THE BROOKINGS INSTITUTION

HOMEOWNERSHIP WHILE BLACK:
EXAMINING THE DEVALUATION OF ASSETS IN BLACK NEIGHBORHOODS

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Welcome:

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Presentation:

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Panel 1: Unpacking the Research:

GENE DEMBY, Moderator
Lead Blogger, Code Switch, NPR

JAMIE BARDEN
Professor, Department of Psychology, Howard University

ALANNA McCARGO
Vice President, Housing Finance Policy, Urban Institute

JONATHAN ROTHWELL
Senior Economist, Gallup

Panel 2: What Can Be Done:

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JORGE ANDRES SOTO
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Closing Remarks:

ANDRE PERRY
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P R O C E E D I N G S

MS. WELTERS: Good morning, everyone, and welcome to the Brookings Institution. I am Beatrice -- or Bea -- Welters and I am a Board trustee here at Brookings. It is my pleasure to welcome you here today.

But first, before we begin the program, I would like to begin by taking a moment of silence, or having a moment of silence to honor the 41st president of the United States, George H.W. Bush. Thank you.

(Pause for moment of silence)

Thank you. And I think later on today the motorcade will be passing by, so we will probably pause for a moment as it passes.

Thank you for being here today for this important discussion. I also want to thank General John Allen, the president of Brookings, and members of his leadership team for being here, and especially for their support of this research. I hope that this joint Brookings-Gallup study will influence public debate and policy and sharpen our country's focus on shared economic prosperity. At Brookings we call this impact. We're proud to have partnered with Gallup in looking at how racism has affected African Americans' ability to realize the benefits of home ownership enjoyed by their fellow citizens.

Today's event focuses on the study of how racism has impacted the value of housing in black neighborhoods, authored by Andre Perry and David Harshbarger of Brookings Metropolitan Policy Program, and Jonathan Rothwell from Gallup. As you'll hear from Andre, the report seeks to understand how much money majority black communities have lost, and are still losing. Andre also will discuss the social implications of these findings.

Before I introduce Andre, I'd like to first acknowledge Amy Liu, the director of the Metro Program. Amy has a unique ability to translate research into real life strategies for economic growth and opportunity. She has earned the respect of the Board of Brookings and President John Allen, and the gratitude of countless individuals in cities and town throughout the United States. Thank you, Amy.

Now, no introduction of Dr. Perry, of Andre, would be complete without describing the impact he's had on Brookings over the last 18 months as a David M. Rubenstein fellow in Metro. He has covered a surprising amount of ground, both in neighborhoods, around the country, and his writings, which are, and have been, featured in the New York Times, the Washington Post, The Hechinger Report, The Root, and many others. But I was particularly touched and moved by his recent op-ed in the New York Times describing his childhood in a neighborhood right next door to Squirrel Hill, Pennsylvania. Squirrel Hill was where 11 persons were killed last October while attending their services at the synagogue. Andre said that he felt welcome at Squirrel Hill. For him, Squirrel Hill was proof that if we try we can live together. His reflections made these needless murders even more tragic.

A bit of housekeeping before we get started. I'd like to remind everyone that this event is on the record and being recorded. You can join the conversation on Twitter using the hashtag #@BlackHomeownership. And it says the handle is right behind me, but -- okay. (Laughter) There it is. Great. I'm sorry, I'm looking here. Following Andrew's -- Andre's -- Andrew is my son's name, so I get that confused -- Andre's presentation, you will be hearing from two panels of experts who will dive into the research examining the implications, root causes, and discuss policy solutions, both current and proposed, to combat racial bias in the housing market.

So without further ado, Andre Perry please come to the stage and present your important work.

(Applause)

(Music playing)

DR. PERRY: We don't typically play music here at Brookings, particularly hip-hop. (Laughter) But I wanted to start off with providing the context of motivation for this study and other studies that I do. One of my favorite rappers, hip hot artist, is Yasiin Bey, better known as Mos Def, and his song “Fear Not of Man.” If you're a hip-hop snob you know these words that he utters in spoken word because at

Brookings, particularly in the Metro Program, we seek to improve conditions in neighborhoods so that we can improve people's lives. It's about the people. And Mos Def asks, then how do people get better? Well, from my understanding, people get better when they understand that they are valuable.

Over the last six months, eight months or so, I've had the opportunity to go back to my home town, Wilkinsburg, Pennsylvania. It's surrounded by the city of Pittsburgh. And I get to visit my home once a month and I visit, I run -- literally run past my home just to see what it looks like. Many of you know I was informally adopted by an older woman ---- when I was born she was 63. She took in kids from around the City. She raised probably between 12-15 kids coming from very challenging circumstances. And it just always surprises me that when I see this home listed on the vacant property list, it's literally worthless in a lot of people's eyes.

And so my purpose is to show that there is value in black communities, majority black communities. There are things worth saving. And particularly the American dream. Home ownership lies at the heart of the American dream, representing success, opportunity, and wealth. And it should. Compared to investing in the stock market and other ways to grow a nest egg, home ownership is still the most consistent and accessible way to build wealth over time. And while home ownership rates vary considerably between whites and people of color, it's typically the largest asset among all people who hold it, regardless of race. We've known for some time that racism limited black housing options in ways that lowered values of homes. De jure and de facto segregation, racially restrictive housing covenants that prohibit blacks from buying in certain areas, racially based red lining, which deemed majority black neighborhoods too risky for mortgage lenders isolated blacks in areas that realize lower levels of investment than their white counterparts. Without question, these racist policies and practices had an effect.

My co-authors, Jonathan Rothwell of Gallup and David Harshbarger of Brookings, and I found that in an average U.S. metropolitan area homes in neighborhoods where the share of the population is at least 50 percent black are valued at roughly half the price as homes in neighborhoods with little to no black residents. You can see that on the slide here, on the X axis, the bottom line, as the percent of black residents go up the price of the homes go down.

Most people end right there. Even for those who acknowledge our racist history, the 50 percent price difference isn't about racial bias, it's about accepting the effects of the past at face value. It's assumed lower housing quality, underfunded schools, and crime, all consequences or effects of racism and poverty, set a deserving price point. Our study tested those assumptions. We examined homes of similar quality in congruent neighborhoods with the exception of racial demographics to make an apples to apples comparison between places where the share of the black population is 50 percent or higher and those where there are little to no black resident. So we took those absolute values and we controlled for numerous structural features of the home, like the number of beds, the size, and various neighborhood characteristics and amenities, like education, crime, and the number of libraries and gas stations nearby. I want you to sit on this for a minute.

What we found astounds. Differences in home and neighborhood quality do not fully explain the price difference. Homes of similar quality in neighborhoods with similar amenities are worth 23 percent in majority black neighborhoods compared to those with very few or no black residents. After accounting for other factors, such as housing quality, neighborhood quality, education, crime, owner-occupied homes in black neighborhoods are undervalued by $48,000. And that amounts to $156 billion in cumulative losses -- $156 billion. Devaluation means municipalities with significant percent of African Americans lose tax revenue that could be put towards government services and infrastructure. Racism robs money that residents and government officials use to uplift social status. Bigotry imposes a black tax on residents of majority black neighborhoods that white neighborhoods simply don't face.

These stark price difference due to devaluation sound the -- now, I want to show you this wonderful interactive developed by our good colleague, Alec with Metro, and was featured on MSNBC -- and I encourage everyone to go to that interactive to see what's going on in their metro area. The large pink circles represent those places where devaluation are the largest and the green areas where there are homes in black neighborhoods that are worth more. And I just wanted to show a few cities to show the difference. Lynchburg, Virginia, 81 percent difference, Rochester, New York, 65 percent, my home town of Pittsburgh, 12 percent.

But what does $156 billion mean? What does it mean? If you take the average of what a black business has for average revenue for a start up, it would fund 4.4 million black-owned businesses, it would fund 18.1 million four year degrees at public colleges and universities, it would replace the pipes in Flint, Michigan 3,000 times, it would essentially fund the cost of the damages of Hurricane Katrina. These stark price differences due to devaluation sound the alarm that it's past time to put away the cultural pathology narrative and naming reasons why black people and their neighborhoods aren't doing as they should. Think about the rhetoric around single mothers causing poverty. Believe it or not, there are still people who continue to blame not getting married rather than fixing systemic problems of unequal pay, tax policies that favor the rich, and discrimination in housing and employment. You know, the factors that actually determine how much money people make.

Since 1965, when Assistant Secretary of Labor Daniel Patrick Moynihan published his report, the Negro Family: The Case for National Action, better known as the Moynihan Report, researchers and journalists have continued framing poverty namely as individual choice, i.e., mothers form families that put children in harm's way, i.e., mothers that put families in harm's way. Again, my motivation is clear with this. Moynihan also offered robust structural analyses of economic and social conditions that help shape the black family structure. However, he set a dangerous template by identifying the main problem as black people not living up to the white middle class ideals. It's a mold that researchers of black people willfully maintain to this day. And you hear people talk about narrative change, we need to make narrative change.

