



The Black Housing Journey

Understanding the Consumer Housing Journey

Fannie Mae has taken a problem-solving approach in order to provide solutions to the housing industry designed to knock down barriers to homeownership and housing stability for people historically underserved because of race, ethnicity, or geography. We have developed the Black Housing Journey as our first use case to identify the distinct obstacles that may affect Black renters' and homeowners' journeys to stable housing and sustainable homeownership.

Approach and position

- As Fannie Mae continues to advance equity in housing, we will leverage the Black Housing Journey to develop solutions that address the identified barriers to **close the Black-white homeownership gap** and **remove obstacles to affordable, stable rental housing**.
- The obstacles in this review are not mutually exclusive, and Black consumers often encounter multiple obstacles across various stages of the Black Housing Journey. The cumulative impact limits Black consumers' housing options and ability to build wealth.
- Urban Institute has cited: "From 2020 to 2030, we expect 8.5 million new households will be formed, with only 455,000 of these being white. We forecast 1.7 million net new Black households, 4.1 million net new Latino households, and 2.3 million net new Asian and other households from 2020 to 2030. Between 2030 and 2040, we expect 7.6 million net new households: a 1.1 million net decrease in white households, a 1.6 million net increase in Black households, a 4.5 million net increase in Latino households, and a 2.6 million net increase in other households." Understanding the changing make-up of households requires an increased understanding and commitment to resolve the obstacles faced.
- These findings are based on literature review and primary research on the consumer population and informed by industry engagements. As Fannie Mae continues to advance equity in housing, we will include additional Consumer Housing Journeys for obstacles faced by historically underserved groups, such as Latino people.

How to use this document

- Due to the multiple sources with different methodologies and approaches to research, we suggest **reviewing the full body of research** and references detailed at the end of this document.
- Leverage this consumer-centric framework to develop actions to address the key obstacles faced by Black consumers. Engage with housing market participants to **share and include your data/research** in this Black Housing Journey framework.



The Consumer Housing Journey framework is used to highlight obstacles that Black consumers face across their housing journey

1 HOUSING PREPARATION

Experiences and early education can inform the path to quality rental housing and homeownership.

2 RENTING OR BUYING

Consumers can face multiple hurdles when they shop for, buy, rent, or finance a home.

3 MOVE IN AND MAINTAIN

Housing stability means navigating maintenance and upkeep, as well as the ability to withstand disruptions and crises.

4 MOVE OR SELL

Transitioning to a new home, for whatever reason, can present its own challenges and opportunities.



Experience a crisis

INCOME LOSS, NATURAL DISASTER, FORECLOSURE

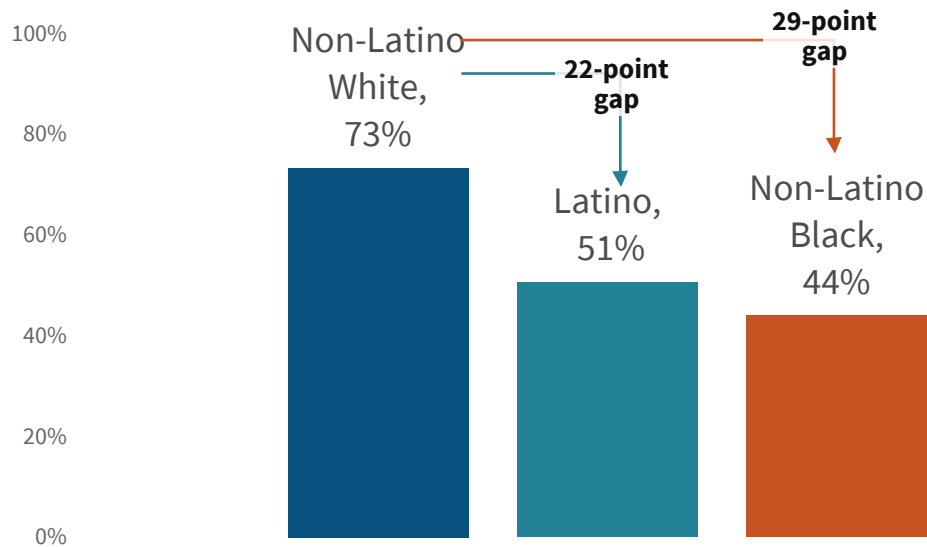


The racial homeownership gap

Many consumers encounter obstacles throughout their housing journey, especially those from historically underserved groups. Across our country, communities that suffered from a discriminatory past continue to suffer a persistently diminished present, with housing at the crux of the divide. 44% of Black consumers own homes compared to 73% of non-Latino white consumers — a gap of 29 percentage points, which translates to roughly 4.4 million Black households.

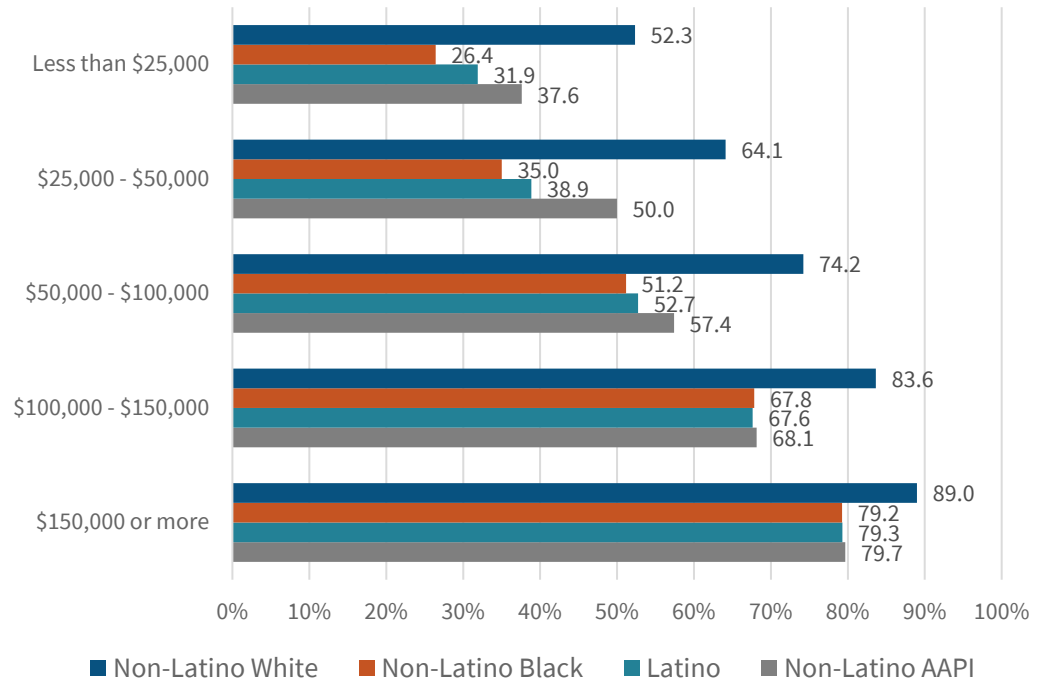
U.S. homeownership rate by race (2021)

Homeownership rate 2021



Source: Fannie Mae computations from American Community Survey PUMS 1-year estimates, 2021.

Homeownership rate by household income (2021)

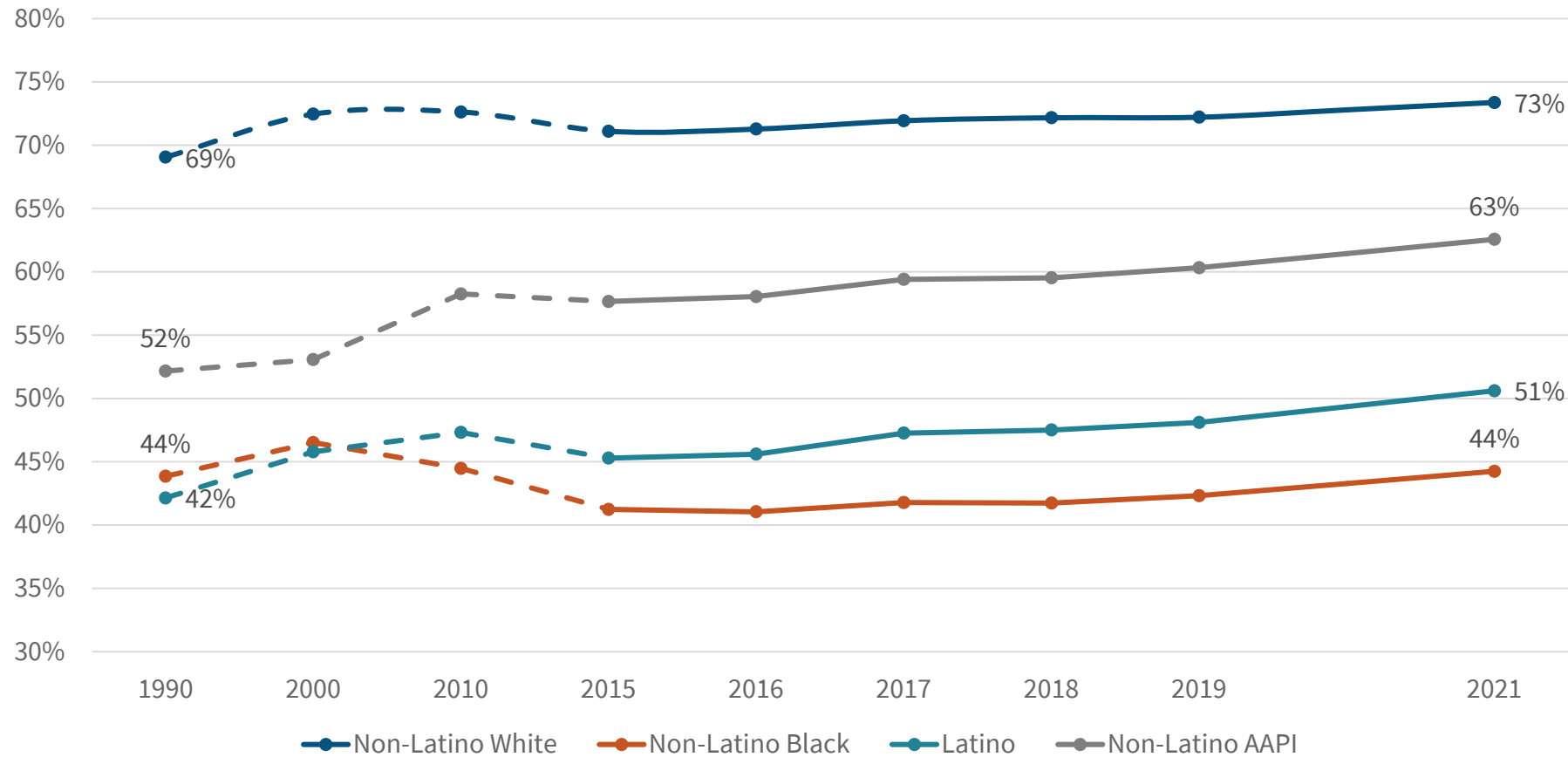


Source: Fannie Mae computations from American Community Survey PUMS 1-year estimates, 2021.
AAPI: Asian Americans and Pacific Islanders.



