
- Across all categories of debt, many participants found the systems they needed to navigate and that structure the relationship between creditor and debtor to be opaque. Many reflected on how easy it was to obtain debt and how difficult it became to mitigate or pay off their debt.
- Participants' ability to use these investments to build wealth (or prevent extraction) was compromised by their and their families' lack of access to liquid savings.

This section is structured around the three issue areas we investigated. Within each, we discuss the three themes laid out above.



# Mortgage Refinance

The Equitable Wealth Initiative focuses on Black homeowners' experiences with refinance events. A refinance event is when a borrower takes on a new loan to pay off the current one. People typically refinance their mortgage to obtain a better rate or better terms than their current mortgage. Interviews were not conducted with individuals who were denied the opportunity to build wealth through homeownership or interviewees who were denied a new mortgage altogether. We focused instead on individuals who: (1) have a mortgage secured, (2) have owned a home for long enough to reach a refinance event, and (3) have attempted to refinance. Because these participants are further along in their journey of leveraging their home into a wealth generator, their experiences enable us to learn more from them. As long-term homeowners who have experienced mortgage refinance events, participants' insights point to the opportunity or persistent barriers to wealth created by mortgage refinancing.

We also asked participants who qualified for this study about their broader experiences of building wealth through homeownership. These questions elicited responses about other components of the financial institutions and structures they interacted with as part of the process of purchasing and refinancing their homes, such as insurance, appraisals, and home inspections. We decided to include some of these stories here because they are relevant to the larger purpose of this study and because mortgage refinancing is embedded in the larger system of homeownership and finance.

## The Homeownership Narrative

When we asked the homeowners who participated in this study about the messages they received about homeownership growing up, we heard several stories that echoed prevalent homeownership narratives. Brenna, a 36-year-old Black woman who was born and raised in Philadelphia, said that her mother often told her and her siblings that "in order to be successful in life, it always starts with a house because that's where you have your stability." Amina is 47, Black, and the mother of two boys, one of whom has special needs. She equated homeownership with wealth, saying:

> ***Owning a home for me means it's definitely wealth, it can be wealth. I will say that I've always wanted to just leave something for my kids. I have two boys … just having a place for them that's theirs.***

Althea, whose grandmother bought the first family home in Philadelphia, described how the family's homes have been used to support the community. She explained:

> ***My grandmother would take people as they came up from down South, and she would take care of them. It kind of passed along to me, and that was the other reason why I needed to have a house. It was in order to help other people as they came along.***

Several other participants spoke of how they saw the value of their homes extending beyond their personal financial well-being.

Journee, a 56-year-old Black woman, bought her home in 1997. She told us her parents always talked to her about "not wasting your money." She connected that message to building wealth through homeownership and explained her thought process:

> ***I had an apartment for a while, but then as time went on … I've thought about how much money I was giving this landlord, and I was, like, 'You know what, I just need to go ahead and purchase this house. Give me a house.' Because what I'm paying him to live here, I can pay it and it can be my own.***

Journee and other participants accept the narrative that homeownership will create more stability; her interactions with financial services providers have led her to believe that her race impacted her experiences with homeownership. Journee decided to refinance to switch from an adjustable rate to a fixed-rate mortgage. She described how her original mortgage had been sold from one large bank to another, and the interest rate kept increasing. She felt that the large banks did not work with her and did not have her best interests at heart, and that banks treated her differently because she is Black. She explained: "I work with a lot of White people, and what they're saying and what I'm doing is two different things. They can acquire assets more than I can. [Banks] hold the credit score against African Americans more I think than they do any other race [which impacts my ability to gain assets]."