This project is about changing the narrative. When people reflectively say after something bad goes wrong in a black community, it all starts at home. I want them to shift from talking about this cultural pathology to one of structural racism. That's the narrative change that I'm seeking.

Instead of blaming the victim we can address the racism that has infected the housing buying market that comprises of mortgage professionals, lenders, real estate agents, and appraisers whose judgments on valuation can have outside negative impacts. We must address racism, which is tangible, measurable, and costly if blacks are ever to benefit from the American dream. Blacks clearly didn't bias the market to disadvantage ourselves. And we should not shoulder the blame of that reality. Clearly we need better policies to give homes in black neighborhoods their proper value. But we must also recognize that there is nothing wrong with black people that ending racism can't solve. If we really want communities to -- you can clap that up. (Applause) And you can tweet it out too.

Finally, another motivation -- as you can see, I draw upon art and culture a lot. My favorite play in all the world is Two Trains Running, by August Wilson, the famous playwright. And in the play the main character, Memphis, who is about to have his business seized through eminent domain because the City of Pittsburgh was building the civic arena. And that's actually how the person who raised me ended up in Wilkinsburg. She was pushed out of the Hill District. The main character says to the City, no, I'm not going to sell my business for $15,000, I know my price. He goes back and forth with the City throughout the play. I know my price, I got my price. There's another character in the play, Ham Bone, he paints a fence for a ham. He paints a fence, he never gets his ham. He goes back and forth with the proprietor and he says, give me my ham, I need my ham, until he goes crazy and eventually dies. The main character actually ahs -- it's a happy ending -- he actually gets $30,000, about $10,000 more than what he originally asked for. And the moral of the story is know that you have value, know that you have worth.

This report is not for the muckity mucks that we typically -- yes, they can read it and I want them to read it, but I'm giving this report to the people who need to see that they have value. Our property, our schools, our education, they have value, but they are devalued by others and it has negative implications.

I welcome you to send me information so that you can join our crew, David and Jonathan. I'm trying to form a crew, trying to get it together, form like Voltron, have all these different parts. (Laughter) And we're going to do good work. This is about housing, but it is also about policing, also about education. It's just that housing is such the foundation that without this major revenue source being maximized, a lot of other parts of our lives start to fall apart.

Well, thank you very much.

It's my honor and pleasure to bring up a brother that I admire his work. Gene Demby is with NPR Code Switch. If you don't know, you better know. You better dial into NPR, but Gene Demby, please come up. And let this brother come up to some music please. (Laughter) (Applause)

(Music playing)

MR. DEMBY: Thank you for having me. I was about to freestyle. So we have a lot to get to, a lot of people are going to have a lot of questions, so I'm going to go straight to Jonathan, who worked on this study with Andre.

So, first, what jumped out to you the most in what you found?

MR. ROTHWELL: So I think the one the one thing I want people to take away from this it's that neighborhoods can be discriminated against just like people can. And there have been a lot of studies for years on labor market discrimination, other forms of discrimination, where the techniques involved things like sending out identical resumes where the only variation between the resumes is that a name, which is typically associated with a black person, is listed on one versus a name that's typically associated with a white person is listed on the other, and the call back rates and invitations to interviews are much lower for those with the black sounding names. And so we're kind of taking a similar approach, but to neighborhoods. And I think that has a lot of implications. I mean Andre just beautifully described all of the things that flow from housing and it opens so much in terms of opportunity and yet it's been such a fraught market. It's never really operated as a market in the United States and we're still at that point today.

MR. DEMBY: In which cities and metro regions did you see the most pronounced disparities? And did they have anything in common?

MR. ROTHWELL: Yes. So if you just look at absolute differences in home value across metropolitan areas, there are some just really staggering differences. So like in Bridgeport in Connecticut, for example, homes in predominantly white neighborhoods are close to $800,000 in terms of median price versus just over $100,000 homes in majority black neighborhoods. And there are similar differences in Charleston, South Carolina.

Now, some of that has to do with the fact that say in Bridgeport, for example, there are a lot of rich hedge fund owners and other people in the financial sector who have mansions and so on. And so, you know, you have to take that sort of thing into account, and we did. And we still find that there's still a very substantial difference in home values even when you adjust for those kinds of things in those areas. And then when you look at those adjusted prices, you see areas like Rochester, New York, Buffalo, Detroit, Milwaukee -- these were areas that were centers for economic opportunity during the middle of the twentieth century that attracted hundreds of thousands of black migrants from the south seeking work in the factories and so on, and those are areas that are highly segregated today and that have very low rates of economic mobility for black children.

MR. DEMBY: You just mentioned, you know, Bridgeport having these hedge fund managers with big mansions. So how did you do apples to apples comparisons black neighborhoods and white neighborhoods?

MR. ROTHWELL: So the most direct way we were able to adjust for quality differences in the homes themselves is by looking at the price per square foot. And these data are provided by Zillow for homes that are listed today. So that immediately deals with that issue. And then we were also able to consider the number of bedrooms, whether the home is an attached single family home with presumably yard space and things like that, versus a row house or a condo, you know, part of a multi family unit. And then going beyond kind of the structural aspects of the house itself, we look at neighborhood qualities, because obviously that's also a big driver of home value. So we looked at -- and I think most importantly -- school quality differences, looking at the test scores of middle school students in the neighborhood. And then we also looked at things like access to restaurants and retail, we looked at access to jobs. We found that commuting times in majority black neighborhoods, but on the other hand, access to public transportation is greater and there are more walkable neighborhoods in majority black neighborhoods. And then we also, for a subset of cities where we could get data, but covering over 3,000 neighborhoods, we were able to get detailed crime statistics and took that into account as well. And throwing all these things into the model, we still found that there was very substantial devaluation of black homes. So none of the things that real estate agents or buyers observe about a neighborhood and take into consideration when deciding whether they want to buy a home or not, none of those thing explain the low prices in majority black neighborhoods.

MR. DEMBY: We talked about this a little bit beforehand, both you and Andre said that some of the most vocal push back you got was to the very idea that you could compare white homes to black homes. Could you talk about that a little bit?

MR. ROTHWELL: Well, I think in the end, if you look at the valuation differences, it's as if majority black neighborhoods are assumed to have quadruple the crime rates that they actually have, or even lower test scores than they actually have. The only way to describe it is discrimination against the neighborhood; that makes sense to me. It's really not -- when it comes down to it -- not an economic difference between the neighborhoods, it's really kind of a psychological hang up that we as a country are still wrestling with, coming out Jim Crow.

MR. DEMBY: So, Alanna, can you talk a little bit about how that devaluation happens at each stage of both the home buying process and also how it plays out when people are selling their homes?

MS. McCARGO: So thank you, and thank you for this paper. And thinking about this from the broadest sense in the housing policy realm, you know, real estate and housing is all about property and people. And this paper really has pointed out and really dug deep into the specific racial issues and racial bias that we see on the property side and what that devaluation really means. And quantifying that is incredibly important and I thank you guys for this work that you've done.

You know, this all ties directly back, as we think about the housing market and as we think about black economics, to wealth. And Andre talked about the wealth gap. This is a persistent gap that has been in our country forever. And when we look at black wealth, the majority of that wealth on the balance sheet of black families is their housing equity. And we are now at the lowest rate of home ownership in this country, under 42 percent for blacks. Blacks are not seeing a recovery. 50 years ago the home ownership rate for blacks was 42 percent. So there has been zero progress made in terms of building up and improving that, and there is a lot of systemic issues and structural issues that are a legacy that are in our systems that were built -- and I know we'll talk more and hear more about some of the historic bias and segregation and how we come to be at this point in the process and what we're seeing.

I think that what the Brookings paper does, what this devaluation conversation has done and puts kind of right in our laps, is the realities of change in our housing markets. For policy makers on the housing side, there is an inherent conflict that has been discussed, but it has not been discussed in a racial context. And that conflict is housing affordability. How do we keep housing affordable, how do we create and sustain affordable housing? How do you rationalize and put together the conversation about home owners who wish to grow their equity and value and home buyers who need to or want to buy properties at an affordable level? Where are those properties? Gentrification that's occurred over the last several years, how neighborhoods all of the sudden that didn't seem valuable have changes in racial and income dynamics and all the sudden become very, very valuable. Who benefits from that and who loses?

So I think there are just a whole host of things as we look at the system surrounding the housing policy realm and the real estate process in every market on both property and people side that are put in our face here in terms of looking at the property devaluation, but also in terms of how people have been devalued and how the systems that support the real estate market, how real estate agents have behaved, how lenders have behaved, and sort of the systemic and racial biases that are in those processes are playing out. And all of those things are creating and causing not only what we see here on the property devaluation from this paper, but another huge element of devaluation that's happening on the wealth side of the balance sheets of black families.

MR. DEMBY: You just mentioned the efforts to sort of ameliorate and remedy the very low rates of home ownership among black people, not taking into account race. What do those efforts look like? They're using other things by proxy? That's proxies for race? What exactly is being done or has been done?