Racial homeownership trends

Black homeownership rates rose during the pandemic after a consistent decline from 46% since the early 2000s. To close the homeownership rate gap, ~4.4 million Black renter households will need to become homeowners — representing roughly half of Black renter households in 2021.



4.4 million Black renter households would need to convert to homeownership in order to close the gap vs. non-Latino white households.

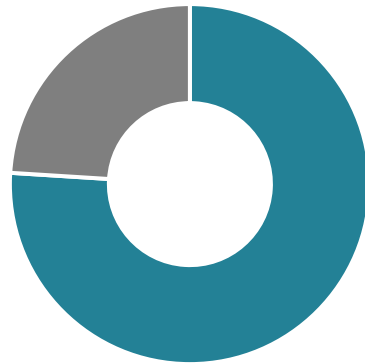
Source: Fannie Mae computations from IPUMS microdata for Decennial Census, 1990 – 2010; American Community Survey PUMS 1-year estimates, 2015 – 2019, 2021. 2020 datapoints are omitted due to quality concerns. AAPI: Asian Americans and Pacific Islanders.



86% of Black renters intend to own a home one day

The percentage of renters who intend to own a home is relatively consistent across demographic groups, with those from historically underserved groups being the highest. 86% of Black renters desire to own a home one day.

76% of renters intend to buy at some point in the future



Source: Fannie Mae Q3 2022 National Housing Survey
% Buy at some point

Among renters, by demographic group: Q3 2022



*Caution: low n-size (Asian renters: n=94)

Source: Fannie Mae Q3 2022 National Housing Survey
% Buy at some point

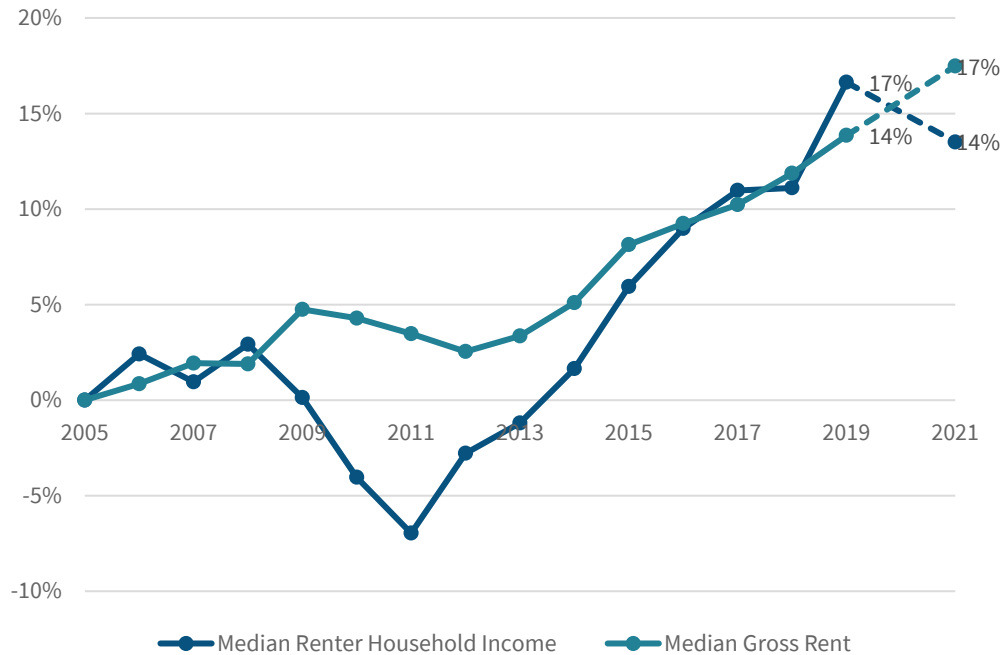
W/B/L/A: Letter next to data label denotes the number is significantly higher than the segment that the letter represents at the 95% confidence level



Rising rental burdens

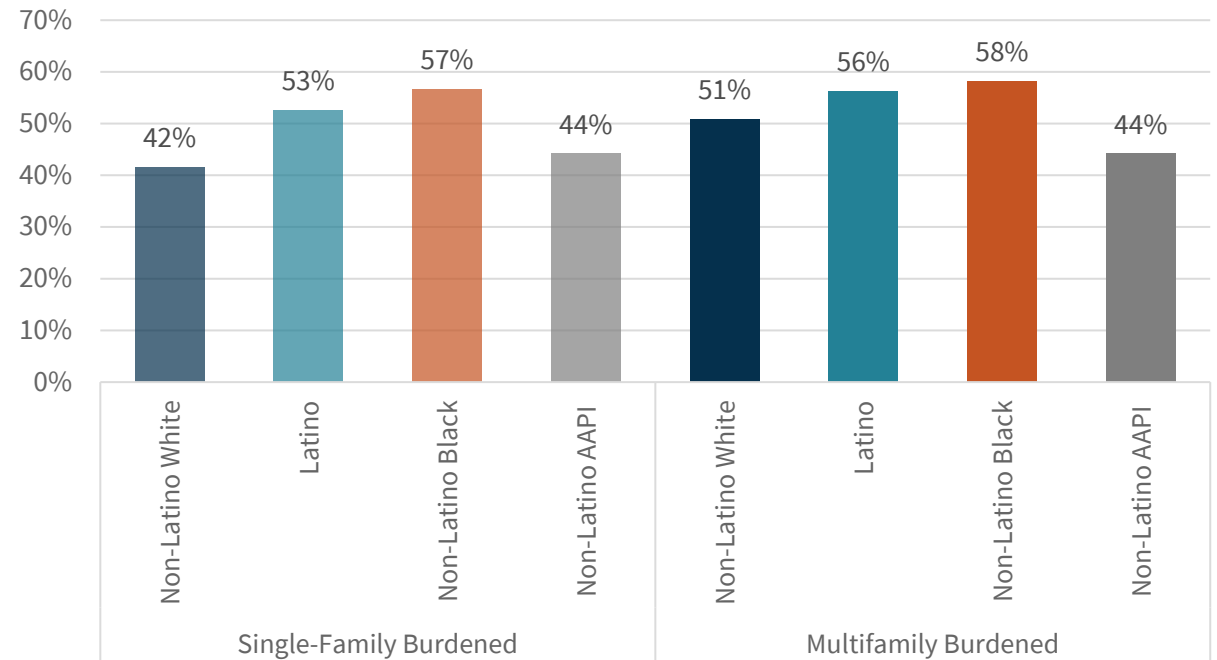
Rising home prices, coupled with income inequality has placed affordable rental housing even further out of reach and disproportionately harms Black and Latino consumers, who are more likely to be rent cost-burdened.* Over half of Black consumers are renting, and about half are in single-family rentals (1 – 4 units). Resolving the issues of housing affordability requires focused action to create affordable housing, preserve existing rental stock, and establish tenant protections.

Growth in median renter income and gross rent (percent change from 2005)



Source: Fannie Mae computations from American Community Survey PUMS 1-year estimates, 2015 – 2019, 2021. 2020 datapoints are omitted due to quality concerns. Gross rent is rent plus utilities.

Share of renters who are cost-burdened*



Source: Fannie Mae computations from American Community Survey PUMS 1-year estimates, 2021.

AAPI: Asian Americans and Pacific Islanders.

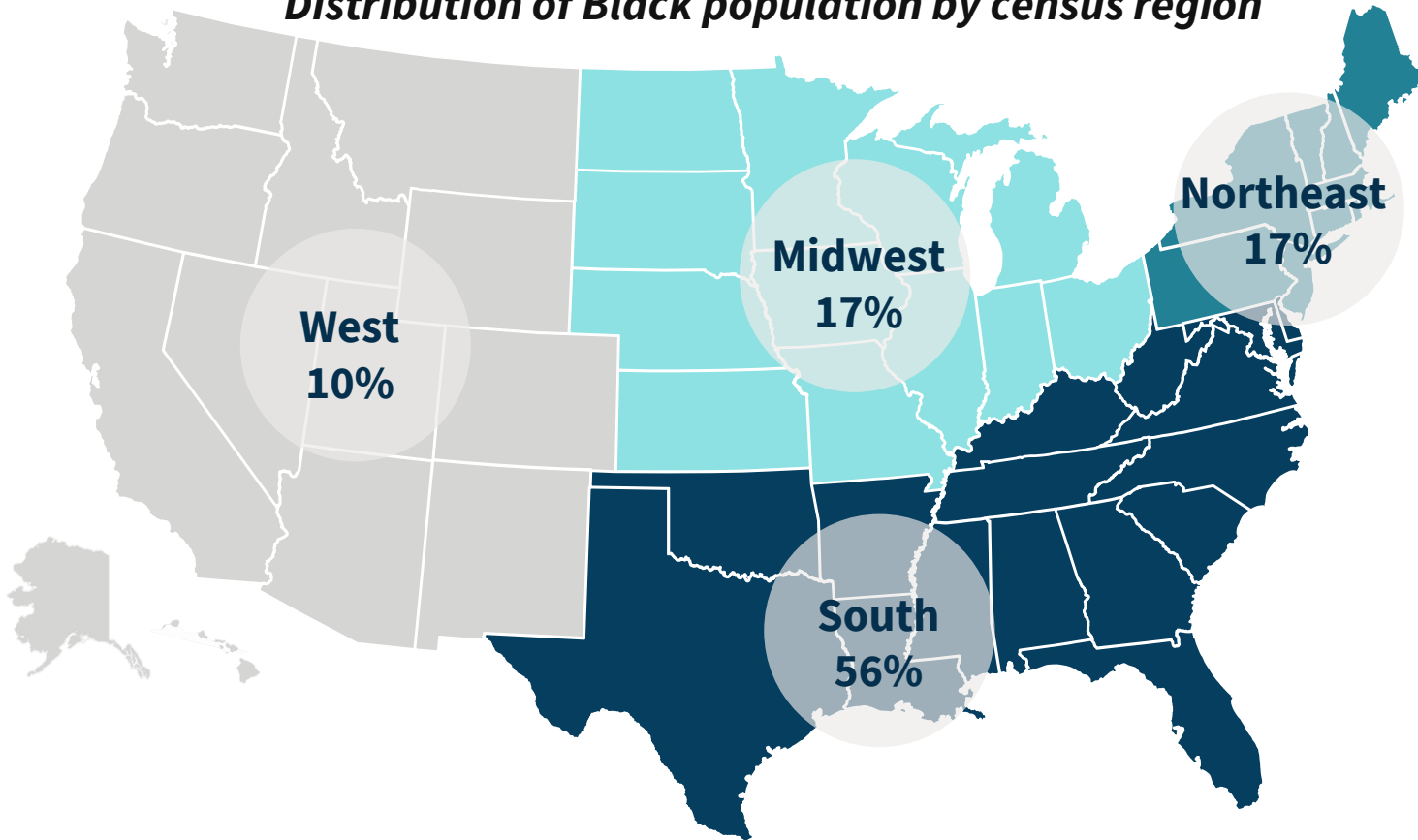
*Households are housing cost-burdened if they spend more than 30% of their income on monthly housing costs. For renters, monthly housing costs are rent + utilities.