Journee also described how the neighborhood she lives in has changed in the 25 years since she bought her home:

> ***When I first moved here, it was primarily a White neighborhood, and it changed. Now it's basically like — it's still a melting pot of people here. … It's mainly the Black and [Latino]. On my block, … I might say it is 60 percent now homeowners and 40 percent renters. You can tell the difference and you can tell who's renting, who owns their home … at one time investors came and they bought up all the properties and then they don't even take care of the properties.***

Although for some, homeownership created a sense of stability and meaning, for others, it felt like a precarious endeavor. Perla, a 33-year-old Black woman, owns a duplex and rents out the top half. The value of her home has increased since she purchased it, but her real estate taxes have also increased — to the point that she has difficulty keeping up with expenses:

> ***If my real estate tax is doubled, … that's going to be factored into the monthly price that I pay. I know that in theory, it's a good thing. It's like, "Oh, you have equity. Your house has value. You'll be able to sell it one day for more than you purchased it for. [But] right now, it … sucks. I would like to know that my mortgage is not going to just continue to keep rising. It's risen by almost $300 since I bought the house five years ago, and hopefully, fingers crossed, it's not going to rise any more. … It's like, yes, in theory, these are things that will benefit me in the long term. … Being able to realize the benefits of that investment will take some time. Right now, I'm just trying to keep up with the costs, … I'm trying to get myself to a place financially where I can cover all of the bills.***

## Information Opacity

Buying a home is a complicated process, particularly for first-time homebuyers. Many of the people we interviewed had to work hard to find the information they needed to navigate the process, and some reflected that they believed race played a role in how they were being treated during the process. Overall, participants found that the processes at smaller banks and credit unions were more transparent. Amina applied for a mortgage from a large national bank because it offered an incentive that would cover closing costs. Everything seemed to be going smoothly, but near the end of the process, "literally at the last hour, they gave me such a hard time." She continued:

> ***They gave me a hard time about an overdraft that had happened a year prior. I had to write a letter as to why the overdraft [happened], and I'm just like, "I don't even remember." Overdrafts happen, and it was a year ago … to me, I thought it was minor, and it should have been minor, but they didn't think it was minor.***

The bank was not satisfied with Amina's explanation and denied the mortgage. She decided to try a smaller, local bank and easily obtained a mortgage. She has since refinanced with a credit union. Describing that process, she said:

> ***I literally called, inquired, got information, read over everything. I want to say it took maybe about a week or two. … It was also the customer service and how they explained their products and answered all my questions. It didn't seem like it was a rush. It wasn't like, "Oh, we've got to get this done now." It was like, "Call me at any time." It was just minor things, but they were just really accommodating and thorough.***

Several participants had switched their financial management from banks to credit unions because they had difficulty getting the information or responsiveness they needed from banks. Delia used a large bank for her first refinance, which she paid in full. When she returned to that bank to refinance again, they "started messing with me." She took her case to the Pennsylvania State Attorney General's office twice but still feels cheated. She used a credit union for her next refinancing and has now been with it for 30 years.

Many participants talked about the support they received from first-time homebuying programs, which they said helped them navigate aspects of the homebuying process that others found opaque. These programs offered information as well as financial assistance with down payments and closing costs that helped reduce the amount of debt they had to take on. Samantha worked with a housing counseling program that offered support with mortgage refinancing that she learned about after reaching out to her bank. She told us she said:

> ***"Hey, bank, I have refinanced several years ago, and I'm paying this mortgage separately, this home insurance separately, this tax separately. I need to refinance it back into a bundle again and at a lower rate." Through the program, I was able to do that.***

Meena learned about a Philadelphia area nonprofit organization that runs a program offering housing counseling for home purchase, foreclosure prevention or obtaining financing for home repairs, through the public housing authority. Describing the program, she said:

> ***I just had to sign up, take a class, they went through my finances and was like, "Okay, yes you do actually qualify." They go through the whole thing of finding the mortgage for you, and then of course taking the class, but the process of working with a bank is very difficult because they go through everything with a fine-tooth comb. Like when I said I saved up my tax return, they were like, "Okay, we need to see your tax return from that year. You put in this much money at this time, we need to see where that money came from."***

Participants mentioned several different programs during our interviews and often found them by chance or through word of mouth. Overall, information about how to find these programs seemed fragmented.