MS. McCARGO: So it's a difficult question. We could do a whole seminar today on that. There have been numerous policies done. I'll pint out one thing because it strikes me all the time. You know, there is a lot of big major policies that we've all heard of in this room, like the Community Reinvestment Act, and large policies that have to do with community development and sort of ensuring that lenders are lending in low to moderate income locations. Income is often the proxy. Race is something that people look at. We look at HMDA data, we look at all kinds of things to understand what's going off a racial dimension. But when you think about policy -- explicitly racial based policy making is something that we need to be more explicit about in terms of how these actions and policies that are happening at federal and local levels, specifically impact certain populations, certain communities, home values, and the like.

So I think it's a great question. There's a lot of opportunity I think in what we're seeing in some of the underwriting practices of lenders looking at transforming maybe the way credit is evaluated, looking at the differences in credit scores between black people and white people and why are they different and why is it inherently lower for black people. I mean there are a lot of things, looking at alternative credit scores, how rent is a factor. I just mentioned that the home ownership rate in this country for blacks is 42 percent. That means the majority of black people rent, yet rent is a not a factor when you're considering purchasing a home. It's not a factor in terms of your credit worthiness.

So that's bias and it's bias in a system, and it's a system that's been around for a long time. And as we look to progress and have more equity in our mortgage system, lending system, housing financing system at large, I think those are places where we can look.

The other thing I have to mention, because it's in the context of property, is our appraisal system and the ways in which appraisers work. And now there are even conversations -- and I won't get into it -- but from a policy perspective, looking at automating valuations for a larger share of properties, the properties for up to $400,000 having automated valuations and the ability to waive. That is something that we need to think about and how that impacts the values that are put on certain communities and how are we building those valuation models. They're big black boxes. There's a lot to unpack there. And these are the kind of policies that are broad based and very, very important that we analyze to ensure that we don't have negative effects that further devalue property and the opportunity for communities of color.

MR. DEMBY: Alanna is talking about not baking in the existing biases into these new systems, right?

So, Jamie, you're a psychologist at Howard. Talk to us about implicit bias in the housing market and how that plays out.

MR. BARDEN: Sure. So, basically, implicit bias -- we understand what racial bias is, that's just showing more positive evaluations towards, you know, for example, a white person than a black person. Implicit bias would be the kind of bias that someone might not be aware of themselves, and it might be something that they are not able to therefore control in any particular way.

One of the things that -- folks, it's hard to wrap your mind around this -- but we have very good evidence that this bias exists. Individuals actually categorize each other based on race within half a second of meeting each other and what follows directly from that is the activation of all of the beliefs that go with that racial category. And that is what most people refer to as stereotypes. And so when we think about house valuations, one of the issues is -- and we look closely at the data or the information about the content of the black stereotype in the American context, what we see is it's associated with aggressive behavior and crime, we see it's associated with lack of education, it's associated with poverty.

When we think about neighborhoods, we talked about neighborhoods as sort of the object here of interest, of the question of interest. Invariably what we see in the data, and this is what folks associate with black neighborhoods, is the term ghetto. And we can't talk about this without saying that word.

MR. DEMBY: It's "sketchy" now. "Sketchy" is the word now.

MR. BARDEN: Yes, absolutely. Absolutely. But as a scientist I have to talk about what the data show and that's what it shows. And so if that's what's coming into somebody's mind within a half a second, and following very quickly thereafter, then we understand that that's something that someone would have to overcome in order to be a fair player -- whatever their role might be in the real estate business.

MR. DEMBY: You mentioned before we were out here that these biases introduce all sorts of rationality into what's supposedly an economic market place, right, when people are being really reasonable, meaning people make decisions they might not otherwise make. So can you explain that a little bit?

MR. BARDEN: Yes. So there's a reason that the person sitting in this seat is not an economist. You have a psychologist when people start acting irrational outside of their own best interests. (Laughter)

MR. DEMBY: No offense, Jonathan.

MR. BARDEN: No, no, it's fine. It's fine. So fundamentally it's amazing to look at. People are -- I look at it because I recently bought a home and I recently bought a home in a majority black neighborhood, about three miles north of there. And I look at it myself, and I bought the best home for myself. And I tried as best I could to look at all of the sort of more objective indicators. Well, what's interesting is those are control variables in this model. So I can go on one of these on line, you know, Redfin, and I can look and I can see walkability scores and I can see all these sorts of things, I can see schools, I can see crime rates, and so forth. And so if I stay focused on those objective indicators, it turns out that as a buyer I can find $48,000 of value that I couldn't find elsewhere. If had insisted on going in a neighborhood that was almost entirely white, I would have paid an enormous premium for that in DC and I wouldn't be commuting 15 minutes to Howard, and I wouldn't have so many other wonderful things.

MR. DEMBY: So all of you have sort of like directly or indirectly referenced Zillow and Redfin. How do cites like that, that more and more people are using to make home buying purchases, how do they affect what we're talking about here today?

MR. BARDEN: I mean I don't have direct data. I'm a scientist, so I'm supposed to say that first. Okay. Fair disclosure. But as anecdotally from my own experience, what you get is a deep dive on any given property before you go and look at it. And what's interesting when I thought about it for this panel, is that racial information is sort of extracted from it. There's not racial information there in Redfin or Zillow. And so you could have a prospective homebuyer that looks deeply at a property, including walkability, including community, including all that sort --

QUESTIONER: For a race.

MR. BARDEN: And not thinking about race just for a little bit, just for a moment. And they might really like that house. And if you took race out of the equation, what you would find is you would be attracted to -- you know, if you're being rationale, you would be attracted to majority black neighborhoods because you get more value.

I don't want to say that technology is a panacea, of course. For example, I just heard from Alanna, I was asking her about it, that in fact Redfin and Zillow they are reluctant, or they don't really want to post properties that are of lower value, below a certain value. Well, that means that those are -- and, you know, of course those are going to tend to be in majority black neighborhoods, so I think there are definite problems as well that technology introduces.

MS. McCARGO: And I'll just add that they'll post the properties, they won't show the properties. So I think that's an important thing. So, for example, homes priced at less than $100,000, you can find them, you can search them, you can go to Redfin, for example, and search and look and see what those properties look like, where they are, walkability scores, all those wonderful things about the schools, but if you then want to go a step further and call that -- usually there's a number to call -- there's a disclosure -- it's not a secret, any one of you can go to that site right now and look at this -- if that property is less than a certain amount in that particular market, they have a policy that we will not show this property but you can reach out to, you know, somebody -- good luck finding whoever finding that somebody is -- to see if you can get that property shown to you.

MR. DEMBY: What is that about?

MS. McCARGO: I mean it's about real estate commission, it's about the process in terms of how things work and what's -- I guess, you know, what's valuable to people. But there's also a whole host of issues that come with small dollar properties that I won't talk about here, but we have a whole paper on it that we did at the Urban Institute. Small dollar mortgage lending is a problem. So these lower balance, lower cost markets that have attractive housing in it for people that are looking for affordability, good luck getting a loan. If you are not a cash investor or someone who can -- or a speculator who can go in and buy that property up, getting a mortgage on a property under a certain value is a very, very difficult proposition. Another huge problem that I think needs to be sort of talked about on the finance side of what we're talking about in lower value neighborhoods.

MR. DEMBY: Jonathan, you want to add to that?

MR. ROTHWELL: Well, I think the detail mechanisms Alanna is describing are really important to understand in terms of policy contacts and what can be done. Just as a casual user who's not an expert on the real estate market like Alanna, my impression is that if people were looking for a nice affordable home with a certain number of bedrooms for their family, people would gravitate to Anacostia in the Washington, DC area. I mean there are a lot of great home of high quality and that are massively underpriced relative to the rest of the Washington, DC area. And that's what jumps out if you go to one of these websites, from my perspective. And yet as soon as people realize oh, but that's the majority black neighborhoods, we don't want to look there, then it doesn't get followed through. And I don't know if that's all on the buyer or if the real estate agents are also steering them away. But a better understanding how that process unfolds would be valuable.

MR. BARDEN: I wanted to also unpack a little bit. Some of you may be wondering where does this devaluation happen really. I mean after all, real estate transactions involve a huge number of people. I have no idea how many people were involved in my own purchase of my own home. And so where does this issue lie? And I think it's important to point out that the actors -- at this point we're sort of at the stage in the United States where we've moved away from it being acceptable to be overtly racist, to openly express racist views, and what we're shifting into now is what psychologists call sort of a more modern or aversive racist setting where players like to see themselves as fair, but in more subtle way, maybe non verbal behaviors instead of verbal behaviors, so the things they do instead of things they say, you're going to see this disparate treatment of black homeowners and potentially buyers and sellers. And so what I found really interesting -- that's just the basic research on prejudice and discrimination in my field --

what's really interesting is I start unpacking reports by the Urban Institute and this report and so forth, and you start to think about this. And what you see is that real estate agents will now -- they don't slam the door right away, they will show one house to the black family, but they won't show the second one, or maybe they won't go the extra mile. Maybe the mortgage lender they put out products, right, they are going to try and put together something, but they're not matching up the best rates and the best loans to fit, they're not putting that extra effort in.