Geographic distribution of Black consumers

A history of violence, extraction of capital, disinvestments, and where financial centers were intentionally destroyed culminated in America's Great Migration from 1910 to 1970, which was the large-scale migration of Black consumers across the U.S. Nearly 90% of Black Americans lived in the South in 1910 but, by 1970, less than half did. We are seeing another domestic migration of Black consumers to the South, fueled by increased affordability and supported by immigration of Black consumers from Latin America and Africa.

Distribution of Black population by census region



Census region	Black homeownership rate
Northeast	38%
Midwest	39%
South	48%
West	37%

Source: Fannie Mae computations from American Community Survey PUMS 1-year estimates, 2021.

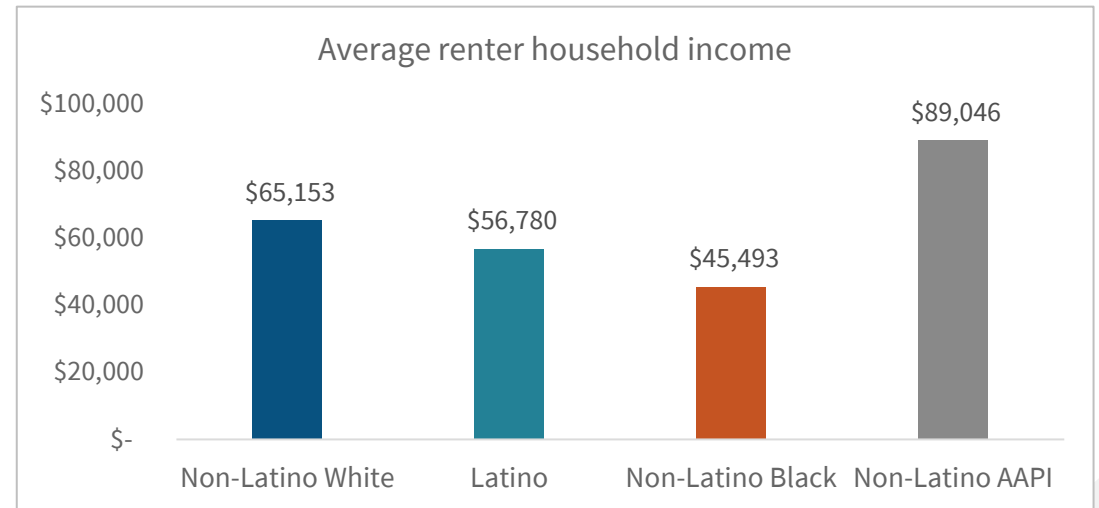
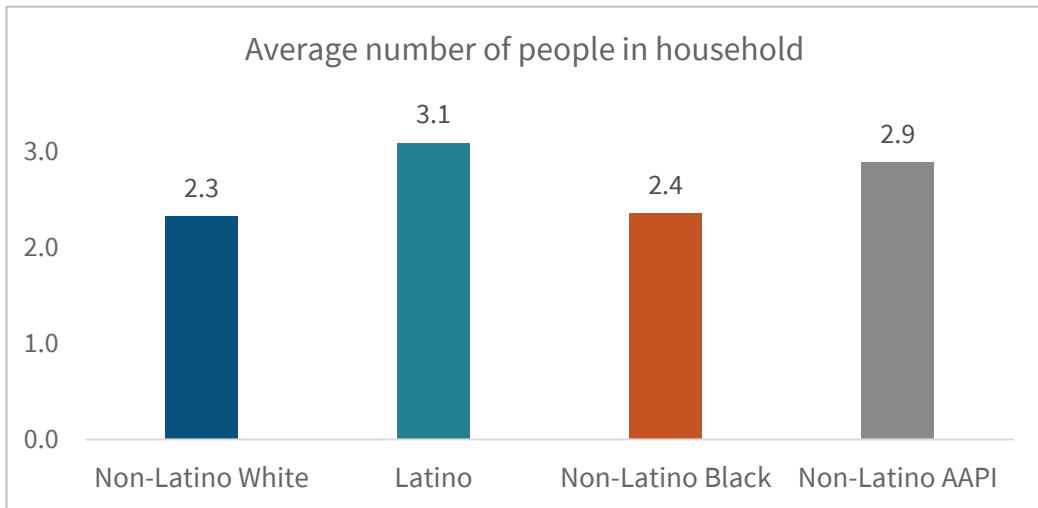
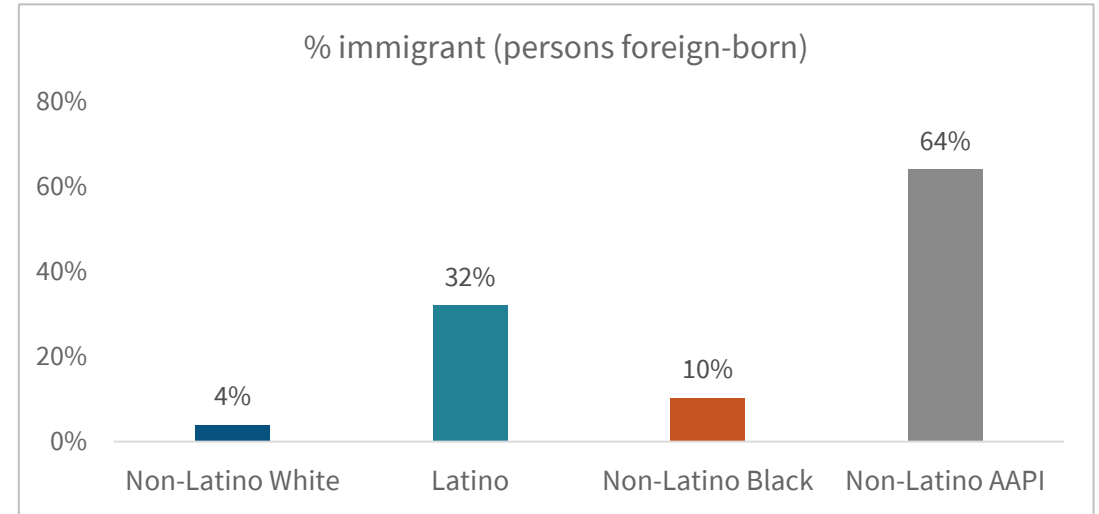
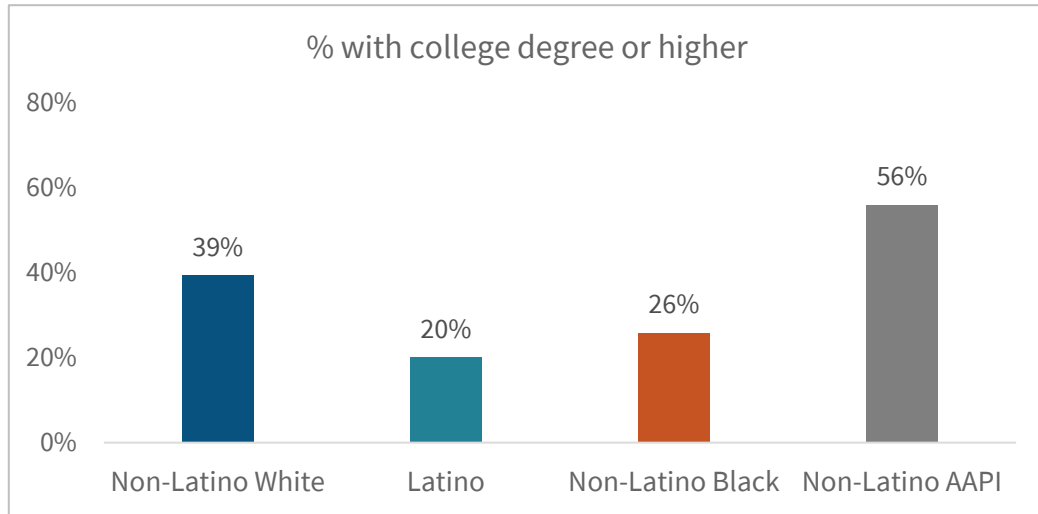
Black population includes Black regardless of ethnicity and in combination with other races.

Note: 3 of our 6 Special Purpose Credit Program markets are located in the South, 1 market is in the Northeast and the remaining 2 markets are in the Midwest.



Demographic attributes

There are diverse and unique demographic characteristics, which must be considered in the journey to homeownership for Black consumers.



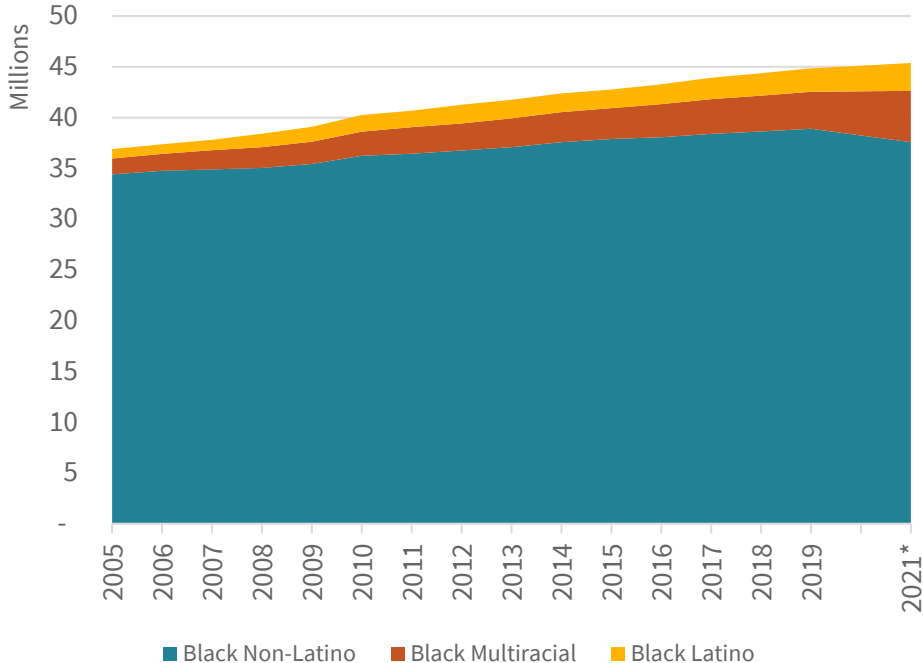
Source: Fannie Mae computations from American Community Survey PUMS 1-year estimates, 2021.
Universe for educational attainment is population 25 years and older. AAPI: Asian Americans and Pacific Islanders.



