



# *GSE Activity Report*

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Tuesday, November 08, 2022

## *A Most Unpretty Picture*

### Summary

In its latest blast on racial equity, the Treasury Department's Office of Economic Policy has issued a [blog post](#) cataloguing racial disparities in residential-mortgage finance. None of it is news – indeed, the post goes light on key questions such as refi disparities and small-balance loans. As with most such blog posts, it's clearly the work of industrious interns set to scribbling by higher-ups with an eye on a political prize. Still, at a time of high-pressure lobbying to get some sort of housing-relief legislation in the lame-duck, these data will be powerfully deployed by those using racial-equity arguments to advance the left-behind housing provisions of Biden's Build Back Better omnibus.

### Impact

Key race-based homeownership points in Treasury's analysis include:

- Disparities in homeownership between whites and Blacks have remained virtually unchanged since passage of the Fair Housing Act over 50 years ago. The rate of homeownership as of the 2<sup>nd</sup> quarter of 2022 was 75 percent for whites, 45 percent for Blacks, 48 percent for Hispanics, and 57 percent for all others.
- These gaps persist across age categories – i.e. whites under 35 are more than twice as likely to own a home compared to Blacks under 35 and more than 20% more likely between age 35-54.
- Similar disparities are observed in housing equity: compared to Blacks and Hispanics, a \$30,000 or \$20,000 average in housing equity for white households under 35 balloons into a \$175,000 and \$145,000 housing equity gap by the time household are 55 or older.
- White average home value is 2.5 times higher than Black households and housing returns are 3.7 and 2.0 percentage points lower for Black and Hispanic homeowners.
- Large increases in Great Recession foreclosure rates for Black and Hispanic households led to larger losses of housing equity wealth during this period for these groups. Total housing equity wealth for white households in the United States fell by 41 percent from its mid-2000s peak to trough in 2007-09, while housing equity wealth fell by 51 percent for other-race households, 53 percent for Black households, and over 70 percent for Hispanic households.

### Outlook

Finally, homeownership disparities are attributed to exclusionary historical federal housing policy, current discrimination in the mortgage market in the form of higher mortgage rejection and interest costs

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for minority borrowers, and disparities in inherited wealth and education. Forthcoming blog posts will address these points, with no clarity on the extent to which administration policy on at least some of these structural considerations is planned.