And I want to just connect this further to this implicit bias issue, usually these implicit biases we see them in sort of, like I said, nonverbal behavior. So if you and I meet across the table in the bank to try and do a loan and we just wouldn't experience that as warm an interaction. And if we don't have as warm an interaction, guess what, you don't get as good a service. And if you don't get as good a service, you don't get as good a loan, and so forth. And so I want to bring it down to those one-on-one interactions, which I think are really important to real estate transactions.

MR. DEMBY: It reminds me of that very famous Urban Institute (inaudible) housing study from I guess like three or four years ago in which in cities all across the country they sent out thousands and thousands of people to ask to rent apartments or look at home prices and everywhere they looked, black people, Latino people, Asian American people, black people most significantly, were shown fewer properties. And what was interesting was that the black people who went out as the actors in the study consistently said that they thought they were being treated well. They said that the people were being nice to them. And it wasn't until someone came behind them who was white and asked to speak to the same, you know, real estate agent and that white person was shown a range of properties, they realized that they had been treated differently.

So the thing about that that was depressing was that it was happening to them in their faces and they were completely oblivious to it.

We're going to open this up to questions, but before we even do that I want to ask one question. If we treat homes like a commodity, right, like we treat them as a thing can appreciate and depreciate in value, aren't we starting from the position that there will be inequality in the market?

MR. BARDEN: Sure. Yeah. I'm now the scientist doing anecdotes, so this doesn't make any sense (laughter), but -- my mom is here in the audience, so I have to say that. And I thought about --

MR. DEMBY: Where is she?

MR. BARDEN: She's right here. I thought about unpacking privilege and what benefits and wonderful things that I have received and where I've arrived, where I am now, and how we can spread those opportunities to everyone. And so what I realized is that I'm at least third generation, if not more, of folks that fully bought their homes. And also we had conversations about wills and all these other things that help intergenerational wealth transfer. You know, I think of it from a standpoint of academic and I think of it as I'm also a public servant in my community, how can provide the knowledge and also better service to our minority consumers so that we don't have what we have in my neighborhood, which is at this point extremely hot market. You know, values going up 12 percent every year, and yet we have homes that are owned by folks who have passed away and they are vacant and they are losing value and their family members are not able to enjoy that value. And I think it's a shame. In my neighborhood those are older African Americans who have passed away. And that's something that I think is just terrible because their family members could really benefit from that.

And I see that, anecdotally again, it's within 40 feet of my own house. This is something that I think would really benefit -- I'm not sure, and I'll point to you all for the solutions, but that's the problem.

MR. DEMBY: Alanna has feelings about the importance of transferring wealth that way.

MS. McCARGO: Yeah, absolutely. I mean intergenerational wealth transfer is -- in the black community in particular what we have studied has been what it -

- we study it with great concern, because of the suppressed levels of home ownership rates for black historically and today, because of the housing crisis and a tremendous of wealth stripped. I mean we didn't talk about it specifically. Andre gave us the numbers on the property side, the $156 billion. Billions of dollars in black home equity were lost through the Great Recession, through foreclosure, and negative equity for those homeowners who had difficulty being able to stay in their homes and had to let them go.

So I think if the homeownership rate, just for example, were the same today as it was in the year 2000, we'd have about 770,000 more black households in 2017. That's over $150 billion of potential asset value. And during the Great Recession alone, just through foreclosure -- I was looking at some of the old estimates -- more than 240,000 homes were lost to foreclosure between 2007 and 2019. So within a two year period home loss that's an estimated $200+ billion in property value, whether property loss completely or lost equity where families then had to walk away from those homes because they had negative equity situation form the lending that they had on that property.

That's not even in these numbers. I mean so we're talking about an additional hundreds of millions of dollars in lost wealth that could have been transferred among generations, and people who lost their homes who now cannot pass that wealth onto help the millennials that are now coming of age, that are ready to put a down payment on a house. They can't help them with that. There are so many effects of this wealth stripping that's gone one. And wealth has been stripped from the black community in a number of different ways through history. This is probably the largest theft in terms of dollars. And then when you compound that with what we're seeing on the property side and this devaluation conversation in black neighborhoods, how do you grow equity? You know, you start to hear people say well, maybe homeownership is not a good thing for black people because they couldn't keep their homes, they're not worth as much, they can't maintain them. And that infuriates me to no end. But that is the wrong conversation. The conversation needs to be how do we teach and educate people to know their value. Everyone who is looking to different neighborhoods, there is a ton of value in your neighborhood and you're going to be so glad that you made the investment that you did.

And then also for policy makers rationalizing home values and home price appreciation for owners and that equity building with the need for affordable housing and the fact that communities of color tend to be where affordable housing is. And how do you preserve affordability. That's the next conversation and I think your paper really provokes us to start thinking about talking about not only how do we make sure people are building equity that are owners and be able to sustain that homeownership, but also how do we ensure we can keep housing affordable so that other people can enjoy and get in and that barrier can be broken.

So it's a tough policy conversation, but a national housing policy conversation we need to have.

MR. DEMBY: I'm going to open this up to questions. A lot of hands. Right here.

QUESTIONER: Talking about the stripping of valuations of the properties, has anybody looked at the analysis of how many foreclosures have been in that neighborhood? Because in majority neighborhoods that's where you have a lot of lost value. So if you go to your valuation of the property and you look at Zillow, they'll devalue your property, versus in a majority neighborhood someone is going to call a neighbor and say buy this house as opposed to letting it go to foreclosure.

MS. McCARGO: There have been a number of studies done to look at that issue. There is so much going on and I think that Jorge might talk about this in the next panel a little bit too, but when you look at sort of what happened with the foreclosed homes, the level of vacancy, which really depressed rates because those home stayed vacant for a long time, most of those -- a lot of those communities have now come back. But the people have left and investors have purchased those properties. A lot of those properties have now become single family rental, so those are not even available for homeownership because investors or owners of those properties are now renting them out for good rents. And rents have gone up, so that's been a good business for some, but what it does is it's taken a lot of that community's real estate -- and Atlanta is really kind of the center city for this phenomenon where lots of black homeowners lost their homes during the foreclosure crisis, the homes plummeted in value. Those homes have now completely recovered and are now appreciating, but a lot of those homes are owned by investors who are renting them out to those same people that lost the homes in those communities.

And so that is something that needs to be considered and it is fundamentally at the core of some of the wealth stripping that came out of the values of these properties, is looking at how the foreclosure crisis really impacted these neighborhoods. And some of these neighborhoods were blighted by that phenomenon of people sort of having to leave those communities.

MR. ROTHWELL: Could I just add one thing real quick on the foreclosure side? There's been some great research by Jake Rough at BYU who has looked at this issue and basically found evidence consistent with anecdotes that mortgage associations during the housing bubble and working in conjunction with big banks basically had really strong incentives to target majority black neighborhoods and try to get them into the highest risk possible loans that they could without disclosing all of the risks. And basically were paid commissions in order to get as many people to sign up for those mortgages as possible, knowing that they had very little probability of being able to pay them off, and then just off loaded the risk onto pension funds and the financial system, where we know that that happened. And so no surprise that there was a spike in foreclosures in majority black neighborhoods.

MS. McCARGO: And another thing to just add to that -- and I know we have to get to the next question -- but predatory loans were a big factor leading up to the crisis. And black people were targeted and Hispanic families and households were targeted with terrible products which created just a snowball effect for them that made it very impossible for them to keep and hold on to those homes. I think it cannot be understated that the predatory practices and the -- you asked me about kind of what's happened in the real estate market and policies -- there has been a tremendous amount of work done on looking at specifically how those products and how the system operated to create some of that, but also how the -- you know, obviously consumer protection laws and Dodd-Frank and a lot of things that were put in place from a regulatory and policy perspective to try to protect and ensure that that doesn't happen again.

So, again, a lot of those products were given to people who had exactly the same credit criteria. You know, they weren't bad credit or -- there's a lot of misperceptions out there. And you talked about the narrative, Andre, which I appreciate, because the narrative about that needs to be more exposed in that you had equally credit worthy black families paying a lot more for a -- not only in the house price, but paying more in interest rate and a whole host of other things than a white family, which caused them to lose their homes as a result of that. And, again, just the education and understanding of what you're worth and the value and that you really can get a product just like you can get a product in a neighborhood and buy a house. You know, that we just needed -- that's kind of an educational thing I think that we need to make sure that we're continuing to elevate in this conversation about narrative.

MR. DEMBY: Right here. Can you stand up and say where you're from, who you are and where you're from?

QUESTIONER: My name is Dave Fiend. And, Andre, Pittsburgh, this is very personal to me because I bought a house in Perry Hilltop in 1980 and paid $25,000, renovated it, had total of $50,000 into it, and sold it 10 years later for $50,000. So there was no appreciation at all.

But the question I have for the panel, and for you, Andre, is this, if you look at Pittsburgh you've got Wilkinsburg and East Liberty. And I worked in East Liberty; I was the first director of East Liberty development. East Liberty is a really booming commercial district now and the home prices around there in predominantly African neighborhoods have gone up 50 percent in the last 10 years or so. In Wilkinsburg, with a kind of a blighted business district, there has been very little appreciation if any. And my question to all of you is how important is being adjacent to a successful business district -- I know Detroit -- we had a panel here a month or two ago and the foundations are really talking about investing in commercial business districts in predominantly African American neighborhoods as a way of bringing those neighborhoods back.

