Recovery Impeded: African-American Homebuying and Asset Rebuilding after the Crisis

Closing the Homeownership Gap in Metro Atlanta & Beyond
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Losing More on the Way Down and Gaining Less on the Way Up
The Long-term Effects of the Mortgage Crisis on Black Families

55% fewer Black home buyers in 2012 vs. 2001*

foreclosures
vacancies → declining values
lenders pull back
underwater homes
damaged credit
lost wealth
rent increases impede savings
values rise, but few buyers benefit
delayed recovery

* Urban Institute calculations
Latinos and, especially, Blacks, were hit especially hard by subprime crisis (Immergluck, 2015; Reid et al., 2017; Emmons, 2017)

Those who purchased during 2000s subprime boom did especially poorly (Newman & Holupka, 2015)

Slower value recovery (to 2014) in Black neighborhoods, especially in weaker–market metros (Wang, 2018; Raymond, Wang & Immergluck, 2016)

Mortgage market changed substantially since crisis & Dodd-Frank Act (2010)

Q – Among the depressed number of Black buyers in 2012, how did homes appreciate?

Q – How did Black homebuyers fare compared to white buyers?
An Important Aside: Asking About Appreciation of Black Buyers ≠ Asking About Appreciation of Black Neighborhoods

→ Most Black Homebuyers in Large Metros Don’t Buy in Majority-Black Neighborhoods

The Neighborhoods where Black Homebuyers Purchase Homes
15 large metros (similar results for 50 largest metros)

<table>
<thead>
<tr>
<th>Race/Ethnicity of Tract, 2016</th>
<th>2012</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>75%+ White</td>
<td>21.7%</td>
<td>20.5%</td>
</tr>
<tr>
<td>50-74.9% White</td>
<td>23.3%</td>
<td>26.2%</td>
</tr>
<tr>
<td>Diverse, or Majority Latino or Asian</td>
<td>25.1%</td>
<td>24.9%</td>
</tr>
<tr>
<td>50-74.9% Black</td>
<td>15.5%</td>
<td>14.0%</td>
</tr>
<tr>
<td>75% Black</td>
<td>14.4%</td>
<td>14.3%</td>
</tr>
<tr>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
2012 Black Homebuyers vs. 2012-2017 Appreciation

Immergluck, Earl & Powell, 2019. Black Homebuying after the Crisis: Appreciation Patterns in Fifteen Large Metropolitan Areas. Forthcoming, City & Community.
2012 White Homebuyers vs. 2012-2017 Appreciation

One dot = 5 buyers

Immergluck, Earl & Powell, 2019. Black Homebuying after the Crisis: Appreciation Patterns in Fifteen Large Metropolitan Areas. Forthcoming, City & Community.
2012 - 2017 Median Appreciation for 2012 Homebuyers by Metro

ATLANTA (42.4%) - 49.9%

Sacramento (66.2%) - 79.2%
Riverside (65.4%) - 70.2%
Los Angeles (51.1%) - 69.2%
Nashville (41.1%) - 44.3%
Minneapolis (30.6%) - 37.2%
Raleigh (27%) - 24.4%
Boston (26.9%) - 40.2%
Columbus (26.9%) - 29.1%
Richmond (19.2%) - 17.4%
Louisville (18.6%) - 18.6%
Indianapolis (18.3%) - 18.3%
Cincinnati (15.5%) - 14.3%
Birmingham (14.4%) - 10.3%
St Louis (13.8%) - 11.8%

Median Nominal Appreciation, 2012 to 2017

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## Estimated 5-year Gains in Real Housing Wealth
### 2012 Black Homebuyers in 15 metros
#### Actual vs. Increased Homebuying Scenarios

<table>
<thead>
<tr>
<th></th>
<th>Black Share</th>
<th>Black Homebuyers</th>
<th>Total Real Gain (Billions, 2017 $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual Number of Black Homebuyers in 2012</td>
<td>6.80%</td>
<td>26,093</td>
<td>$1.71 B</td>
</tr>
<tr>
<td>…If Increased to % of Homeowners</td>
<td>9.30%</td>
<td>35,897</td>
<td>$2.36 B</td>
</tr>
</tbody>
</table>
| …If Increased by ratio of # 2001 Black Loans in US  
# 2012 Black Loans in US | N/A         | 58,187           | $3.82 B                             |
Takeaways

- 2007-11: Black homeowners bore disproportionate costs of subprime crisis
- 2011+: Tight mortgage markets, damaged credit & weak fair lending enforcement → many Black households missed out on recovery
- Black households who were able to buy in 2012+ saw substantial appreciation, especially in medium-strong appreciation markets
  - E.g., in metro Atlanta, ~50% appreciation/5 years

Black homeownership can help rebuild assets & reduce racial wealth gap

- Down-payment assistance, CDFIs, mortgage revenue bonds
- Stronger Community Reinvestment Act policy & enforcement
- Maintain 2010+ Dodd-Frank regulations
- Modernize & strengthen FHA lending
- Limit risk-based pricing, maintain strong public role in secondary market