## Lack of Other Assets

Many of the homeowners we interviewed told us they were unprepared for the amount and unpredictability of the maintenance and repair expenses they would incur; they wished they had received more information at the outset about both regular and unpredictable expenses. Janette's experience with refinancing illustrates how some participants needed to take equity out of their homes because they did not have other assets to pay for repairs. Water issues triggered Janette's first refinance. She kept the heat low one winter in an attempt to lower her utility payments and her pipes burst; the previous owners had not installed shutoff valves, which would have prevented the problem, and the inspection she had before purchasing the home did not reveal the issue.

Haniya is a 56-year-old divorced Black woman who has been on full-time disability for two years. She refinanced in order to make repairs but is worried about the future:

> ***I have a lot of anxiety, if something or a roof or ceiling or something was to fall in, what would I do? How would I survive? There are programs for people like me, [with] disability, and I'm getting older. The state has some programs to fix things and everything, but you might be waiting 10 years for a hole in your ceiling to get fixed.***

Samantha refinanced her home, but the cost of maintaining her home was still sometimes overwhelming:

> ***There was times where the heating system just went out and we sitting in the house with coats on. We didn't have enough money to get that heating system fixed. There was times when my ex-husband would sit here reading books trying to figure out how he could fix it himself, because we just didn't have the money.***

Samantha is now divorced and still struggling with how to afford the maintenance on her home. She said, "I would love to make repairs on the outside of my home, but everything that I do has to be towards me living every day. Living every day has to do with there being heat, hot water, gas in the home, making sure that I'm comfortable within that home.

Participants like Samantha spoke both about the difficulty of refinancing and how easy it was to take on more debt through a refinancing process or taking out a second equity. When we asked her to describe the process of refinancing, Samantha said: "They made [it] easy. The thing is, when they're preying on you, and you want that money, they bring it right to you." Before her second mortgage refinancing, she shopped around but felt as though the appraisers valued her home too low, leading to offers that did not seem fair.

Jennifer said she did not face discrimination in the mortgage market but did think race played a role in her ability to get homeowners' insurance. When we asked her how she knew, she said:

> ***Well, I'm smart. I had done my research and found [the national insurance company that] insured my car at the time. [A different national insurance company] insured my home, and back then the bundles weren't part of the deal. No one knew, there was no such thing that I knew of a bundling. Bundles came along and I was like, "I'm always looking to save at least some money on my high school diploma income. Let's see about bundling." [The insurance firm that insured my car] would not insure my home. I knew it was a redline because it's like, they came up with, they made up a reason why they wouldn't. "Oh, we don't insure flat roofs for rent if the home is worth less than dot dot dot moneys." All right. I said, "If you're not going to insure my house, then I need to pull my car out, too, because I need a bundle." I pulled it out and I went to [the second insurance firm to bundle my] house and car. Then two years after that, [that same insurance firm] decided, "We can insure houses now … for under X amount of money." I'm like, "Too late." Yes, yes.***

Jennifer was not the only participant to be denied because of a flat roof.

Several participants refinanced to make improvements in their homes, pointing to the challenge of owning an asset but having very little access to liquid savings. Some of the people we interviewed experienced a great deal of stress because the homes they purchased required much more upkeep than they expected. Sheryl believes she was taken advantage of in the process of buying her home: "The people that I dealt with at the real estate agency were White, the inspector was White, and here comes this little Black girl that wants to buy a house. They wrote up all kinds of documentation about how I could afford to buy this house, and none of it was true. Before I knew it, they were handing me keys."