Growing diversity of Black America

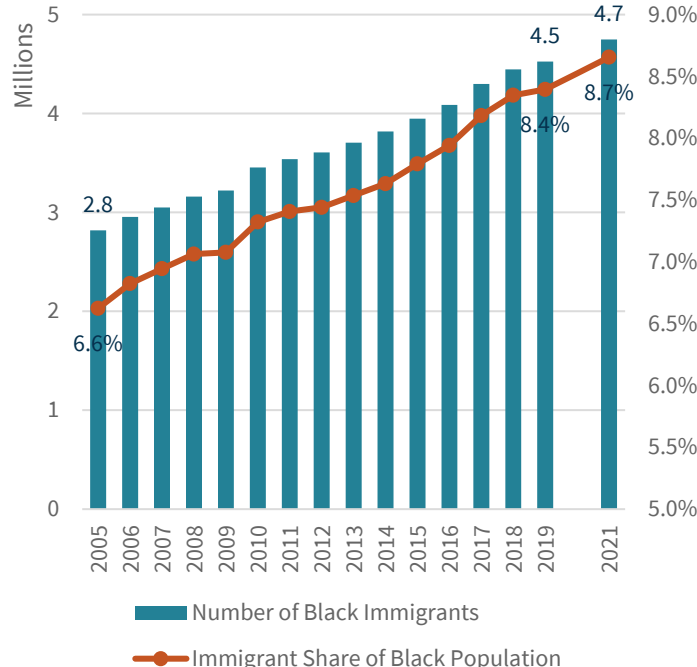
Black consumers are diverse and consist of people from many racial and ethnic identities and experiences. The population of Black consumers has grown by almost 29% over the last two decades. Considerations should be taken to thoughtfully understand the geographic, economic, cultural, and demographic characteristics and heterogeneity of Black consumers.

U.S. Black* population



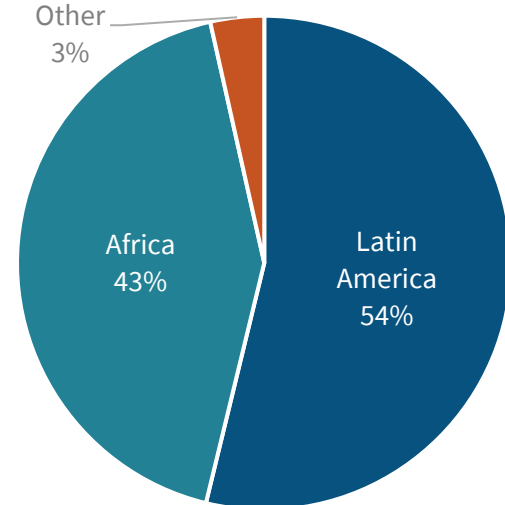
Source: Fannie Mae computations from American Community Survey PUMS 1-year estimates, 2005-2019 and 2021. 2020 datapoints are omitted due to quality concerns. Black multiracial includes Black in combination with other race(s).
 * 2021 number is not directly comparable to previous estimates. Since 2020, the Census Bureau changed its race questions and processed more write-in answers.

Black immigrant population



Source: Fannie Mae computations from American Community Survey PUMS 1-year estimates, 2005 - 2019 and 2021. 2020 datapoints are omitted due to quality concerns. Black population includes Black in combination with other race(s) and Latino Black.

Country of origin of 4.7M Black immigrants in 2021



Source: Fannie Mae computations from American Community Survey PUMS 1-year estimates, 2021.



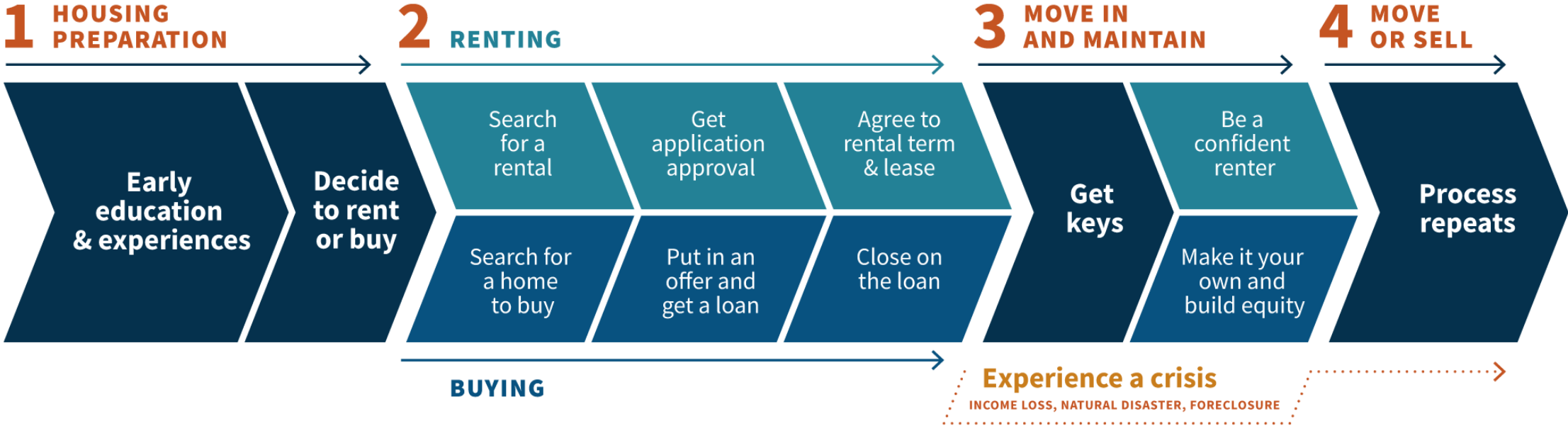
The Housing Journey identifies the stages all homeowners and renters experience

The first use case was to apply the Consumer Housing Journey to Black consumer experiences and chronicle the major housing challenges Black consumers face throughout their housing journey.

Key obstacles

 <p>Access to credit</p> <p>Household financial profiles create barriers to savings with higher shares of housing cost burdens, thin credit, or higher debt-to-income ratios.</p>	 <p>Upfront & ongoing housing costs</p> <p>Limited funds for security deposits, down payments/closing costs, lower credit scores, and credit invisibility.</p>	 <p>Inadequate affordable supply</p>	 <p>Financial resilience</p> <p>Smaller savings for post-purchase maintenance, natural disasters, or income disruptions.</p>	 <p>Property resilience</p> <p>Higher rates of housing repair needs, aging housing stock, and disproportionate exposure to hazardous risks and climate effects.</p>
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Note: Obstacles are shared with the Latino Housing Journey.



Consumers who identify as Black and/or Latino share many obstacles, and we have an opportunity to design solutions that impact both consumer groups

LHJ obstacles

Higher household density misalignment with traditional financing, affordable products, rentals

Employment instability

Citizenship/non-citizenship status

Language preference/barriers

Negative experience with mainstream financial services/mistrust of banks

Frequent moving

Rental approval process knowledge gap

Informal Income

Shared obstacles

Higher concentration in high-cost markets

Higher closing costs relative to income

Difficult experience/perception obtaining a mortgage*

Lack of credit availability in historically redlined communities

More likely to receive a high-cost mortgage loan

Traumatic experience with homeownership during Great Recession

Higher rental application fees

Appraisal bias

Racial steering by property owners & real estate professionals

Lower household income

Restrictive zoning/anti-immigrant housing ordinances (AIHOs)

Less access/availability of tenants rights

Higher insurance costs due to unequal effects of climate change

Exposure to environmental hazards & climate risks*

Underutilization of/limited acceptance of Housing Choice Vouchers by property owners

Shown fewer rentals/difficulty obtaining rental listings

Higher debt-to-income ratio

More credit invisibility and lower credit scores*

Higher instance of "unbanked" households

Greater usage of more expensive, non-traditional financing

Lower instance of renters insurance

Higher incidence of unexpected fees during rental lease & excessive rent increases during lease renewal*

Misalignment of housing products criteria with gig economy income*

Limited emergency savings/post-purchase challenges/higher rates of home repair needs*

BHJ obstacles

Long-term effects of land loss from historical discriminatory exclusion from legal, title, and loan resources

Long-term effects of pervasive predatory mortgage lending during the late 1990s and early – mid-2000s

Aging housing stock

More difficulty in passing financial background checks

Higher rates of rental arrearage & eviction

Less likely to refinance

Higher shares of housing cost burden

Limited savings for up-front/ongoing costs*

Income volatility

Diminished family and household wealth arising from past explicit federal discriminatory lending practices (redlining)

Mortgage/rent applications denied at higher rates, even when controlling for credit and other factors

Higher insurance costs

Higher tax rates

Lower home value appreciation

* Indicates where Fannie Mae has acted within the Equitable Housing Finance Plan.



One journey, different barriers

Black families face significant and distinct barriers to homeownership and stable rental housing.

Barriers rooted in history

- Long-term effects of land loss from historical discriminatory exclusion from legal, title, and loan resources
- Long-term effects of pervasive predatory mortgage lending during the late 1990s and early – mid-2000s
- Diminished family and household wealth arising from past explicit federal discriminatory lending practices (redlining)
- Lack of credit availability in historically redlined communities

Bias and unequal access

- Inadequate affordable supply for renters & homeowners
- Mortgages/rent applications denied at higher rates, even when controlling for credit and other factors.
- Higher concentration of borrowers of color in high-cost markets
- More likely to receive a high-cost mortgage loan
- Higher closing costs relative to income
- Higher tax rates
- Higher rental application fees
- Appraisal bias
- Racial steering by property owners and real estate professionals
- Restrictive zoning creating de facto new segregation
- Higher insurance costs due to unequal effects of climate change
- Higher instance of exposure to environment hazards & climate risks
- Lower home value appreciation than white homeowners
- Underutilization of/limited acceptance of Housing Choice Vouchers by property owners
- Exposure to environmental hazards and climate risks
- Difficulty obtaining rental listings/shown fewer rentals

Household financial profiles

- Higher debt-to-income (DTI)
- More likely to be credit invisible
- Limited savings for down payment, closing costs, high up-front rental costs (security deposits & application fees)
- Greater instance of lower credit scores
- Highest incidence of “unbanked” households
- Greater usage of high-cost, non-traditional financing
- Lower instance of renters insurance
- Higher incidence of unexpected fees during rental lease and excessive rent increases during lease renewal
- Fewer family and community resources for building wealth
- Higher incidence of housing cost burden creating barrier to savings
- Higher rates of foreclosure during the financial crisis/Great Recession
- Misalignment of housing products criteria does not adequately consider income earned via the gig economy
- Lower household income on average

Knowledge, attitude, and experience

- Higher incidence of traumatic family or household experiences with homeownership during Great Recession
- Misperceptions and/or difficult experience in obtaining a mortgage
- Less access/availability of tenants rights
- Higher incidence of post-purchase challenges, especially higher rates of home repair needs
- More limited access to or awareness of risk & need for flood, wind, fire insurance
- Less likely to refinance to gain more favorable loan terms
- Gentrification/displacement
- Higher rates of eviction & rental arrearage
- More difficulty in passing rental background check
- Aging housing stock



We're focused on knocking down barriers across the consumer housing journey for Black & Latino renters & homeowners

Over the last few years, we introduced innovative solutions and policy changes to progress equity in the housing finance ecosystem. This is just the beginning. Using the journey as a roadmap, we can drive an aligned view and greater understanding of the housing obstacles facing Black and Latino renters and homeowners and determine where we can drive actions or partnerships across the industry that can have the greatest impacts to reduce or eliminate the obstacle.