MR. DEMBY: Andre, do you want to take that one?

DR. PERRY: No.

MR. DEMBY: Okay.

DR. PERRY: Jonathan actually spent a lot of time in Pittsburgh as well.

MR. ROTHWELL: I know the City. So the one thing I would say is we do know that access to jobs is an important factor in determining value, and that showed up in our model. And not only in terms of commute times, but also the proximity to retail. We also looked at proximity to sort of non retail establishments, and in some cases that mattered as well.

So one thing I want to emphasize here is that the $156 billion number is after we've adjusted for everything that you could think of that determines value. The actual number, if you just didn't adjust for that, is much, much higher, probably at least twice as much. And so the implication is that if you invest in majority black neighborhoods in terms of building business, retain establishments, improving the schools, lowering crime rate, doing any of the things that are in our model that predict value, you're going to raise the value of those homes and you're going to close that devaluation gap.

MS. McCARGO: I agree. The short answer is yes. Not only the housing stock but the economic vitality of that neighborhood. I mean you mentioned Zillow's or Redfin's -- whoever has the walkability score -- and think about the things that are factors that drive sort of what people want, why you want to buy in a neighborhood, and a lot of it has to do with what are the services and things that around your and that is a critical component. So, yes, short answer is not only is this a real estate with the houses and the people, but what businesses can you attract, how can you attract more, how are the services of that community supported, the hospitals, the healthcare. All of those things I think are critical when we think about investment in those communities.

MR. BARDEN: And just a final point here is that psychology is everywhere and so it's not just in home loans, but it's also in business loans; you're going to see the same sorts of effects. And ultimately it turns out that instead of going to the data and the real reasons why people should make these decisions, they're using their kind of -- they have their implicit biases, the stereotypes are there. The stereotypes are in your minds first and you're not even aware that they're having an impact. And so the issue I think in part from a psychological standpoint is what can you do, what can you build in, maybe at the institutional level, maybe at the individual level, to try to kind of circumvent or prevent that from having an impact.

MR. DEMBY: More questions? The gentleman right here.

MR. THOMPSON: Hi. Good morning, Antoine Thompson, National Association of Real Estate Brokers. We are the oldest black real estate association in the country. Good to see you, good to see you as well, Alanna.

Just a couple of quick things and one question. First is that NARAB puts out a state of housing in black America report. I would encourage Andre and the rest of your team -- I like your report and would love for you all to take a look at it because we put out a report every year examining a lot of the issues that have been talked about today. And we have an effort to increase black homeownership nationally by two million people.

I want to know from the panelists, or Andre, or some of the others, if you looked at a couple of things. One, during the crisis a lot of African Americans lost their homes a lot of financial support went to people to save their homes. And I don't know if you all have looked at those programs that disproportionately helped whites save their homes. And a lot of the African Americans has FHA loans, most whites had conventional loans and the bank bailouts disproportionately, based on some of our research -- and you all could take a look at it to see if that isn't true the case, if you can shed some light on that.

The other question is we have an outdated system of proving access to credit today. Some of us believe that the way credit is offered today in terms of the pricing, the modeling, is done by some of the Fannie and Freddie, in addition to if we also put into context of how access to credit was in those neighborhoods in the '30s, right, those red line maps, and the values today. I don't think we can separate the current model of how credit is accessed for African Americans in certain neighborhoods and how the red line maps were in the '30s and '40s and the values that we have today. I don't think they're inseparable. And if you can shed some light on that.

Thank you.

MR. ROTHWELL: Well, I'll defer to Alanna on the bailout and how that played out, but in terms of red lining, that's an area where I have done some research and I absolutely agree with you that that legacy is very much still with us. And red lining was only one of the mechanisms that both government actors, as well as private actors, put in place to either keep black people out of white neighborhoods or to devalue black neighborhoods.

There used to be zoning laws that explicitly forbid black people from living in white neighborhoods. Those in Louisville, for example, and some other cities in the south that were eventually struck down by the Supreme Court. But now still have very much zoning laws that are classed based. And so low income, even middle class homebuyers, are kept out of certain jurisdictions because real estate developers are not allowed to build housing that would be row housing or it would multifamily housing. And so that's still very much alive.

And you see correlations between the places that had the red lining and then moved to other forms of discrimination, like modern day zoning, and before that it was deed restrictions that explicitly forbid a white person, a white prospective buyer from buying a home, and those deed restrictions were not struck down until the 1950s, and there were still issues of enforcement after that.

So, yeah, I absolutely agree with you.

MS. McCARGO: Black and Hispanic families were disproportionately foreclosed on when we look at that. And the data is out there everywhere to support sort of how much more -- what the magnitude of that was.

I don't have data -- I'm sure maybe someone does -- unpacked the investments and the dollars that were spent in terms of trying to save homes. And there's billions of dollars that were spent by financial institutions to try to remedy and keep people in their homes. I haven't seen a study that is able to quantify that and I think the data for that would be very difficult to come by, to understand exactly who got support and who was able to stay in their home versus those and being able to break that down by racial guidelines. I'm sure it could be done by geography though and there probably could be some interesting parallels established there.

MR. BARDEN: Just a couple of comments real quick. The first one is to point out that red lining, which is the practice of not offering loans in primarily black neighborhoods, institutions just not offering loans, that's something -- there was a settlement agreement as recently as 2014. So this is actually something that is still with us, is still a legacy that's around in Memphis, Tennessee in that particular case.

The other thing I just want to say sort of a last comment from the psychology side, is the complexity and the opaqueness of this market, more than any other market, is I think what makes it really challenging to try to -- and I think these folks are doing great work and Andre is doing great work -- on trying to unpack all of the players and all of the ways that these thing operate. And as soon as you are in a situation where there's this sort of modern type of racism where on the surface the verbal things that are said, at least in public, at least between clients and their servicers, sound very positive and they're good, you know, it's very hard to kind of pinpoint exactly where these issues are. But I would just encourage folks to realize that every single one of the people that you touch as you buy a home or you sell a home, that's an opportunity for these sorts of biases to come in. And sort of trying to shine a light, maybe in some cases can we take all the information that has to do with race out of an application, at what point could we do that. Like those sorts of things is something that we're going to be grappling with for a long time because of the nature of this specific and very important type of transaction.

MR. DEMBY: Thank you so much all three of you, Jamie, Alanna, and Jonathan. We're going to bring in our next panel. Thank you so much for doing this. (Applause)

(Recess)

MR. DEMBY: So, we just talked about sort of the scope of this issue. We’re going to talk about what can be done now. I actually want to start with Jorge. Jorge, I know you work a lot in this arena. What is being done to stem devaluation? And also, what does the enforcement regime around this kind of stuff look like under the current administration relative to previous administrations?

MR. SOTO: Sure, I’m happy to help kind of lay that out there. I think that most people in the room -- well, first of all, thank you for having me. Thank you for doing this researching, Brookings and Gallup, it’s really important and thank you for having this kind of conversation. I think that most of the conversations that we should be having on this subject need to start the way this conversation started. I agree fully that we can’t really separate the history of red lining, the history of segregation and how the government and private actors played into that. We can’t really separate that from where we are today. Doing so would, I think, we’d come up with the same results that we’ve come up with for some time now.

So, in terms of the administration now and what they’re doing, I can say that most people in the room here have a good sense of what this administration thinks about the fair lending and the fair housing laws on the books in this country. But I can point to a few specifics and kind of compare that to the previous administration. But I’ll start first by saying that, I think the previous administration did some of the most important fair housing and fair lending work that has been done and to fully implement the Fair Housing Act certainly and that plays out in a couple of ways.

I think the most relevant one for this conversation is through the promulgation of the disparate impact rule under the Fair Housing Act. That is an important rule because it basically is a doctrine that has been adopted for use for decades that was affirmed by the Supreme Court in 2015. That says you can actually make claims against an institution, a person, whoever it is, for discrimination that occurs that isn't necessarily intentional but is because of a policy or practice that has a disparate negative impact on particular communities that are protected classes under the Fair Housing Act. So, people of color is one category.

That was a really important development because it really helped standardized the way that these kinds of claims are brought up and these kinds of claims are the kinds of claims that really help change systemic problems in the market that we need to continue to bring. And so, for example, some of the cases during the Obama administration that included disparate impact analysis were the big fair lending cases against Countrywide and Wells Fargo. Some of the most important cases that really brought to light, what a number of advocates across the country doing this work were already aware of that. In fact, like what was mentioned earlier, predatory products were being peddled to communities of color at higher prices and especially to people who qualify for better products.

And so, I will kind of set that as kind of the framework for what the previous administration was doing. With this current administration, you see a lot intentional reversal of the policies that the previous administration really advanced. I'll focus on a few different areas.

So, at HUD, I previously mentioned that the disparate impact rule is a really important piece of our enforcement infrastructure. The current administration both at the Department of the Treasury and at HUD have suggested to change the disparate impact rule to essentially weaken it in certain aspects. There was recently an advanced notice of proposed rulemaking for the disparate impact rule and one of the questions was, essentially can we have safe harbors. Is there a way that we can make this easier on the business side of things.