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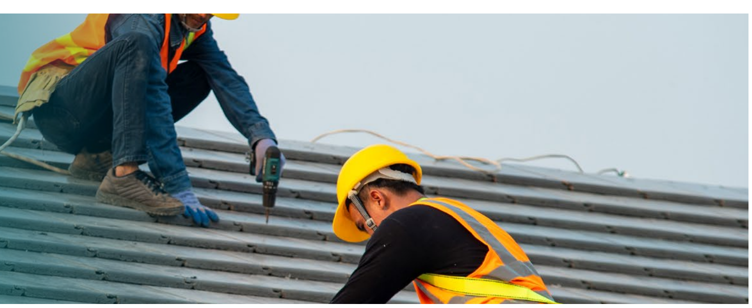


# Student Debt

Is financing higher education through debt a strategy that increases financial stability, mobility, and wealth, or does it create debt without delivering the benefits they thought they would receive? The people we interviewed had experiences all along the spectrum. They had taken on a wide range of student debt; some had paid it off, while others have tens of thousands of dollars of their debt remaining.

## The Education Narrative

The majority of participants who took on student debt did so because they believed that student debt is good debt and that they were investing in their futures. For some of our interviewees, like Samantha, the narrative held true. A 52-year-old Black woman, Samantha, called her education "the best investment because to this day, I have never gone without a job unless it was my choice."

Many participants, however, told us they regretted their decision to take out student loans. Delia's story is similar to those of several other participants; she believed that the education she received by taking on student debt would result in an income premium or higher lifetime earnings overall. Delia graduated from college in 2008, in the middle of the financial crisis, and spoke about how that timing impacted her experience:

> ***When I graduated in 2008, that was when the bubble fell. I had dreams of a different job ... I had dreams of moving, relocating, because I felt that a B.S. and my associate's is an A.S., applied science ... I figured the world would be at my feet ... I had imagined myself somewhere in a semimanagement position, at least bringing home $85,000 a year because of the degree alone. That's not what happened.***

Luciana, a 45-year-old Black mother and grandmother who has lived her whole life in Philadelphia, relayed a similar experience:

> ***Student debt is a rock around your neck. It is a burden that you know isn't going away. It is always that nagging sense of knowing that you owe this astronomical amount of money. Again, coming out of school, being offered jobs that are not even a quarter of the payment that you've taken out is insulting, but it's what is real, it's what we're dealing with.***

Interestingly, when we discussed student debt during our data walk events, several participants said they would now counsel young people to go to trade school or to start out at a two-year college and then transfer to a four-year college to save money.

To explore the idea that different kinds of debt can be classified as "good debt" or "bad debt," we asked participants whether they thought of their debt differently from other kinds of debt. We heard a range of responses, including several from participants who did not consider their student debt to be "good." Amina responded emphatically: "No, [debt] is all the same. It's all a noose surrounding your neck, basically until it's gone. It's all the same. It feels the same. You just can't wait until it's over." Kayla compared her car loan and mortgage with her student loan and refuted the idea of student debt as an investment in future wealth building, saying:

> ***My mortgage debt can grow into an asset. My car debt grew into an asset because I use that car [to make money driving and making deliveries for apps]. That car helped me get out of poverty. My student loan debt could only get me a job.***

Although a degree is considered a pathway to better, well-paying jobs, participants like Amina and Kayla had different experiences.

## Information Opacity in Financial Systems

Several interviewees were frustrated by the opacity of the student borrowing process and believe it contributed to their taking on more debt than they needed. Some attributed their confusion to being first-generation college students. Amina, who grew up "working-class poor" in Philadelphia and works for the city, said:

> ***That's another thing that's not fully explained. Again, we didn't know anything. I wasn't educated on loans. … My parents never went to college. … You don't know what you're getting into, and even if you do know what you're getting into, I don't think you understand the severity of it and how that can impact the rest of your life. Then it's a toss-up. It's like, what do you do? Do you not go to school? If you expect to do anything, you need to further your education.***

Amina's comment illuminates the conundrum many young people face about how to weigh the tradeoffs between education and debt.

