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Racial Wealth Gap in St. Louis

Social Policy Institute
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Institute for Economic Equity

**These are my own views, and not necessarily the views of the Federal Reserve Bank of St. Louis, or the Federal Reserve System.*

Overview

- Why Focus on Wealth?
- Racial Wealth Gap
- Origins of Racial Wealth Gap
- St. Louis' Contemporary Housing Inequities
- Policies to Address Inequities

Executive Summary

- Minority families experiencing worse housing distress during pandemic, but inequities existed well before.
- Lack of assets (wealth) linked to greater risk of hardship.
- Persistent racial wealth gaps contributing to chronic fragility across many different outcomes.
- Racial wealth gaps have long historical roots (e.g. “redlining”).
- To counter devaluation of Black neighborhoods, invest significantly and concurrently in the people and the place.

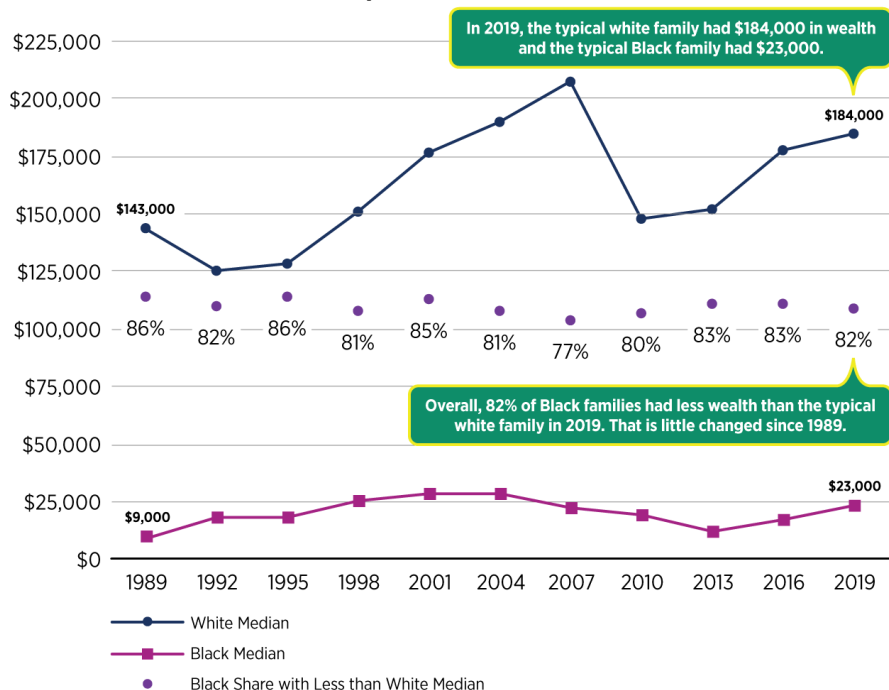
Why Focus on Wealth?

- Accumulated wealth is central for economic resiliency and upward mobility.
- Assets serve as private insurance for events such as an income shock.
- Liquid assets help to reduce risk of instability such as food hardship or a missed housing payment. ([Gallagher and Sabat](#) 2017, [Chang et al.](#) 2014, [Ricketts and Boshara](#) 2020, [Roll and Despard](#) 2020)

RACIAL WEALTH GAP

Racial/Ethnic Wealth Gaps are Wide and Persistent

Median Wealth Gap Between White and Black Families



■ FEDERAL RESERVE BANK OF ST. LOUIS Source: [Kent and Ricketts](#) (2020).

- Despite progress in other areas, the large racial and ethnic wealth gaps remain essentially unchanged.
- Typical Black families had about 12 cents per \$1 of wealth of white families.
- Even wealthier Black families (82nd percentile) fall short of white medians (50th percentile).