The proposition that we can have a safe harbor for discrimination, I think, is preposterous and I think that we need to continue to say things like that. That's one example of what this administration views as a priority for them. I'll say that at the Consumer Financial Protection Bureau, I think a lot of people are aware that they've had a really tumultuous last several months, last couple years, really since they started. The reason is they're the first agency that is creating regulation and overseeing a market for the purposes of ensuring those products that that market provides are safe for the consumer first and not for the business itself. And so that's really important and that's why it has been the subject of so much animosity by several industries.

So, earlier this year this CFPB under the leadership of Mick Mulvaney essentially stripped the Office of Fair Lending of its enforcement powers and made it an educational office. And by doing so --

MR. DEMBY: What does it mean made it an educational office. What does that mean?

MR. SOTO: In the sense that they can conduct programming to provide more education to the public and to the industry about how to comply with the Equal Opportunity Act and other fair lending laws.

MR. DEMBY: But they don't have any sanction power.

MR. SOTO: Exactly. And the decision to take an enforcement action now rests with Eric Blankenstein who, within the last couple of months, has come under fire for a writing that he did as a law student that included several racist remarks and perspectives. So, this is the person who is determining whether or not the fair lending violation is going to be acted upon by the agency that is supposed to act upon those kinds of violations.

I'll also say that when it comes to the OCC, most recently the OCC came up with an advanced notice of proposed rulemaking that seeks to change the way that CRA examinations are done. One of the things that they want to do is just completely change the way that assessments are done to just have one single ratio to determine whether or not products and services are being provided. And this is problematic for a number of reasons because it delocalizes the consideration of how that bank, how that service provider is providing services in a particular geography.

I'll also say that when it comes to the Department of Justice, we see that based on their September 2018 report to Congress on enforcement of ECOA, they have currently 22 cases open, it's unclear how many. But some of the subjects that those cases deal with have had much to do with redlining. They have much to do with predatory loans. They deal with mortgage underwriting standards and I believe they also deal with steering. But it's unclear when those cases were first started. So, we don't know where they are in the process which means that they could be from the previous administration. The most recent settlements under ECOA and fair lending settlements that we've seen, the most prominent ones actually came out before this administration took over.

So, we see a pattern of enforcement that we've seen before where this administration chooses to take a step back and enforce the law according to how they want to enforce the law. They're doing fantastic work on sexual harassment and some of that does touch the mortgage process and that is certainly important but we believe that this may be at the expense of discrimination that people of color are experiencing in the mortgage market as well.

MR. DEMBY: But you mentioned this is not just a Republican driven, this sort of rolling back of enforcement is not just about the Trump administration or Republicans.

MR. SOTO: No, not at all. This isn't necessarily about -- well, it does touch on it. I do want to point out that we have this sort of concept that these fair lending protections are supported by who we think of as progressive people in Congress. But in the last -- just this year, we've had two major votes on legislation that directly relate to the work that we're talking about here.

The first was the first time ever that the Congressional Review Act was used to nullify an agency guidance. Not an agency rule that went through the rulemaking process but an agency policy guidance. And that's significant because it sets the stage for all sorts of bulletins or letters to cover entities that really define how the bureau, the enforcement agency, the department that we're talking about, if they have a guidance that is informally in a rule, how they move forward with some of their enforcement and the expectations that the covered entities that those bulletins and letters are intended for actually -- how they're supposed to comply with the law.

So, this CRA vote actually nullified the CFPB's indirect auto lending guidance. So, in 2013, the CFPB came out with an indirect auto lending guide and basically said indirect auto lenders are liable for disparate impact violations under ECOA. And this set off a firestorm. The auto lending industry vehemently opposed this measure and then every single year from then on started working with members of Congress to try and reverse. The CRA, the Congressional Review Act vote on the indirect auto lending guidance was supported by 11 Democrats in the House. And by essentially having a resolution of disapproval, what this means is that we will now need an act of Congress to achieve the same policy that the CRA vote nullified. So, that's the direction that we're headed in so we're losing ground in some of those areas.

MR. DEMBY: Tahirih, can you talk a little bit about the way this looks on the ground. I mean, you work with homeowners in Detroit which has famously dealt with issues of devaluation related to the population. So, can you talk a little bit about what this looks like on the ground for everyday people.

MS. ZIEGLER: Absolutely. Greetings from Detroit. Thank you for this really powerful study and research. It really backs up a lot of the work that all of us are trying to do on the ground. So, I'm coming from a city that is 80 percent African American. It is a city that was built on the backs of a lot of folks in the auto industry through the migration of African Americans to the north. And so, African Americans in Detroit have seen a lot of wealth over time. And very interesting to hear some of the comments from the earlier panel about some of that wealth being stripped. So, if we are a city of around 700,000 people, 80 percent African American and 67 percent home ownership were the numbers that we were really impressed with over the years.

That wealth has been stripped. We are now less than forty something percent homeownership and it is just different waves of, I would say, systematic racial lens and racism in terms of mortgage foreclosures and foreclosures for property tax. In Detroit, we pay some of the highest insurance for our automobiles.

MR. DEMBY: So, you went from two-thirds home ownership to about 4 in 10.

MS. ZIEGLER: Less than half.

MR. DEMBY: Over what period of time?

MS. ZIEGLER: Well, you talked a bit about redlining from earlier but we saw redlining in 2009-2010. Banks weren't coming back into Detroit. There were a lot of cash deals that happened if you wanted to be a homeowner. So, we saw a lot of issues around the people that were able to keep their homes. Those folks did not have first mortgages. Those folks that are living in Detroit now, some of their big issues are deferred maintenance on their homes and they couldn't get capital because due to the devaluation and I'll just call it ground zero. In terms of, we've gone through bankruptcy, we've gone through a lot of different waves of issues in terms of financial crisis for Detroit.

So, a lot of our work has been trying to figure out how do we bring mortgage capital, how do we bring home improvement loans to Detroit. And so, we do have a product called the 0 percent home repair program with the City of Detroit backed by Bank of America which is a public/private partnership. So, we have to look at other ways to try and bring capital. We're able to bring up to $25,000 to homeowners but I tell you, the wave of what they need is unsurmountable.

We had about 4,000 people inquire. We've only been able to help about 1,500 of those applications when you talk about credit scores. We wanted to make sure that credit was not an issue so we made our credit score very low, sub-prime. 560 was the credit score. What we found though, the profile, is that most people don't have a first mortgage. They are able to really borrow the maximum amount. Their credit score is 717 and they still couldn't get a loan for their home. So, we're seeing most of these folks have income around $50,000. So, not a ton of income but they're a very proud people, they have bought into the American dream, they are still holding onto their properties and we think that this particular program and others that really bring capital back to African American communities is important.

I'll just make one other point and that is we are a city of 140 square miles. Not tiny but a good-sized city. Right now, we have investments in seven miles of it. So, think about the 133 miles in terms of where people of color are living across the footprint and the kind of work and products and opportunities that we need to bring back to the city. So, when you talk about discrimination of neighborhoods, I would say we have a discrimination of an entire city. So, we're really working, a lot of people, a lot of philanthropic folks, corporate folks are coming and really trying to figure out what needs to happen for Detroit. So, I don't want to leave you with this as a bleak conversation but I want you to know that this is a stark, drastic, I think, example of your work and where we need to go in terms of opportunities and policies.

MR. DEMBY: For the people who survived the depopulation and the downturn in Detroit, I know Alanna was talking about this before, but the importance of passing down these homes to people, to their children. How do people describe their motivations for holding onto their properties when their properties were sort of tanking in value? You're possibly passing down property that wouldn't be worth very much to your child or to the next generation. How are people in Detroit describing that to you when you talk to them?

MS. ZIEGLER: Well, I think there is a level of disappointment but I think there is still the thought that the opportunities that are coming back and the investors that are coming back to Detroit are going to reach them. So, they're holding onto their properties, I think, with that thought. And, I think, in terms of the way that we're looking at people moving back into Detroit that some folks are thinking that hey, I've got this property and how close am I to some areas that have commercial business development happening and maybe I should hold onto my property as people are coming back. Because we are trying obviously stabilize our city but also really promoting inclusive growth and trying to grow our city. So, I think people are in a holding pattern as much as they can be to see what comes next.

MR. DEMBY: Jair, you work in investment. How are you thinking about investing into these devalued black neighborhoods?

MR. LYNCH: Well first of all, thank you for the invitation. This is such a breath of fresh air to be able to talk about these hard issues. I grew up in Washington, D.C. My father was deep into the Civil Rights movement. My mother was very much into economic development in Latin America. That perspective, that grounding, really opened up my eyes as I went into the real estate world. Because it is filled with obstacles, historical situations of which we have really desperate times. But we felt like we could make a difference in neighborhoods and we have over the last 20 years. We've done it in many ways. Whether it is direct investments into neighborhoods that have been underserved but also trying to make a difference in the other components that are driving the devaluation.