Even for those who went to college, the increasing cost and complexity of higher education has made financing it for their children and grandchildren different from when they went to school. Kay, a college-educated Black woman, talked about the process of putting together the package of loans and grants for her grandson to attend college:

> ***[My grandson] had taken out bank loans and his student loans and he had gotten money from a Pell grant. Still, as we are driving down to the school [from Philadelphia to Atlanta], we're on the phone with the school … to make sure that when he got there … we wouldn't be stopped like, 'Oh, wait a minute, you didn't pay this. You didn't pay that. His meal plan, his room is not paid.' It was like really scary. You're on the highway driving, you've dropped him off and you're still trying to tie up all of those loose financial strings that we had worked the whole summer the year before trying to get this, trying to get that.***

Several participants spoke about a lack of clarity regarding how much money to borrow. Ava talked about taking on more student debt than she needed because she was counseled to do so: "They would give you money. It was like $5,000. If you only needed $2,300, the $2,700 would come to you … I didn't realize that I was putting myself further into debt." She now wishes that her options and the tradeoffs between them were more clearly explained to her.

## Lack of Other Assets

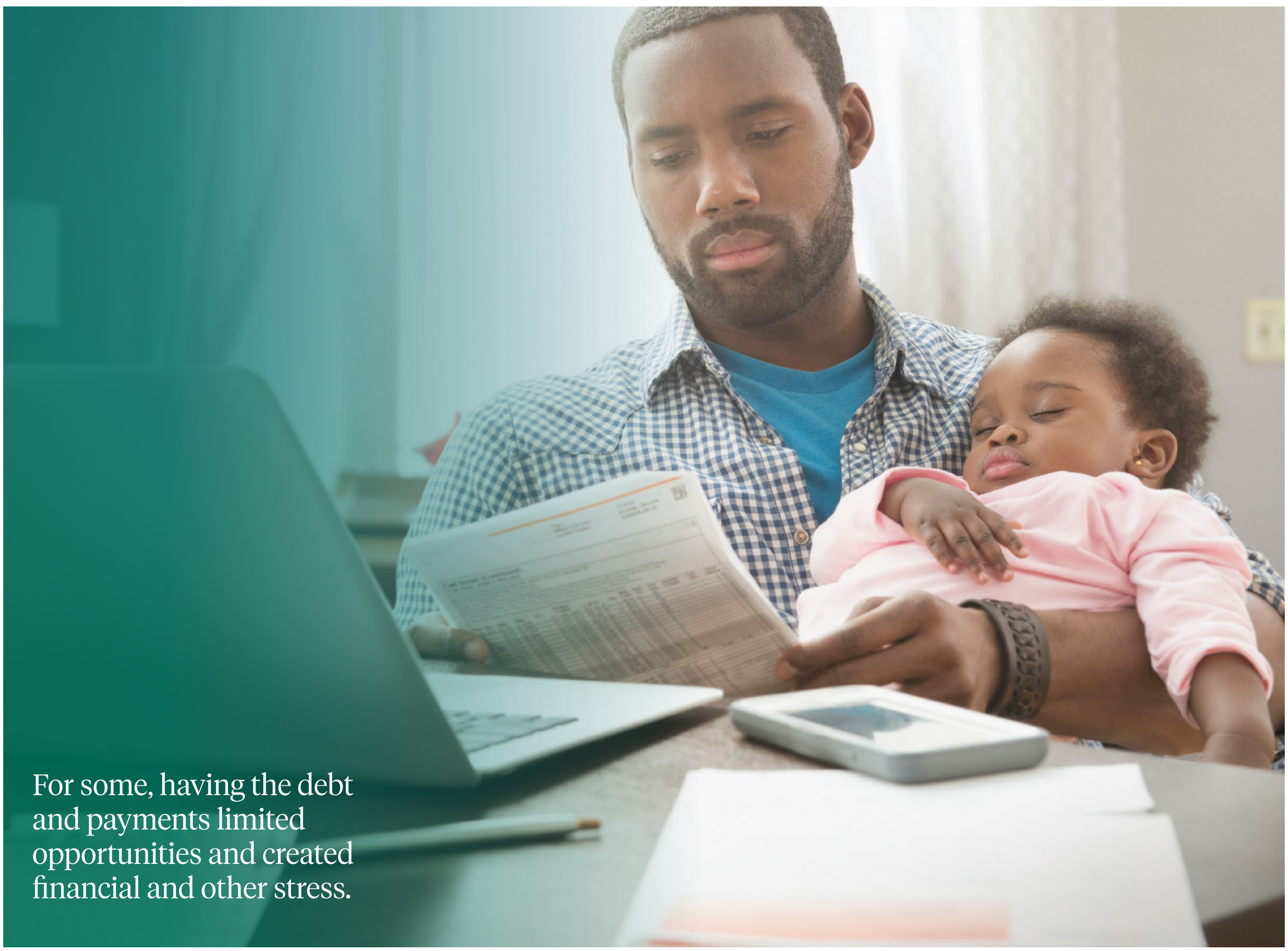
Whereas Ava regretted having taken out more money than she needed for her education, Delia purposely borrowed more than she needed. She used the "extra" money she borrowed for another investment that was important to her: her children's education. Already a parent when she went to college, Delia sometimes took her children to class with her. She used her student loan to pay for her books and theirs: "My student loan, I'm proud and not proud to say, put my kids through Catholic school. I did not want my child in my local public school, so I made a choice." For Delia and others, the availability of this money made it possible to invest in other things they valued.