Racial/Ethnic Wealth Gaps are Wide and Persistent

Median Wealth Gap Between White and Hispanic Families



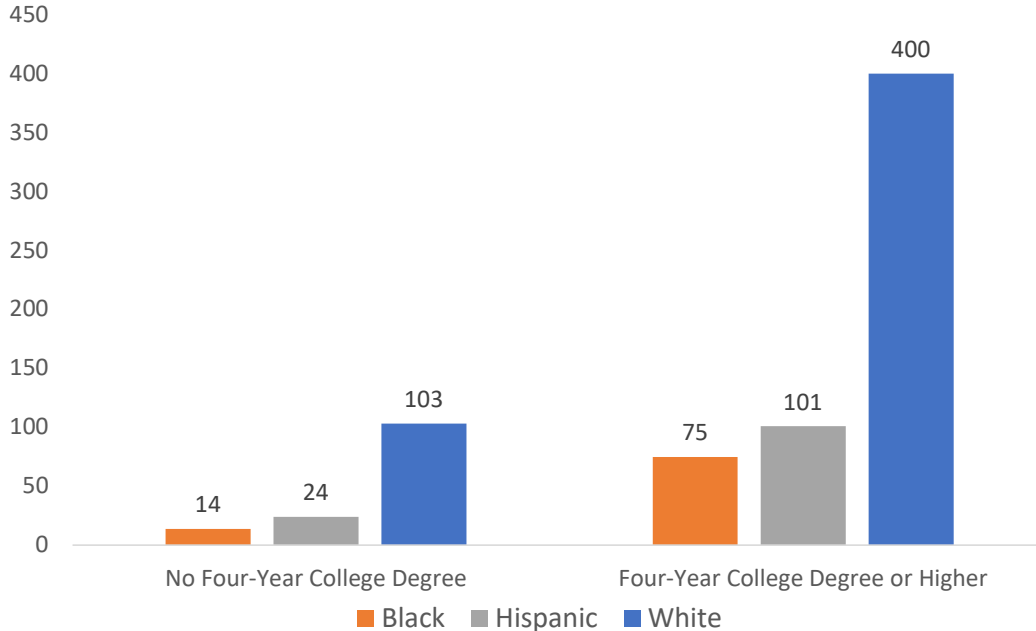
■ FEDERAL RESERVE BANK OF ST. LOUIS Source: [Kent and Ricketts](#) (2020).

- The wealth gap between Hispanic and white families was similar.
- The typical Hispanic family had around 21 cents per \$1 of white families.
- Even wealthier Hispanic families (76th percentile) fall short of white medians (50th percentile).

Racial Wealth Gaps Remain Despite College

Median Household Net Worth, by Race/Ethnicity and Education, 2019

Thousands of 2019 \$



Source: Federal Reserve Board's Survey of Consumer Finances and calculations by Lowell Ricketts.

- Importantly, a college degree is associated with greater median wealth for *all groups*.
- However, the racial wealth divide remains even among college-educated families.
- Among college-educated peers, the black-white gap is 17 cents per dollar.

ORIGINS OF THE RACIAL WEALTH GAP

What Explains the Racial Wealth Gap?

- [Thompson and Suarez](#) (2015): “Observable factors account for most of the gap between white and black families, but a substantial unexplained portion remains.”
- Observable factors include a host of measures.
- They cede that “some of the key factors that account for the wealth gap in our regression analysis, including income and homeownership, *could reflect themselves the effects of racial biases as well.* [emphasis added]”