1 Housing Preparation

Address broader challenges through **education**

- Expanded Financial Capability Coaching & HUD-approved counseling
- HomeView® and HomeView® Spanish

2 Renting or Buying

Access to **quality rental & opportunities for homeownership**

- Positive Rent Payment History & cashflow underwriting in Desktop Underwriter®
- Positive Rent Payment service for renters
- Solutions to defray up-front renter security deposits
- Closing costs concessions and Attorney Opinion Letters
- Special purpose credit programs
- Appraisal modernization and valuation products
- Sponsor-Dedicated Workforce & Sponsor-Initiated Affordability housing
- Developing micro-factories for modular home finishings
- Housing opportunities for credit-invisible Black renters
- Value derived from Social Index

3 Move In and Maintain

Ensure housing **stability**

- Climate analytics
- Expanded counseling services to renters and borrowers
- Special purpose credit program home retention features
- Fair servicing best practices
- Neighborhood revitalization and infill in Baltimore, MD

4 Diversify the Industry

Provide **support** throughout the housing lifecycle

- Future Housing Leaders®
- Appraiser Diversity Initiative
- MF Borrower Diversity Program
- DUS® Correspondent Lender Diversity Program





Data & Research Findings

The well-documented history of discrimination against black farmers, which the U.S. Department of Agriculture ascribed to the decline of African American farmers owning 19 million acres to around 3.6 million acres of farmland, spans the New Deal and USDA discriminatory practices from 1930s to 1950s-era exclusion from legal, title, and loan resources. A Time to Act: <https://archive.org/details/timetoact1545usda>

From the 1910s until the 1970s, approximately six million Black people moved from the American South to Northern, Midwestern, and Western states to escape racial violence, pursue economic and educational opportunities, and obtain freedom from the oppression of Jim Crow. This Great Migration was one of the largest movements of people in United States history. The Great Migration (1910 – 1970):

<https://www.archives.gov/research/african-americans/migrations/great-migration#:~:text=The%20Great%20Migration%20was%20one,the%201910s%20until%20the%201970s>

During the early 20th century, a pattern of intense violence targeting Black Americans occurred throughout the United States. Known as the Red Summer, this period saw financial centers intentionally destroyed. One instance occurred in Tulsa’s Greenwood District, also known as Black Wall Street, which contained successful businesses owned and operated by Black Americans. The Tulsa Massacre of 1921 had an estimated number of African American deaths from 26 to at least 150. The attack on Black Wall Street included the first aerial bombing of a U.S. city. <https://rediscovering-black-history.blogs.archives.gov/2020/05/20/portal-spotlight-civil-unrest-and-the-red-summer/> (May 2020)

Title VII of the Civil Rights Act of 1964 prohibits discrimination in hiring, promotion, discharge, pay, fringe benefits, job training, classification, referral, and other aspects of employment, **on the basis of race, color, or national origin.** Through the Civil Rights Movement, in 1965, immigration based on a quota system was determined that it favored the Western European nations over others. The U.S. Congress changed the immigration system from a quota system to a preference system, including family reunification.

<https://www.archives.gov/milestone-documents/civil-rights-act>

The **Fair Housing Act** protects people from discrimination when they are renting or buying a home, getting a mortgage, seeking housing assistance, or engaging in other housing-related activities. Additional protections apply to federally-assisted housing. https://www.hud.gov/program_offices/fair_housing_equal_opp/fair_housing_act_overview#_The_Fair_Housing

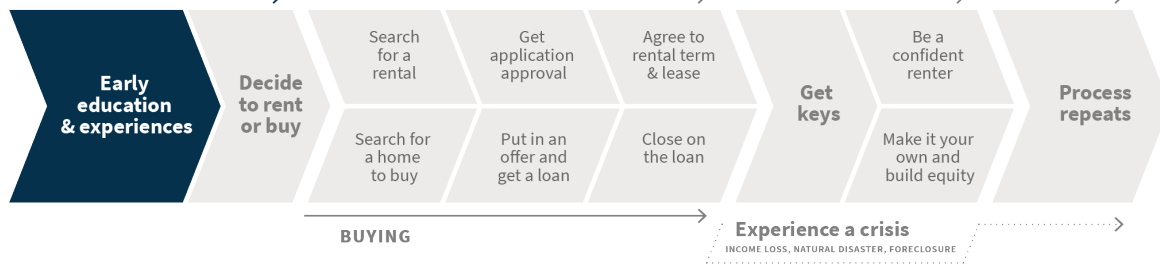
Black households are a diverse group. A recent study by the JCHS highlights the diversity of the Black population, showing that nearly one in eight Black households were immigrants as of 2019. They conclude, “further research is required to take a closer look at the diversity among Black households, and further unpack the roles of place of birth, ethnicity, and migration histories to better understand challenges to and opportunities for Black homeownership.”

<https://www.jchs.harvard.edu/research-areas/working-papers/black-immigrant-homeownership-national-trends-and-case-metro-boston>

Key points/implications/changes to note

- Key data point of loss of 98% of Black farms, and therefore homes, was not originally captured and was one of the many drivers behind the Great Migration. The U.S. Archives state, “Black people who migrated during the second phase of the Great Migration were met with housing discrimination, as localities had started to implement restrictive covenants and redlining, which created segregated neighborhoods, but also served as a foundation for the existing racial disparities in wealth in the United States.” <https://www.archives.gov/research/african-americans/migrations/great-migration#:~:text=The%20Great%20Migration%20was%20one,the%201910s%20until%20the%201970s>.
- The Civil Rights Act of 1964 paved the way to immigration from countries in Africa, Asia, Central America, South America, and the Caribbean.





Socioeconomic factors, including disparities in income and wealth, are barriers to homeownership

Research finds that socioeconomic factors (age, education, household) explain much, but not all, of the homeownership gap. Income and wealth are particularly important. (Begley, 2020)

Households who become homeowners have higher income, more stable income, higher lifetime income expectations, and more savings. **Wealth is generally found to be a more important factor than income in explaining homeownership gaps.** (Begley, 2020)

Black families are less likely to have help building wealth:

72% of white families report they could get \$3K from family or friends, compared to 41% of Black families. Black and Hispanic families are less likely to have received or expect an inheritance. (Fannie Mae calculations using the SCF 2019)

The homeownership gap is particularly stark for Black households compared to white non-Hispanic households: This percentage gap has been relatively consistent over time since the early 1900s, despite gains in overall homeownership. (Fannie Mae calculations from IPUMS microdata for Decennial Census, 1900 – 2010, ACS 2015 – 2019)

Over a quarter (27%) of Black adults ages 18 – 49 have earned income via an online gig platform compared to 34% of Hispanic adults and 16% of white adults. Non-white gig platform workers are more likely (48% vs. 30%) to have earned income performing multiple types of gig work, including providing meal deliveries, driving for ride sharing apps, shopping, delivering groceries or household items, or using a personal vehicle to deliver packages via an app or website. (Gelles-Watnick and Anderson, 2021).

<https://www.pewresearch.org/fact-tank/2021/12/15/racial-and-ethnic-differences-stand-out-in-the-u-s-gig-workforce/#:~:text=Even%20among%20adults%20under%20the,via%20an%20online%20gig%20platform.>

Lack of **family experience or traumatic experience with homeownership**

Black homeowners experienced higher rates of foreclosure during the financial crisis.

Of loans originated between 2005 – 2008, Black homeowners were 76% more likely to be foreclosed upon than non-Hispanic white people. (Bocian, *et al.*, 2010)

Less likely to have family experience in homeownership and a financial safety net.

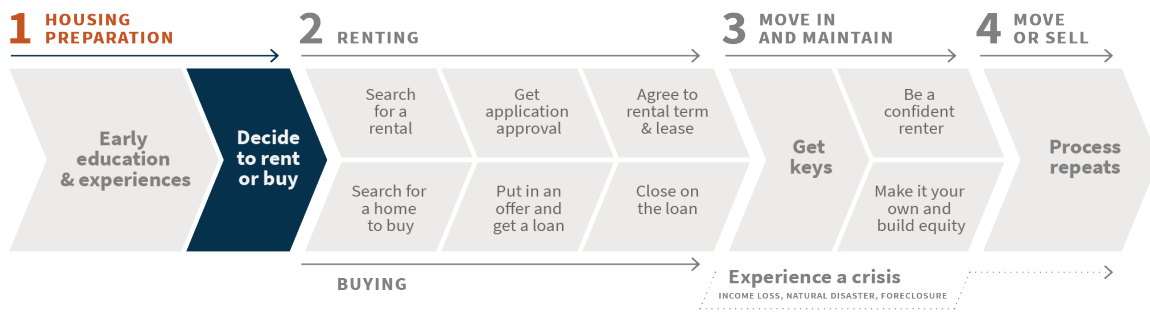
Black households are less likely to have parents who are homeowners, who have higher levels of overall wealth and education, and who can provide a financial safety net or down payment assistance. (Begley, 2020)

Black households are more likely to indicate experiencing income volatility, a leading indicator of increased mortgage loan default. Nearly half (47%) of low-income Black households experienced either medium or high month-to-month income volatility compared to 44% of low-income Hispanic and 32% of low-income white households. (Hardy, Morduch, Darity, and Hamilton, 2018).

Key points/implications

- Socioeconomic factors such as age, education, and household composition, along with income and wealth, explain much, but not all, of the homeownership gap.
- Black consumers/households often do not have family wealth or relatives they can “lean on” to help them transition to homeownership. They must navigate the process and build enough savings all on their own, which is difficult.
- In fact, some Black consumers may have experienced more traumatizing (versus positive) events and discrimination surrounding homeownership, including foreclosure, negative experiences with banks/lenders, etc.





There is an intention to own a home, but Black renters face unique obstacles

Black renters **want to own** and to better understand the homebuying process

89% of Black renters aspire to own a home one day, which is slightly higher than white renters (80%) and Hispanic renters (81%). (Fannie Mae National Housing Survey, Q4 2021)

For Black renters, the top reason for renting is to “become financially ready to own”; whereas for white renters, the top reason is “flexibility.” (Fannie Mae National Housing Survey, Q4 2019)

Black renters want to understand many aspects of the homebuying process but are most interested in learning about 1) how much home they can afford (58%), and 2) down payment assistance programs (58%). (Fannie Mae National Housing Survey, Q2 2021)

Black renters carry **higher shares of housing cost burdens**, creating barrier to savings

17% of Black and 20% of Hispanic renters say **building credit history for future financial goals is a challenge** during the lease in comparison to 9% of white renters. (Fannie Mae Multifamily Renter Needs Research, August 2021)

Black renters are **significantly more cost-burdened** in comparison to white renters across all age cohorts. The gap is widest among the 25 – 44 and 45 – 64 age cohorts — the prime periods for homebuying, building wealth/financial capacity, and raising families. (Fannie Mae calculations using the 2019 ACS PUMS)

25 – 44 — Black: 53%, white: 35%

45 – 64 — Black: 53%, white: 41%

*Households are deemed housing cost-burdened if they spend more than 30% of their gross pre-tax income on rent; severely cost burdened if they spend more than 50%.