For some, having the debt and payments limited opportunities and created financial and other stress. Kayla spoke of how her student debt affected her overall financial health, saying: "My credit score is really impacted by having this debt, and it can seep into different things, like trying to get a good interest rate on your car, all that good stuff." Sheryl, a homeowner who supports her mother and formerly incarcerated brother, is 58 and has $80,000 of student loan debt yet to repay. She described how she confronts her bills every month:

> ***I had to make sure that $200 to $250 was set aside [for my student loan] from what I needed to do with the house. I had to pay that and then the $50 to the other school [I attended] for the extra class that I dropped. ... If I showed you the budget, it's crazy. It's crazy how I have to do it to just get through the month. Once I can pay everything, then I can breathe, and then we do it all over again.***

Haniya has requested several extensions on her student loans for hardships over the 34 years since she graduated from college. She said the extensions caused her balance to go "right back up high, it never went anywhere. ... That bill never went away."

During the period in which we conducted the interviews for this project, student loan payments had been paused because of the pandemic, and a proposal had been made to cancel up to $20,000 in student debt for those who still had such debt. Several interviewees reflected on how the payment pauses had allowed them to pay off other debt, improving their overall financial situation. Others were already planning how they would reorient their spending if and when their student debt was forgiven. Meena said, "Now, with that student loan forgiveness thing, I'm going to just put that extra money on my house so I can get it paid off sooner, because even though people say mortgage is good debt, honestly, to me, a home that I own free and clear regardless of what anything happens ... that is just the ultimate goal for me."



For some, having the debt and payments limited opportunities and created financial and other stress.

# Criminal Legal Debt

Unlike mortgage refinancing and student debt, there is no upside to criminal legal debt; no one takes it on by choice. We interviewed people who had or were currently paying off debt for themselves and for family members. This debt caused both emotional and financial stress and compromised their plans and dreams for the future.

## Narratives About the Criminal Legal System

The criminal legal system is supposed to punish only the individual who commits the crime. We found that the financialization of the criminal legal system, which has led to widespread indebtedness among those who are justice impacted, has far-reaching consequences for the loved ones of the affected individual.

The consequences of criminal legal debt for families are significant. Some of the participants we interviewed spoke of how their loved ones' justice involvement hindered the family member's ability to maintain or build wealth. Lamar's bail was set at $280,000. His grandmother, a homeowner who had worked as a custodian for 30 years, put up her house to bail him out. Lamar explained his grandmother's gesture this way:

> ***When someone loves you, I don't care what you did. They know you in a bad position and they can help you. They not just going to let you sit there [in jail]. That's like my grandmother, basically. My grandma didn't have none of that money, but as long as I was sitting in there, it bothered her. … It was like she lost her breath.***

Lamar's grandmother put her primary asset at risk in order to free him, jeopardizing her own financial security.