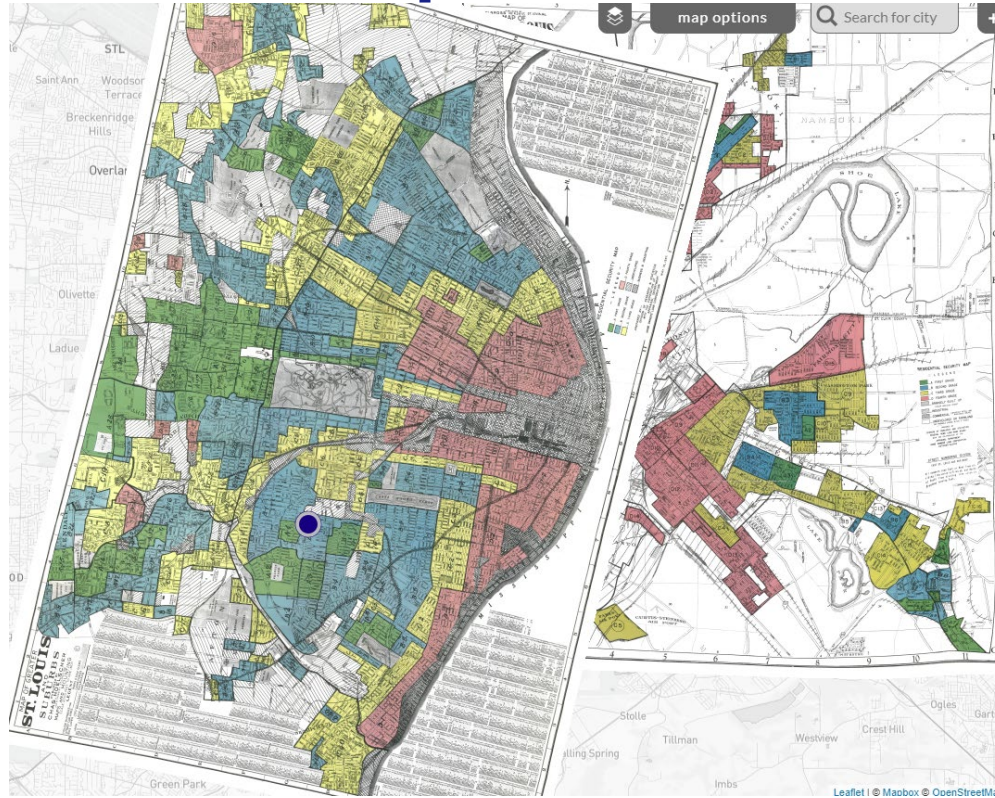
What Explains the Racial Wealth Gap?

- [Emmons and Ricketts](#) (2017) presents alternative theoretical framework that attributes racial differences in observables to systemic or structural factors in the past and present.
- A comparison of frameworks provides suggestive evidence that Black- and Hispanic-White wealth gaps *may lie beyond the scope of individual actions or marginal policy changes*.
- Instead, the gaps are rooted in unobservable factors that may include discrimination or other persistent disadvantages.

The Practice of Redlining

- In wake of Great Depression, the Home Owners' Loan Corporation (HOLC) was created in 1933 by the Federal government to stabilize housing markets.
- HOLC created maps for over 200 cities to grade (A = least, D = most risky) the riskiness of lending to neighborhoods.
- In addition to common factors, racial and ethnic makeup was also included (e.g. “infiltration of a lower-grade population”.)
- Neighborhoods deemed to have the highest risk were drawn in red, consequently borrowers in these neighborhoods were denied credit based on racial composition.

HOLC Maps in St. Louis



Source: Robert K. Nelson, LaDale Winling, Richard Marciano, Nathan Connolly, et al. "Mapping Inequality", *American Panorama*, ed.

Robert K. Nelson and Edward L. Ayers, accessed July 30, 2020, [Link](#)

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“The Effects of the 1930s HOLC Redlining Maps”

- The maps affected the degree of racial segregation: areas graded “D” became more heavily Black than nearby C-rated areas.
- The maps also had a meaningful negative effect on homeownership, house values, rents, and vacancy rates.
- Effects rose steadily from 1930 until about 1970 or 1980 before declining thereafter.
- The maps could account for 15-30% of the D-C differences in segregation and homeownership; 40% of gap in house values over the 1950 to 1980 period.

Source: [Aaronson, Hartley, and Mazumder](#) (2019)

ST. LOUIS' CONTEMPORARY HOUSING INEQUITIES



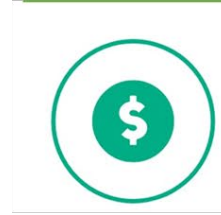
How does your community compare?

