What's Behind the Black-White Homeownership Gap in Philadelphia

Lei Ding

Disclaimer: The views expressed here are those of the authors and do not necessarily reflect the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.
Equity of Homeownership

• Homeownership remains an important means of building wealth. Accumulated wealth provides financial security and often determines the life-long opportunities for homeowners.

• Two research briefs with Jacob Whiton and Theresa Singleton
  – “What’s Behind the Racial Homeownership Gap in Philadelphia?”
  – “Supporting Philadelphia’s Black Homeowners in the Aftermath of the COVID-19 Crisis”

• Major findings
  – Significant disparities in homeownership access and performance between Black and White Philadelphians
  – Black-White homeownership gap is associated with the legacy of historical discrimination and longstanding inequalities
  – Solutions need to address both the immediate needs of current/aspiring homeowners, as well as structural barriers in the labor and housing markets
Overall Trend

• Declining Black homeownership rates in recent decades
• A persistent and slightly widened Black-White homeownership gap
Access to Credit

• Black mortgage applicants were 2.7 times more likely to be denied by lenders than White applicants

• Black applicants are much more likely to be denied because of limited credit histories and low credit scores
Legacy of Historical Redlining

Figure 7. Mortgage Denial Rate in Philadelphia by Tract HOLC Grade and Race, 2020

<table>
<thead>
<tr>
<th>Census tract HOLC grade</th>
<th>A&amp;B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>6.5%</td>
<td>6.6%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Black</td>
<td>13.6%</td>
<td>17.3%</td>
<td>17.1%</td>
</tr>
</tbody>
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Note: Restricted to first lien home purchase loan applications originated, approved but not accepted, or denied.

Source: Authors’ calculations using 2020 public HMDA data.

- Mortgage denial rates for Black applicants were significantly higher in neighborhoods previously redlined neighborhoods, and the racial gap in denial rates tends to be larger in those neighborhoods.
Affordability

• While housing prices remain relatively low in Philadelphia, homes become increasingly less affordable for Black households.

• Falling homeownership rates have coincided with a period of rapid home value appreciation and more sluggish income growth for Black households.
Affordability: Recent Trend

House Price Appreciation by Zip Code, by January 2022, Over 5-year Period

- Majority Black neighborhoods experienced similar level of price appreciations (single-family properties) in the past 5 years.