Voucher usage **higher and more challenging**

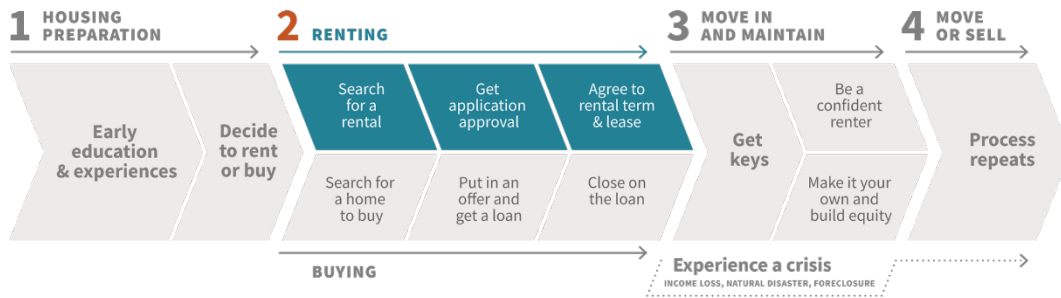
Disproportionate representation in voucher use: Black households were 50% of Housing Choice Voucher holders in 2020. The average voucher holder spends 28 months on a waiting list and lives in a census tract with a 23% poverty rate. (HUD Picture of Subsidized Households, 2020)

Voucher acceptance challenges: The challenge of limited acceptance of Housing Choice Vouchers disproportionately impacts non-white renters/study participants and those with low income. 46% of renters with a voucher said they had trouble finding a place that would accept their voucher; Hispanic renters (56%) and temporary renters (51%) are more likely to have trouble. (Fannie Mae Multifamily Renters Needs Research, August 2021)

Key points/implications

- Even though Black renters’ top reason to rent is to become financially ready to own, they are more cost-burdened at every age, slowing down their journey to be financially ready to own.
- Because so many Black households are renters, it is vital to ensure they can build a solid financial foundation while renting in order to make a transition to homeownership.
- Black renters are interested in learning about many of the financial aspects of buying a home, indicating there could be a knowledge gap/opportunity.





20% of Black and **24%** of Hispanic renters cite **difficulty finding information** on rental listings prior to moving, compared to **14%** of white renters. (Fannie Mae Multifamily Renter Needs Research, August 2021)

Fewer rental units shown: Black home seekers were told about 11.4% fewer rental units and shown 4.2% fewer rental units than white home seekers. (Turner, *et al.*, 2013)

More rental application fees: 84% of Asian renters and 73% of Hispanic and Black renters pay an application fee vs. 56% of white renters. In urban areas, the differences are smaller, but the disparity remains. (Zillow Group Consumer Housing Trends Report, 2019)

After renting a home, Black renters indicate the **most useful information to have would be tenants rights in lease agreements** (53%). This would also be most useful for white and Hispanic renters, as well, but to a slightly lesser extent (48% and 41%, respectively). (Fannie Mae National Housing Survey, Q2 2021)

Rental search and application challenges

24% of Black and Hispanic renters cite **passing the financial background check** as a challenge prior to move-in, compared to **16%** of white renters. (Fannie Mae Multifamily Renter Needs Research, August 2021)

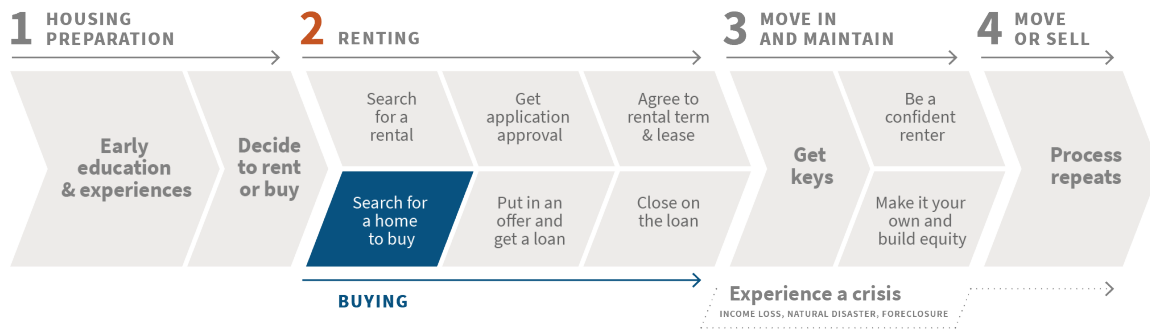
31% of Black renters have had a **rental application turned down**, compared to 18% of white renters. (Fannie Mae Multifamily Renter Needs Research, August 2021)

48% of Black renters vs. **39%** of white renters state the **security deposit amount** is a very important factor in choosing their rental home. (Fannie Mae Multifamily Renter Needs Research, August 2021)

Key points/implications

- More Black renters say they have difficulty finding information on rental listings and are told about and shown fewer properties.
- A higher percentage of underserved populations are paying application fees compared to white renters.
- More Black renters are reporting that they are having challenges passing the financial background check, are having their rental application turned down, and see the security deposit amount as a concern.





Prospective Black homeowners are more likely to be shown properties in under-resourced neighborhoods

Real estate professionals are more likely to show Black homebuyers homes in areas with higher crime rates, pollution, and lower school test scores. (Christensen and Timmins, 2021)

Real estate professionals show Black consumers more disadvantaged neighborhoods with lower shares of skilled (-3.02%) and college-educated residents (-3.4%). (Christensen and Timmins, 2021)

Black renters indicate **real estate professionals would be the most influential resource** when going through the mortgage process (23%). (Fannie Mae National Housing Survey, Q2 2021)

The homeownership gap is smaller in areas where housing is more affordable, local housing supply is less constrained, and where communities are less racially segregated/less affected by legacies of redlining. (Begley, 2020)

Recent work from the Chicago Federal Reserve Board identifies **significant long-term negative effects of the Home Owners' Loan Corporation (HOLC) "redlining" maps** on neighborhood investment and credit access. (Aronson, *et al.*, 2021)

Nationally, **nearly two-thirds of neighborhoods deemed "hazardous" through redlining procedures in the 1930s are inhabited by mostly minority residents**, typically Black and Hispanic. (Mitchell and Franco, 2018)

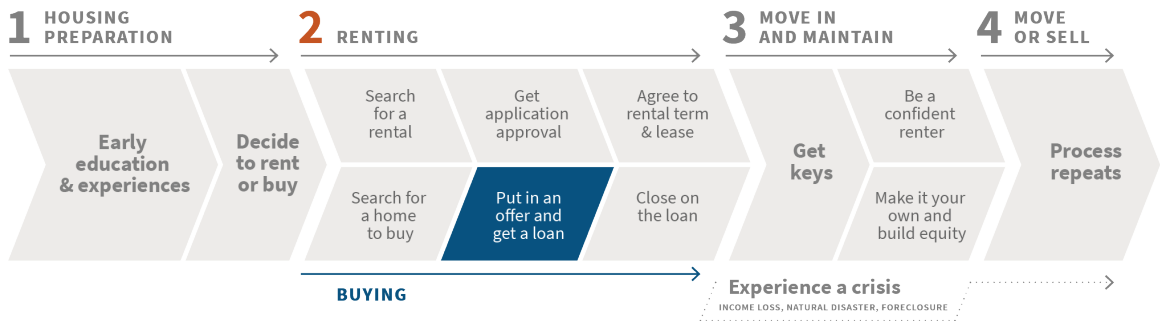
Younger renters impacted

A smaller share of younger Black renters can afford to purchase a home relative to overall renters in the metropolitan area where they currently live (25% of Black renters compared to 33% of white renters in 2019). (Fannie Mae calculations using the ACS PUMS 2019)

Key points/implications

- Searching for a home may be more difficult for Black consumers due to some real estate professional biases as well as lack of affordable homes to buy.
- In some cases, due to financial constraints, Black consumers' only options to buy may be in neighborhoods with higher crime rates and lower economic opportunity.
- Real estate professionals are top influencers for Black consumers when getting a mortgage.
- The racial homeownership gap is smaller in metropolitan areas where housing is more affordable and communities are less segregated.





Financial challenges, denial rate, and negative perception impact homeownership opportunities

Lack of understanding of down payment requirements

All consumers share a lack of understanding about the requirements for getting a mortgage: 40% of the general population does not know how much a lender would require for a down payment; 45% and 47% of Black and Hispanic consumers, respectively, do not know how much would be required for a down payment. (2018 Fannie Mae Mortgage Qualification Research)

Many overestimate down payment costs: 39% of potential homebuyers overestimate the required down payment for a mortgage. (2018 Fannie Mae Mortgage Qualification Research)

Lack of familiarity with requirements has disproportionate impacts: There is no evidence Black consumers are more misinformed; however, with lower average credit scores and available funds, the general unfamiliarity with the requirements may disproportionately impact Black consumers. (2018 Fannie Mae Mortgage Qualification Research)

Less money for down payments and closing costs

Income and assets of prime homebuying age renters have been increasing since 2010; however, they are consistently lower for Black households. In 2019, the median household income of Black renters aged 25 – 44 was roughly two-thirds that of white renters, and median liquid assets were roughly one-third those of white renters. (Fannie Mae calculations using the SCF 2019 and ACS PUMS 2019)

Higher denial rates

Black applicants were denied 1.2 times the rate of white applicants in 2017 after controlling for credit and other factors. (Goodman and Bai, 2018)

Debt-to-income (DTI) ratio and credit histories are the most common reasons for denial for all borrowers. (Fannie Mae calculations using HMDA 2019, AHAR definitions)

A HMDA data analysis concludes that after controlling for AUS recommendation, credit scores, DTI, and LTV, the **Black-white mortgage applicant denial gap is below two percentage points.** This “excess denial” gap can partly be explained by some lender overlays. (Bhutta, *et al.*, 2021)

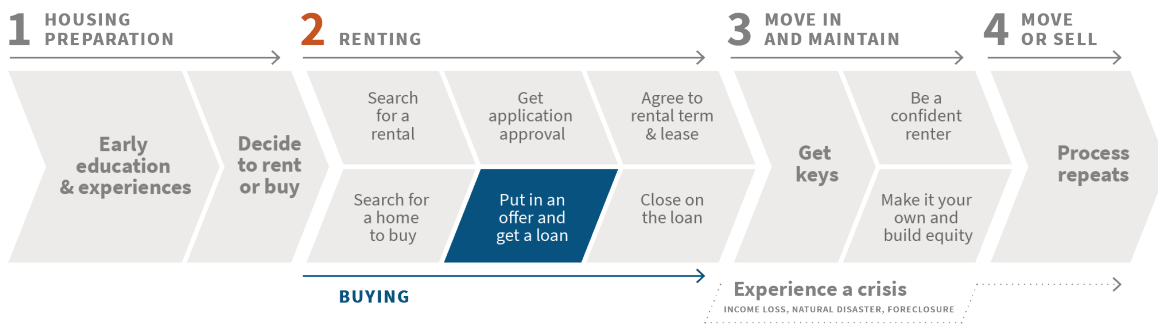
Perception of difficulty of obtaining a mortgage