St. Louis Demographic Snapshot



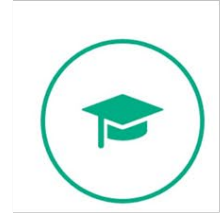
Race and Ethnicity

- City:
 - White: 44.5%
 - Black: 44.9%
- County:
 - White: 65.2%
 - Black: 24.3%
- US:
 - White: 60.0%
 - Black: 12.4%



Median Household Income

- City: \$47,000
 - White: \$61,000
 - Black: \$31,000
- County: \$70,000
 - White: \$82,000
 - Black: \$42,000
- US: \$66,000
 - White: \$72,000
 - Black: \$44,000



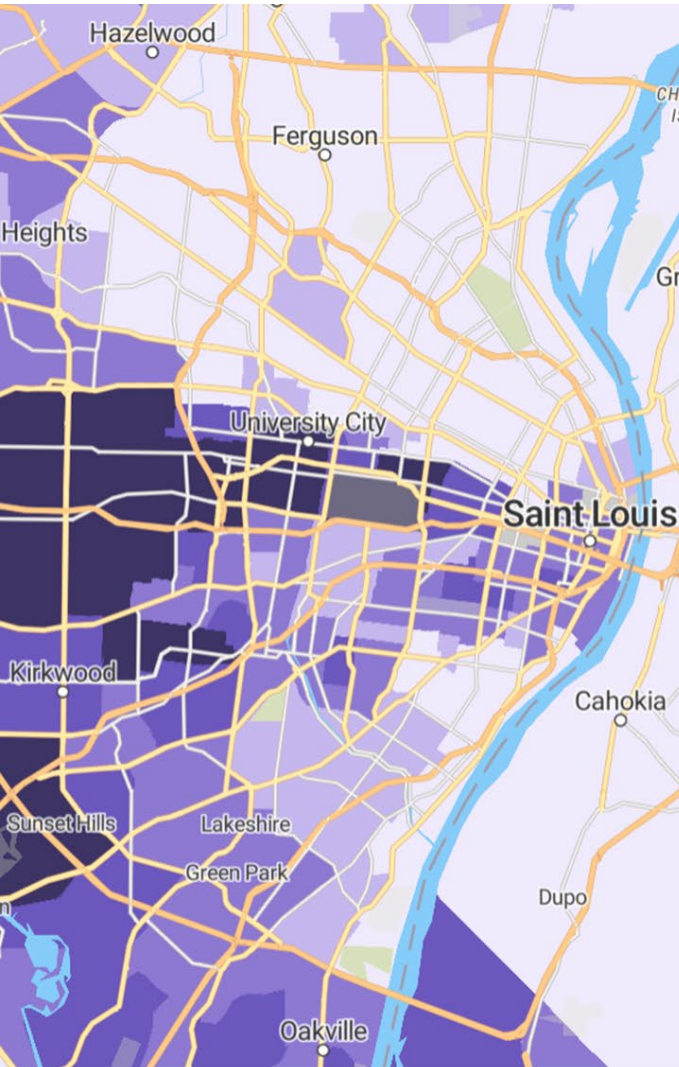
Education: Bachelor's +

- City: 38.6%
 - White: 54.7%
 - Black: 16.5%
- County: 45.6%
 - White: 51.9%
 - Black: 20.3%
- US: 33.1%
 - White: 34.4%
 - Black: 22.5%

Source: PolicyMap, Census, American Community Survey, and Ana Kent's calculations.

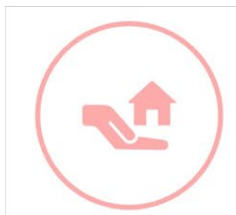
Note: Hispanic, Asian, and other represent 5% or less of the demographic makeup. Income is rounded to the nearest \$1,000.

Photo credit: Arch City Religion



How does your community compare?