You talked about schools and neighborhoods. You talked about primary care facilities. You talk about other things that actually start breaking down some of these disparities. So, we've been working there but we have to make sure that we understand through the historical context and we lift up our eyes about where the long term African American homeownership has been and where the new African American homeownership will be after the great recession and the new home buyers.

And what we have to realize is that for a lot of the historical reasons that we've discussed a lot of the black homeownership neighborhoods have been low density neighborhoods that are not with high walkability. They're not necessarily close to job centers. They may not have a commercial corridor. So, you're working with a different tapestry than you are in a neighborhood that is right next to a central business district that had a lot of African American population but rental. And therefore, the change happened there first and the toppling of those places and the toppling of African Americans in those places happened faster.

So, if we go back to some of these neighborhoods and I'll give you one example. The Penn Branch neighborhood in Washington, D.C. is east of the river but is one of the most stable middle-class neighborhoods in Washington, D.C. Submarket median income is above $50,000, it's about 60,000 people but the density is very low. Within a half a mile radius of the center of it, there is only 5,000 people.

So, when you look at things like commercial activity which is one of the ways to drive change, you have to start asking the question, well how does the math work and it doesn't make sense. Does a business thrive there? Part of my job here today is to unpack some of that, so I'll give you an example.

So, twenty plus years ago, Michael Porter at Harvard Business School did a culmination of a bunch of things but really put a name around the competitive inner city. It was a very simple thesis. For the twenty years prior to satisfy the baby boomer customer, retailers went to low density places typically in the suburbs with very high incomes. Because they said low density, high incomes, thriving business. Michael Porter said, high density, lower income still gets equals of thriving business. Because you have lots of people, lots of density and that spurred the investment in urban neighborhoods. Starting with the pension funds, the great titans like Victor McFarland and Richmond McCoy and others who went into Los Angeles, Caprine Green in Chicago, other places, because they had high density lower incomes but still thriving businesses. That came out of a political action, Maxine Water and really came out of -- Rodney Kind and a lot of other things.

That doesn't really equate to some of the neighborhoods I'm talking about, including Penn Branch. Low density middle-class neighborhood doesn't get you the same outcomes, economic outputs and therefore the same investment.

MR. DEMBY: How do you incentivize people to move to a place like that?

MR. LYNCH: So, I'll lay the ground work. So, in Penn Branch, let's use one category. Food away from home and grocery, combine those two. How much are you spending on that a week. Let's make it really simple. We've been using billions of dollars all over these panels. Let's make it really simple. $500 a month. In Penn Branch, I'll even do it down to the week. In Penn Branch, folks are spending $86 a week. In U Street, people are spending $186 a week. In Dupont Circle, here people are spending $206 a week.

MR. DEMBY: Just on food.

MR. LYNCH: Just on food. Away and at home. So, the difference between -- in Dupont Circle, you have 22,000 people within a half a mile. In Shaw, 14th street, you have 32,000 people within a half a mile. In Penn Branch, you have 5,000 people within a half a mile.

MR. DEMBY: So, this is a question of not having access to, I mean, there is not places around to buy food from or is it like --

MR. LYNCH: No, it's really a question of who is going to invest when the population is low and the spending is average. There is another neighborhood in D.C. that is the fastest growing neighborhood in terms of quick homeownership appreciation, Petworth. They're only spending $68 per person but they've got 19,000 people within a half a mile.

MR. DEMBY: So, what is happening then?

MR. LYNCH: So, what's happening is you have a mix of population density because you're near a metro station and you have a decent amount of spending that's happening. So, you'll get restaurants, you'll get commercial activities, you'll get a

Safeway, you'll get a CVS, you'll get the commercial activity. That kind of feeds it and then also starts propping up home values for all the homeownership that is there.

So, in a neighborhood like Penn Branch, you have to sell a different dream to a retailer because there's only 5,000 people who live in that neighborhood. We've been trying to get a grocer to come to that neighborhood because it's a food desert and they say there's not enough people. And they're right. They still might be biased but they're right. So, we have to see them that it's a commuter location and there are 27,000 people that are driving by everyday coming in from the suburbs. More drivable suburban places. Well then, we have to talk to the city and say, well we need a big parking garage to take care of those customers in order to get the population to the retailers up to 20,000. And now it starts to make sense.

So, we're going to have to really start to look at some of these historical neighborhoods where it is low density, medium income people. And we'll have to say, do we increase the density, that's very scary to someone who worked in the federal government because they're scared about what is going to happen to them. Or are we going to increase the incomes in the homes or both. And when we do that, those policies to be able to maintain the social equity and the place that people want to be in have to be in place so that they don't get overrun by taxes or other things that will create problems.

So, we have to really look at all these neighborhoods and be intellectually honest about what are the things that are going to create investment. And it's going to be the ability -- and commercial is a really easy one and it runs to the home ownership. We can go through all kinds of other things that get to the other means for investment. But that is one that, I think, that through that lens I think we can create better policies and better visions where people say, I'm part of the vision, I think we need to get to 10,000 people in my neighborhood and I'm okay with that.

MR. DEMBY: Tahirih, I see you're nodding your head. I imagine you're dealing with a lot of this in Detroit.

MS. ZIEGLER: Yeah, I was just going to add just in terms of small business development, that's a big, big push and need. Although we do need to definitely change the narrative of how we're approaching big box or other types of investors to come back into neighborhoods. But I think we really need to figure out, I mean, looking at this number earlier of 4.4 million black businesses could be supported with the loss and the devalue of what we're seeing in the research. That's really powerful to figure out what kind of businesses need to be in these neighborhoods. And also, they hire people from the neighborhood. And so, trying to figure out how to make that connection and access to small business is crucial. So, I just wanted to add that.

MR. LYNCH: I think the lens in which people think about the investments in their neighborhood from a homeownership perspective, from a business perspective are often very different. I use this analogy about, you think about neighborhoods and you think about real estate investors or developers and you have to recognize just like you have a hundred types of doctors, you're going to have a hundred types of real estate investors and developers.

There is often a set of developers who are like the emergency doctors. They work in very short stints, zero to three years. There are others that are more like your primary care doctor that are there for a long term. Those developers may be there for five to ten years. And then there are speculators and other types of developers that may wait 20 years, 30 years before they do anything. The bulk of investors are working in that zero to three, zero to five-year space. That's not going to fix these neighborhoods.

And that's 80 percent of the doctors, 80 percent of the investors out there, that's a problem. If 10 percent are working in the three to ten-year space and 10 percent are working the twenty plus space, you've got to get those people these neighborhoods. You've got to get investors to Detroit that are willing to wait 20 years before something happens. And that's a much smaller set of doctors, that's a much smaller set of investors and developers to be able to make the change.

MR. DEMBY: Do you want to open this up to questions? Right here. Can you say your name and where you're from.

QUESTIONER: My name is Barb and I'm from Colorado, I'm visiting in town. But I find this extraordinarily fascinating. We have more the problem of maintaining affordable housing in the city I'm from. But a question I have from Andre's research, there were a few of those wonderful little green dots. Can you extrapolate something from the green dots to recommend to the red dots?

MR. DEMBY: The green dots in the data vis were the places that showed the most appreciation.

MR. PERRY: We'll both take a stab. One, I need to always remind people there are a whole lot of poor white people in terrible housing that often puts the green dots in perspective. And I also say, not to be pessimistic, a green dot doesn't necessarily mean a place is less racist either. There are a number of factors, I'm working with a reporter now and we're looking at these anomalies. We've found in places like Boston where there are high concentrations of high-income blacks from working at MIT, Harvard other places near hospitals. They are highly concentrated in the same environment and surrounded by low income white folk.

So, I'm not going to say if there's a positive story to tell because I think in many cities, the stars align where you have a concrete reason why you have blacks in areas where the housing stock is better. But we're still learning from that. The report, the model tells a story and now it's our turn to dig in and discover more.

MR. SOTO: I'll just add a couple of things there. So, one thing that we do know is that segregation is a predictor of the extent of devaluation. It's not a very strong relationship but we do know that places that tend to be somewhat less devalued do have a bit more racial integration.

And then there are other, as Andre was saying, fairly idiosyncratic explanations that unfortunately don't necessarily lend themselves to policy advice. So, in one case in the Vero beach Sebastian Florida area we don't know for sure what's going on there but that's one of the ones that's a green dot. I know there are a lot of vacation homes there, there are a lot of retirement homes in that part of Florida but other parts of

Florida as well. It has access to the beach so that may mean there are fairly low value homes that may not be in black neighborhoods because they're just not utilized for much of the year or because they're essentially for elder care. We're going to try to explore a bit more of what's going on there. The bottom line is we feel like there is more research to do and we've got an ambitious agenda ahead of us to try and figure this out.

MR. DEMBY: All right, in the middle. Please say your name and where you're from.

MS. ORTIZ: Hi, I'm Jessica Ortiz. I'm actually here in the city. I'm a realtor and a real estate investor particularly in the H Street area. So, I'm really taken with your comments about the considerations, the demographic and the density and income considerations that go into commercial development. The way you described it seems to be sort of this chicken and the egg relationship, which one really comes first. So, I'm interested for a lot of the neighborhoods where no commercial development is even being considered. How do you get people to move there when there is no commercial development on the horizon?