68% of Black and 71% of Hispanic renters say they would have **difficulty getting a mortgage**; in comparison, a lower percentage of white renters, 58%, say they would have difficulty getting a mortgage. (Fannie Mae National Housing Survey, Q4 2021)

Understanding of credit score requirements: Nearly half of potential homebuyers overestimate the minimum FICO score required for a mortgage. (2018 Fannie Mae Mortgage Qualification Research)

Black households are more likely to have used alternative financing when financing a home purchase compared with white households: 34% of Hispanic borrowers reported using at least one alternative arrangement compared with 23% of non-Hispanic Black borrowers and 19% of non-Hispanic white borrowers. Alternative financing methods include home-only loans, personal property loans, chattel loans, rent-to-own or lease purchase agreements, seller-financing, contract for deed or land contract. (Pew Charitable Trusts, 2022)





Lower median credit scores and more invisibility

Black mortgage borrowers' overall median credit scores are lower than white borrowers (691 compared to 748) (CFPB 2019, HMDA 2018). Differences in credit scores and credit attributes are an important contributor to the Black-white homeownership gap. (Begley, 2020)

About 15% of Black and Hispanic consumers are credit invisible (compared to 9% of white and Asian consumers), and they are more likely to have an unscored credit record due to lack of history, which limits their access to financing. (Brevoort, *et al.*, 2016)

Black renters' top obstacle to getting a mortgage is insufficient credit score/credit history (45%), followed by affording the down payment/closing costs (40%). The order is flipped for white renters, where affording the down payment/closing costs is the top obstacle (42%), followed by insufficient credit score/credit history (30%). (Fannie Mae National Housing Survey, Q4 2021)

Black consumers face compounding financial pressures. 7% of Black consumers have a credit score in the top 30th percentile, compared to 35% of white consumers. (Brevoort, *et al.*, 2021)

Across all income levels, a larger share of Black and Hispanic households were unbanked compared to white households, which could be a strong contributing factor to a lower credit score. (Brevoort, *et al.*, 2021; FDIC, 2021)

A 2019 FDIC Survey found that “Don’t trust banks” was cited by 16% of all (Black, white, and Hispanic) unbanked households as the second-highest main reason for not having a bank account. The top reason cited was not having enough money to meet minimum balance requirements, at 29%. (FDIC Survey, 2019)

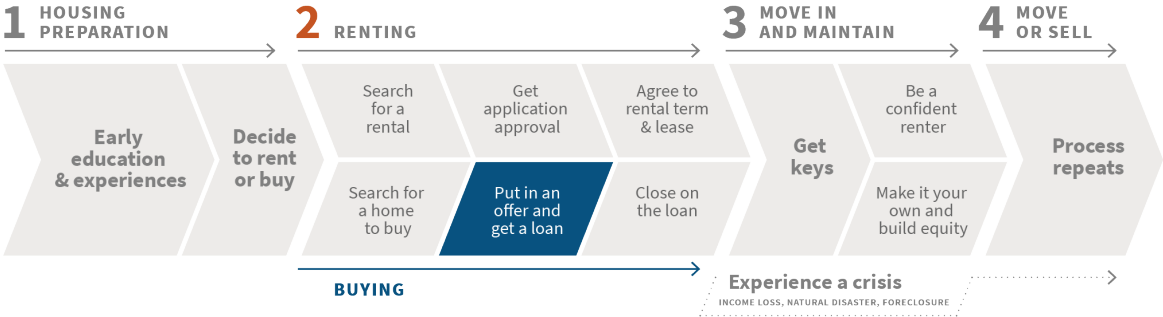
Higher household debt

The average amount of household debt for Black college graduates under 35 years old is \$6,607 higher than white college graduates of the same age. (Goodman and Choi, 2020)

Key points/implications

- Black and Latino consumers have a higher instance of credit invisibility, which limits access to financing and credit.
- For Black renters, one of their main reported obstacles to getting a mortgage is insufficient credit.





Lower median credit scores and more invisibility (continued)

Black college graduates had higher levels of student loan debt and lower credit scores compared to white college graduates, contributing to Black college graduate households’ higher debt-to-income ratios. More than 3 out of 4 (77%) Black college graduates have student loan debt compared to half (56%) of white college graduates. Black college graduates under age 35 with a bachelor’s degree and graduate degrees had median FICO scores of 623 and 636, respectively, which are lower than that of white bachelor’s degree- and graduate degree-holders under 35, 728 and 737, and lower than that of white households under 35 without a high school diploma, 680. Twice as many Black college graduates under 35 (16%) had no FICO score compared to white college graduates (7%) in the same age range. (Choi and Goodman, 2020)

<https://www.urban.org/urban-wire/why-do-black-college-graduates-have-lower-homeownership-rate-white-people-who-dropped-out-high-school>

Black college graduates carry nearly \$25,000 more student loan debt than white graduates four years after graduation **and are more likely to default on their student loan debt, contributing to higher debt-to-income ratios and lower credit scores.** Black college graduates owe \$52,726 on average in student loan debt compared to \$28,006 on average for white college graduates. Black college graduates are more than three times as likely to default on their student loan debt within four years of graduation in comparison to white college graduates, 7.6% and 2.4%, respectively. (Scott-Clayton and Li, 2016)

<https://www.brookings.edu/research/black-white-disparity-in-student-loan-debt-more-than-triples-after-graduation/>

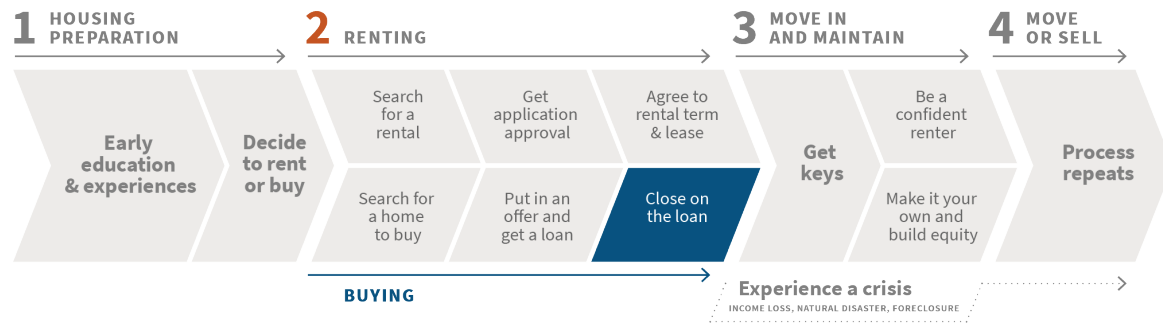
At every income level, **a larger share of Black and Hispanic households were unbanked compared to white households.** Over a quarter of Black (29.3%) and Hispanic (26.5%) households with incomes of less than \$15,000 were unbanked in 2021 compared to 13.6% of white households. Among households with incomes between \$30,000 and \$50,000, 8% of Black and 8.4% of Hispanic households were unbanked compared to 1.7% of white households. (FDIC, 2021)

<https://www.fdic.gov/analysis/household-survey/2021report.pdf>

Key points/implications

- Black consumers have a higher debt-to-income ratio, with student loan debt being a key driver.
- For some Black households, having higher household debt and/or higher instances of being underbanked may factor into lower credit scores.





Lenders and brokers contribute to the experience of underserved consumers

Choice of lender/broker may contribute to differences in mortgage costs for underserved borrowers.

Underserved borrowers pay higher mortgage broker fees when going to a white broker; Hispanic borrowers have higher fees when going to a Hispanic broker; and there is no difference in fees for minority and white borrowers when going to a Black broker. This emphasizes how lender/broker selection contributes to the differences in mortgage costs across white and minority borrowers. (Ambrose, *et al.*, 2021) (Broker fees include origination fees plus premiums, so they include origination costs and rates.)

Black consumers pay proportionally larger closing costs. If Black and Hispanic low-income first-time homebuyers' median closing costs as a percent of purchase price had been equal to those of their white non-Hispanic counterparts in our sample, their costs would have been reduced by \$180 and \$379, respectively. (Fannie Mae 2021 Closing Cost Study)

It appears that lenders and mortgage brokers make their most favorable offers to borrowers that they consider knowledgeable about competing alternatives. Borrowers in neighborhoods with low educational attainment receive substantially higher-cost offers, and although a significant share “walk away” from these offers, enough accept them to be profitable to lenders and brokers. (Woodward, 2008)

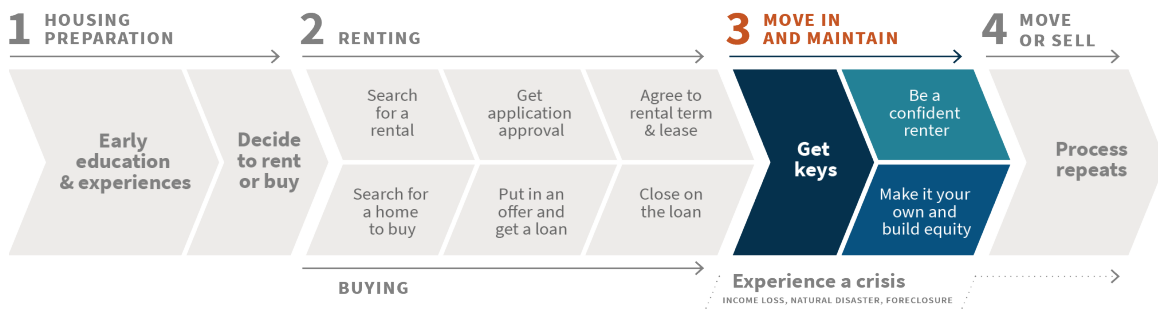
Appraisal bias may contribute to lower valuation

Refinancing appraisals: Homes owned by white borrowers were more frequently overvalued than homes owned by Black borrowers. Overvaluations of white-owned homes were present at a higher rate in all neighborhoods but were more likely to occur among homes owned by white borrowers in majority-Black neighborhoods (23% of white borrower homes vs. 13% of Black borrowers' homes were overvalued in majority Black neighborhoods). Overvalued equates to an appraised value at least 10% higher than automated valuation models. (Fannie Mae Appraising the Appraisal Research, February 2022)

Key points/implications

- Lenders may be charging higher closing costs to borrowers buying in lower-educated and predominantly minority neighborhoods.
- Lenders and title companies could be assessing how knowledgeable the borrower is about competing alternatives and offering a higher price to those who may not have many alternatives or do not know they can “shop around” for better fees.