Tamani has a nephew in prison. Her extended family has supported him financially and is preparing to assist him when he comes home. She described the family's position this way:

> ***We're going to acknowledge you. We're not going to deny you didn't make a bad decision. We're going to move on from that decision and we're going to do what we can because, at the end of the day, we're still a family.***

This support has directly hindered the larger family's ability to build wealth. Tamani explained:

> ***We used to talk about investing. Pooling our money and investing in a family business or … a family vacation home. … But now those are things we don't talk about because now the focus is, when he comes home, we need to put our resources for this.***

Tamani's sister, the incarcerated nephew's mother, is saving to rent an apartment in another city for when her son comes home because the conditions of his case dictate that he cannot return to the place where he committed the crime. Situations like this one further deplete a family's resources.

## Information Opacity in Financial Systems

Because fines and fees originate across different departments and levels of government, justice-impacted individuals often find it difficult to ascertain how much money they owe. Jada was released from prison in 2010 and has been paying off her criminal legal debt since she came home. In 2022, she learned that she owed thousands of dollars in another county; she had no idea this debt existed:

> ***I've been paying off this case so much. It's like a regular bill, like a mortgage. Every time I look at it I'm like, 'It still is at how much? This is crazy.' That's when I found out about all the other charges that are still attached to the case, including being supervised at probation. Every day that you're on probation, you're being charged.***

## Lack of Other Assets

The majority of the participants we interviewed who had criminal legal debt were low income and did not belong to networks that had assets they could access. The criminal legal system extracted wealth from these networks and also prevented them from saving for the future. Those who are directly impacted described a cycle that often begins with poverty. Many people engage in criminal activity out of economic necessity. Jada, for example, cashed bad checks to pay rent and purchase food for her family after losing her job. Her incarceration led to losing her home and then having to contend with overwhelming debt that she struggles to pay. Several participants spoke of their constant fear of being jailed because of an inability to pay. Phoebe explained how criminal legal debt can create a domino effect: "If I don't pay it, there's the possibility of me going back to jail. It's a big worry, it's a stressor, because then you're back to the same thing all over again, losing your job, losing your apartment again. Having to start all over again."

Lamar's story illustrates the ways in which the criminal legal system extracts wealth from the families and communities of those who are justice-impacted. Civil asset forfeiture, a practice that grew significantly during the War on Drugs, is another way. Under Pennsylvania's (and many other states') laws, the government can legally take property suspected of being connected to criminal activity, regardless of whether charges are filed or whether the property owner is convicted. This is what happened to Lamont. Police took $3,000 cash he had in his possession when he was arrested. Lamont won his case and was not convicted of any crime. Rather than return the money to him, he was told he had to go to court to fight the issue. He brought the case to court, and the police officer maintained that Lamont only had $500 in his possession. Lamont lost the case after spending additional time and money to try to recoup the loss.

Aubrey has a daughter whose medical issues require around-the-clock care, which she provides. Her family struggles to make ends meet. The $400 she was charged for a crime she did not commit illustrates how even a relatively small amount of criminal legal debt can destabilize a family:

> ***It caused me financial distress. I had to get on a payment arrangement. I took out a credit card for that. I got approved for a credit card, so I paid $200 and then I got on a payment agreement with the rest. It was stressful because I couldn't pay it all at once. I had bills and everything like that, so they broke it down where I was able to pay $25 a month or something like that … it was $400 out of my pocket.***

Many of the people we interviewed would not have been approved for a credit card. On the one hand, Aubrey was fortunate she had access to credit, but shifting debt from the criminal legal system to a credit card is suboptimal.