MR. LYNCH: So, I don't work in single family homes but I study the patterns of which people are doing in neighborhoods and invest in neighborhoods. It is a long climb, right, and so we think of neighborhoods in stages and you just described them. You have to get to a point where there is enough investment where it kind of works on its own. So, in early stage neighborhoods, you need public investment in order to be able to do it. Now public investment can come from buildings whether it's libraries or schools or other things that show a true investment in that place. On H Street, that public investment was in infrastructure as it related to a street car. That showed permanency, that also not only protracts on the street but it put new street lights, new curbs, all of those are signals to commercial real estate investors and/or just mom and pop retail owners. That there has been a concerted effort to make this place better.

So, when you make those early pubic investments then it starts to feed on itself. And I always say that there needs to be a variety of investment in neighborhoods. You need $100 million investment that may come from and you need a $10,000 investment that may come from a retail owner. And a $100,000 investment may come from a single homeowner or $50,000 investment to upgrade their home. You need all of those investments happening at the same time to get the flywheel going.

MR. SOTO: This is something I wasn’t really planning on talking about. But another thing that this administration is doing that is actually going to really make this more difficult is actually the -- earlier this year they rescinded what is known as the Affirmatively Further for Housing Rule. This is a rule that basically implements the second piece of the Fair Housing Act which is to essentially reverse the harm of the nation’s segregation, the patterns of segregation and what that has done to communities of color.

So, HUD put out a rule that helps jurisdictions, local governments that receive community development funds on how to figure out how they can comply with this piece of the Fair Housing Act. And also, with the goal of making sure that investments are made in communities and those investments are chosen by a process that is informed by the community. So, it requires community engagement where people have the opportunity to say, this is what we need in our neighborhood. We have a concentration of low-income housing that is primarily people of color in the same area where low end performing schools are, in the same area where there is no transportation corridor, in the same area where people here have a hard time getting to their job over there.

Bringing people together, bringing city service providers together, local governments as well as private market players to the same table to develop solutions for how to deal with these issues. That is intended to make sure that these public investments are actually used in a way that benefit that community and help those communities utilize resources to the best of their ability and for their communities themselves.

The rule does a couple of things. It intends to reinvest in community, it helps jurisdictions reinvest in communities and that’s how you can comply with this piece of the fair housing act but you can also provide mobility options. So, for folks who want to move and they want to use, let’s say like a housing choice voucher, they want to move to a different neighborhood where there is a better school, their child’s needs will be better taken care of. Ideally, they should be able to do that but oftentimes that is very difficult to port a voucher from one community to another. So, that’s just, for context, that’s one piece of the AFFH rule. A second piece is this process that helps jurisdictions utilize federal resources in a way that will help determine what kinds of other investments come in and make the communities better for them.

MR. DEMBY: So, where does AFFA, Affirmatively Furthering Fair Housing, where does that stand now?

MR. SOTO: It has been rescinded by the Trump administration. The National Fair Housing Alliance and several other Civil Rights organizations have filed a case against HUD for a number of different failures under regulatory law as well as the Fair Housing Act. Right now, we’re in the process of asking for a motion, we’ve filed a motion for reconsideration so that the judge can review different information based on a previous bad ruling in the case. So, we’re working to try and bring it back.

MR. DEMBY: Okay. Here in the front.

MS. WASHINGTON: Hello, my name is Channel Washington. I’m with the NAACP New York State conference. I wanted to ask you guys, I believe it’s Ms. McCargo, she mentioned appraisals. Could it be that we have a lack of diversity across the nation in that industry? And could that be contributing to not only the devaluation in our well-established black neighborhoods but also the artificial inflation in our urban communities that is displacing a lot of our poor and medium black folks.

MR. DEMBY: I think Allana left.

MS. ZIEGLER: She did, but I want to speak on that, if that’s okay. We definitely think in Detroit and we would say this for other urban cities that there needs to be an appraisal reform process. We actually don’t use appraisals for our product at all.

And I think that there are some policy choices that could be made depending on what the product is and what you're trying to do in terms of bringing capital back to investment in core cities.

So yes, we would definitely agree with Allana and her comments about the issues around appraisals. I think we can think about more innovative ways that we could maybe try to get comps or other comparables within certain neighborhoods. And I would just say because many of our -- and I'll just go back to the visual up here of that home that was boarded up. It's so hard if you are a homeowner next to a home like that in terms of your property is definitely being devalued and how do you actually sell, how do you get your equity to your heirs. It's just so many issues, so we have to figure out a better way in areas that are really dealing with a lot of blight and vacant properties.

MR. DEMBY: Jorge.

MR. SOTO: Just to add to that. So, the National Fair Housing Alliance is also a private enforcement agency. And one of the things that we've done for the years since the financial crisis, was to basically look at the way that banks that own foreclosed homes treat foreclosed homes in black neighborhoods and how they treat foreclosed homes in white neighborhoods. And what we have found that is across the board, similarly sized homes in neighborhoods that shouldn't have difference in treatment, the banks will neglect properties in communities of color and they will prop up homes in white communities. So much so, that in a white community you will see a for sale sign but in a black community you will see a foreclosure sign and boarded up windows.

This is the same bank operating differently in different communities based on the racial composition of those communities. So, it goes beyond just the origination process. It goes beyond just the access to credit. It is fundamentally a system of value.

MR. DEMBY: The gentleman right there in the brown jacket.

QUESTIONER: My name is Kenneth, I'm from Brooklyn, New York but

I'm studying intelligence at the graduate school for National Security in D.C. There is a lot of like data and research and analysis going on. There is also reports of like the buying power of African Americans in the country which is like at $1.2 and $1.5 trillion. Is that like a number to consider because it's like there's money out there, you know what I mean. How does that data -- should that data be taken into account in terms of that number being distributed amongst the population of African Americans? Does that number like not mean anything because you're taking into account, if you divide it amongst all African Americans in the country is that making the number smaller than what $1.5 trillion really sounds like.

MR. LYNCH: I think your question is very important. You would think that you would localize it to a specific neighborhood or census track. You take that one trillion and you go back to Penn Branch and you say what is the buying power in Penn Branch and then you actually look at the behaviors. Because there is a grocery store two miles away at the U.S. Capitol. And there is a grocery store two and a half miles away out in Maryland. And if they are spending their money there, will they change their pattern if you put a grocery store in their neighborhood. That actually props up their values. Because that grocery store that's by the Capitol is helping someone else's property value. That restaurant that's down by the Capitol is helping someone else's restaurant. So, right now, there used to be a trillion dollars of tax revenue that was leaving the District out to the suburbs in retail sales tax. And you wonder why some of the neighborhoods weren't working and didn't have commercial strips. Because people were just making choices and this was a small enough place where a 15-minute drive felt okay. But it makes a difference in your homeowner value if you keep making that 15-minute drive.

If you keep buying your broom from Amazon instead of the local -- yes, you have to pay a little bit more. But if you're a homeowner, that little bit more is helping your home value. You're going to have to change the behaviors with the dollar I have, the ten dollars I have, I've got to make choices with it and what choice is that going to make. We all know the power of compounding, right. So, that compounding is important when you're saving and that compounding is important to that retailer when you're putting it in his pocket as well.

MR. DEMBY: I think we are out of time.

MR. PERRY: I want to close this. First of all, I want to thank Bea Welters for arriving. We are supported by a wonderful board of trustees who really answer the call. This is certainly an important event so I want to thank you for coming. Amy Liuw, our vice president for the Metropolitan Policy Program represents as well. We just got back from Birmingham where Brookings engaged in a partnership with the City of Birmingham to do this kind of work along with -- and a number of other sectors. So, I want to thank you for joining us and certainly, I want to thank David Harshbarger and Jonathan Rothwell. And I really do mean this, they are some of the sharpest minds that this institution has touched. I owe them a debt of gratitude. I might take them out for drinks to pay that. We're going to continue to do this work.

The gentleman in the back, I wanted to respond that there's a data point that we didn't put up. It's the $600 billion of housing assets in majority black neighborhoods that we cited in the report. We need to remember there is strength in majority black neighborhoods. My entire project is about identifying the assets, the strengths, the things that we can leverage for future economic, social and political growth.

Yes, we are devalued in those places but that is their problem. I said in a community group in Birmingham, I come from a tradition where we did believe if you have two sticks, you rub those two sticks together and make fire. That $600 billion is enough to mobilize, to excite, to animate our communities and we've got to find ways to do that.

In closing, I also want to thank a tremendous communication staff here at Brookings. The team has just put together an incredible suite of infographics and interactives and the media and I really want to thank all of you for doing that work. This is just the beginning. Again, we're looking at housing but we're going to expand. We're currently working on a business devaluation report as we speak. But again, we are mobilizing. If you are a funder out there, please give me a holler because we have much more work to do. Again, thank you all for coming, you're all part of my crew now. Hit me up on Twitter and follow Brookings Metro. Obviously, download, read the report if you have not already. Again, thank you for coming.

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