Both renters and homeowners face housing hurdles

Renter rights and eviction disparities

14% of Black and 18% of Hispanic renters report struggling with unexpected/late fees during the lease, compared to 8% of white renters. Additionally, nearly twice as many Black renters than white renters experienced moving charges that were not stipulated in the lease (Hispanic renters 23%, Black renters 15%, white renters 8%). (Fannie Mae Multifamily Renter Needs Research, August 2021)

31% of Black renters said they have **missed a rent payment or paid rent past due**, compared to 21% of white renters. (Fannie Mae Multifamily Renter Needs Research, August 2021)

Black renters receive the **highest share of eviction filings and judgments** — the average eviction rate was 3.4% for Black renters, compared to 2% for white renters. (Hepburn, *et al.*, 2020)

In 2022, according to the Census Bureau, **22% of Black renters** and 12% of both white and Hispanic renters reported being very likely to leave their current home due to eviction in the next two months. (U.S. Census Pulse Survey Week 48, 2022)

17% of Black renters cited building credit history as a challenge vs. 9% of white renters. The impact of not having a good credit history goes beyond housing challenges to loan approval, interest rates for other expenses, car, medical bills, etc. (Fannie Mae Multifamily Renter Needs Research, August 2021)

Post-purchase maintenance challenges

After buying a home, Black homeowners cite cost-effective home repairs as what would be most helpful to them as ongoing information or education (46% of respondents). Access to a mortgage counselor would be the second most helpful item (40%), with refinancing options (36%) and household budgeting (35%) tied as third most helpful. (Fannie Mae National Housing Survey, Q2 2021)

Research shows that 59% of homeowners do not know how to maintain a home to avoid future repairs. 65% do not prioritize these types of tasks. (Fannie Mae, Home Management Market Viability Survey, 2020)

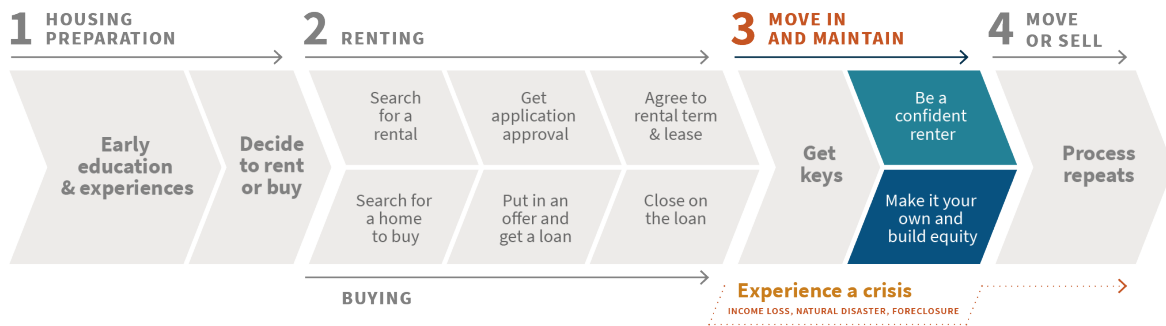
Black households report higher rates of repair needs (39.6%) compared to the general population (35.8%). Other groups also report high rates of repair needs, including Native American (47.7%), single mothers with children (46.8%), Hispanic (39.9%), and people living below the poverty line (42.8%). (Diviringi, *et al.*, 2019)

Black and Hispanic households have limited emergency savings — white homeowners have \$12K in median liquid assets, compared to \$4K for Black homeowners and \$3.7K for Hispanic homeowners. (Fannie Mae calculations from the SCF 2019). Short-term liquidity is a key factor in preventing mortgage default in response to income shocks. (Farrell, *et al.*, 2017)

Key points/implications

- Black renters want more information on their rights.
- More Black renters than white renters report struggling with late fees, missed rent payments, and evictions.
- Black consumers report a high need for home repair information and services and have limited emergency savings as compared to white consumers.





Lack of information around home valuation and refinance opportunities

Less likely to refinance to gain more favorable loan terms

Black borrowers pay higher interest rates over the long term due to underutilization of refinancing. Black and Hispanic borrowers are less likely to refinance their mortgages during periods of falling interest rates, even after controlling for important factors like credit scores, equity, and income. (Gerardi, *et al.*, 2020)

Lower rates of refinancing for Black and other minority consumers: When asked if they have ever refinanced their home, Black and Hispanic mortgage holders report a lower rate of refinancing (37% for both) compared to white mortgage holders (56%). (Fannie Mae National Housing Survey, Q4 2021)

Limited home value appreciation and increased tax burdens

Black homeowners do not realize appreciation gains at the same rate as white homeowners. Financial gains to homeownership were substantial for homeowners who bought and maintained homes from 1999 – 2009, while lower for lower-income households and also underserved households. (Herbert, *et al.*, 2013)

On the other hand, research finds that the net wealth of Black homeowners in the early 2000s declined, regardless of purchase timing. They attribute much of this to differences in local housing markets across Black and white homeowners. (Newman and Holupka, 2016)

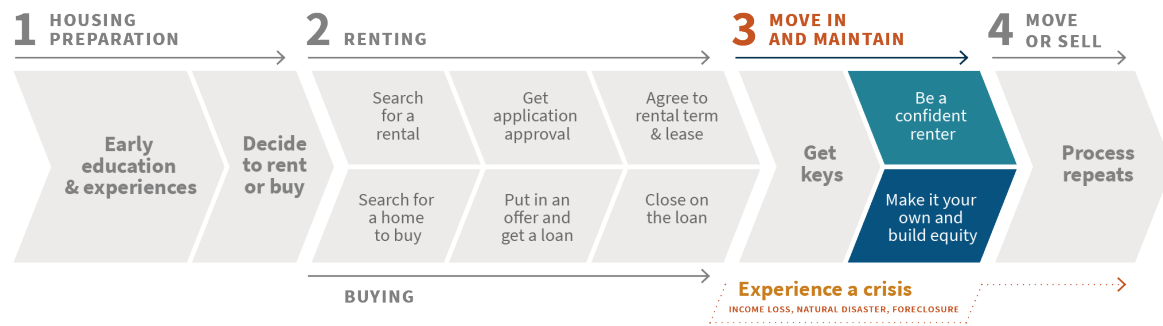
Black households may have higher tax burdens. Recent research shows that property taxes are regressive, with lower-valued homes and neighborhoods assessed at higher values relative to their sales prices and local public services. Appeals behavior and outcomes also differ across race, collectively leading to higher tax burdens for Black households and neighborhoods. (Avenancio-Leon and Howard, 2020; Berry, 2021)

As a result of appraisal bias and devaluation, a 2021 Brookings Institution report found that the median value of homes in **Black census tract neighborhoods was 23% less than median home values in non-Latino or Hispanic white census tracts**, and that this represented \$156 billion in lost equity. <https://www.brookings.edu/research/biased-appraisals-and-the-devaluation-of-housing-in-black-neighborhoods/>

Key points/implications

- There is a gap in refinancing rates among Black mortgage holders, which could be leading to higher costs over the life of their loan.
- Black homeowners could be experiencing higher tax burdens and less wealth accumulation based on the location of their homes.





Among all consumers, there is low awareness of flood risk and insurance, especially for individuals in mid-risk zones. People are not receiving enough information prior to purchasing a home, and when they do, it is from less trusted sources, vs. the government as most trusted source. In some instances, minorities have lower awareness than non-Hispanic white people. (Fannie Mae Consumer Flood Risk Awareness and Insurance Study, February 2022)

Black, Latino, Asian and people from other underserved groups are disproportionately exposed to air pollution, and ethno-racial disparities exists for all emission types (EPA, 2021). Climate Change and Social Vulnerability in the United States: A Focus on Six Impacts. U.S. Environmental Protection Agency, EPA 430-R-21-003: www.epa.gov/cira/social-vulnerability-report.

Black people in the U.S. are 40% more likely to currently live in areas with the climate-driven changes in extreme temperatures, and 34% more likely to be impacted by air pollution, increasing childhood asthma diagnoses. Latino people are 43% more likely to experience labor hour losses in weather-exposed industries due to climate-driven increases in high-temperature days, and 50% more likely to live in coastal areas with the highest projected increases in traffic delays from climate-driven changes in high-tide flooding. U.S. Environmental Protection Agency, EPA 430-R-21-003: www.epa.gov/cira/social-vulnerability-report

Limited awareness of flood risk and flood insurance

Minorities in high-risk areas are less likely than non-Hispanic white consumers to say they were informed about flood risk when moving to their current residence (35% vs. 44%). Minorities have a lower awareness than non-Hispanic white consumers that they live in high-risk (100-year) FEMA flood zones (26% vs. 40%).

Minorities are less aware than non-Hispanic white consumers of FEMA's National Flood Insurance Program (high-risk zone, 46% vs. 56%). (Fannie Mae Consumer Flood Risk Awareness and Insurance Study, February 2022)

Key points/implications

- There is an opportunity to bring better awareness and educate consumers on flood risk and insurance, so they are better informed and motivated to take appropriate actions to mitigate their risks.



Black households experience higher energy expenditures compared to white households.

Research demonstrates Black renters spend \$200 more per year and Black homeowners pay \$310 more per year than white renters and homeowners on electricity, natural gas, and additional home heating fuels. Additionally, Black renters and homeowners indicate they have fewer ENERGY STAR®-qualified appliances and are less likely to have received a tax credit or rebate for upgrading an appliance in their home. (Lyubich, 2020)

<http://www.haas.berkeley.edu/wp-content/uploads/WP306.pdf>

Black households experience a higher incidence of medical debt that threatens their housing stability and negatively impacts Black consumers' credit scores.

Over a quarter of Black households (27.9%) maintain medical debt compared to 17.2% of white households, and for 6.2% of Black households, medical debt exceeds 20% of their yearly income. This debt may affect multiple aspects of the mortgage process, including obtaining a mortgage and avoiding delinquency and foreclosure. (Haynes, 2022)

In 2020, Black borrowers were three times more likely to receive a high-cost mortgage loan.

13% of Black borrowers assumed a high-cost mortgage loan in 2020 compared to 5% of white borrowers. (Note: High-cost refers to loans with an interest rate at closing that is more than 1.5% above the Average Percent Offer Rate (APOR) for the day the loan closed.) (Carr, Zonta, Spriggs, 2021; NAREB report)

[https://www.nareb.com/site-](https://www.nareb.com/site-files/uploads/2021/11/2021_State_of_Housing_In_Black_America_Final_Full__WEB_11.08.21.pdf)

[files/uploads/2021/11/2021_State_of_Housing_In_Black_America_Final_Full__WEB_11.08.21.pdf](https://www.nareb.com/site-files/uploads/2021/11/2021_State_of_Housing_In_Black_America_Final_Full__WEB_11.08.21.pdf)

Almost all the census tracts that **have more than 80% of their housing stock built before 1980 are in low-income minority tracts.** The same observation basically holds true at the country aggregation.

<https://my.sf.freddiemac.com/updates/news/news~where-is-the-aging-housing-stock-in-the-united-states#:~:text=Aging%20housing%20stock%20is%20defined,already%20gone%20through%20major%20renovations.>

Key points/implications

- Medical debt is a key factor in the higher overall debt-to-income ratio for Black mortgage applicants.
- Aging housing stock and energy expenditures are contributory factors in the housing cost burdens of Black consumers.
- Black consumers are highly motivated to own and are more likely to assume a high-cost mortgage loan.



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Information on research

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This work leverages the most reliable bodies of research within the last 10 years that we identified and will continue to be updated as more reliable or relevant research is available.





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