# Discussion

The research we reviewed earlier in this paper, which relies on quantitative, national data, provides strong evidence that the systems that interact with wealth operate differently for Black and White people. The Philadelphia-based qualitative data we collected and analyzed for this project provide an understanding of how these systems work in the context of peoples' lives, particularly Black peoples' lives.

The three themes this research revealed can serve as the starting point for conversations about specific interventions that address the themes. It is beyond the scope of this paper to forward a comprehensive list of potential avenues to pursue, but we can offer insights that arose in these interviews and might be evaluated for further research for their potential to address the impacts of the systems we studied. We recommend the following strategies to be explored further in this work:

1. **Strengthen transparency and consumer protections in these systems:** Owing to the often-predatory nature of these systems, we need to focus on increasing transparency and protections for individual consumers. For example, a measure that requires student loan providers to be much more transparent than they are currently both before and during the life of the loan might mitigate issues in regard to challenges with understanding loan terms and repayment obligations.

2. **Understand the impacts of individuals' debt holdings:** The stories illuminate the impact of a person's debt holdings and the self-reinforcing nature it has on wealth accumulation. Findings also indicate that programs that acknowledge or address one's debt holdings can create access to wealth building. Specifically, the call to examine the impacts of student loan debt is closely related to some of our findings. As it relates to the Black-White wealth gap, it's worth exploring further how student debt payments diverted potential investments into more appreciable assets, such as a home.

3. **Further research on assessing the impact of fines and fees:** The fact that legal financial obligations extract significant wealth from people beyond the one who is charged with a crime argues for a reexamining of the financial component of the criminal legal system. Municipalities across the country are assessing the impacts of fines and fees and their effects on low-income communities and communities of color. Gaining a better understanding of the impacts of criminal legal debt may inform critical discussions about how to alleviate the financial pressure on the loved ones of the justice involved.

4. **Ongoing financing options for these systems that do not involve high-interest debt:** An increasingly popular area of study is the financing of home repairs. A better understanding of how access to capital and low-cost credit can increase the value of a home is needed. It would also be valuable to look at lower-cost ways to access postsecondary education financing as a way to address the racial wealth gap.

5. **Increase households' ability to access liquid assets:** As heard in the interviews, liquid intergenerational wealth transfers were a desired outcome for many respondents. Child development accounts represent one mechanism that could ensure intergenerational transfers for Black households, which results in more liquid assets for future generations. Building our understanding of how these wealth transfers might be leveraged for endeavors such as paying for higher education, making a down payment for a home, or starting a business may demonstrate how wealth holdings beget wealth building. Beyond child development accounts, we should also keep investigating the effect that providing access to unrestricted assets can diversify a family's financial portfolio and allow them to pay off debt.

We did not investigate all of the systems that limit or create opportunities for wealth building. During our conversations, participants raised several other systems with which they interact that have also played a role in their financial lives. These include health-care and medical debt, K–12 education, and the changing nature of work. We hope our research serves as a catalyst for an investigation into these other systems as well.

# Conclusions

Our findings indicate that the strategies held up as pathways to wealth and financial security are unreliable for Black Philadelphians. In some cases, such as Sheryl's homeownership story and Luciana's experience with student debt, the use of these strategies proved more harmful than helpful. They took on this debt because they believed it would help them achieve financial stability and accumulate assets, but some found the opposite to be true. Some participants found the student debt system to be predatory and extractive. And virtually all of the participants who had legal financial obligations faced challenges to attaining financial stability and accumulating wealth.

When we marry the findings from our interviews with existing research on the Black-White wealth gap and the specific issues we explored in this paper, we begin to see the disparities in Black and White Americans' ability to build wealth. The disparities arise from systems — the financial system, the higher education system, and the criminal legal system — that play critical roles in generating and blocking pathways to wealth. The narratives persist. This work is one step toward disrupting these narratives, which is a precondition for changing the systems so that wealth-building opportunities are equally available to all.

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