St. Louis Housing Snapshot



Homeownership Rate

- City: 48.2%
 - White: 64.3%
 - Black: 35.5%
- County: 71.6%
 - White: 80.8%
 - Black: 46.4%
- US: 64.8%
 - White: 73.7%
 - Black: 43.2%



Housing Affordability*

- City: 74.0%
- County: 52.5%
- Missouri: 67.1%



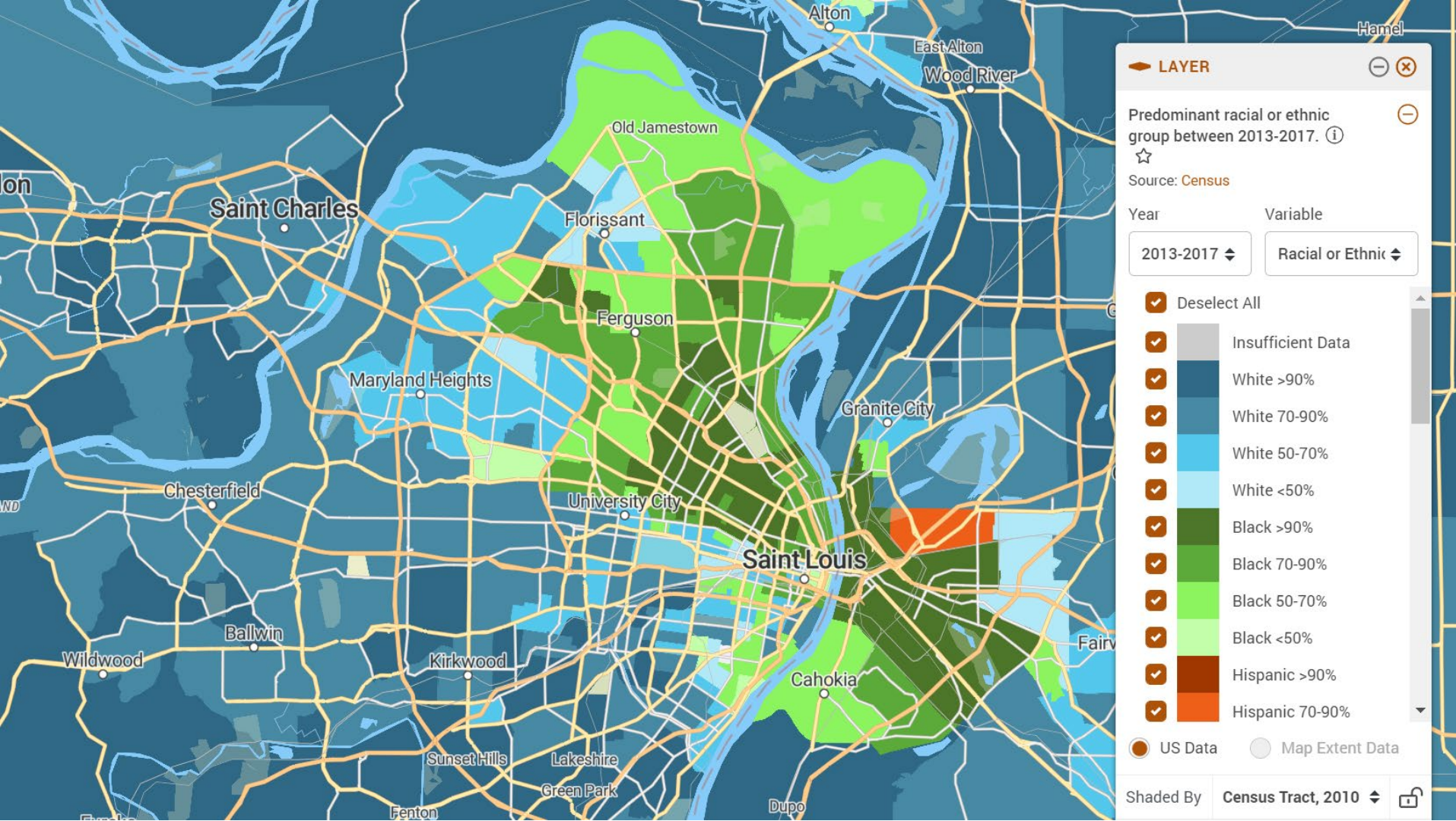
Median House Value

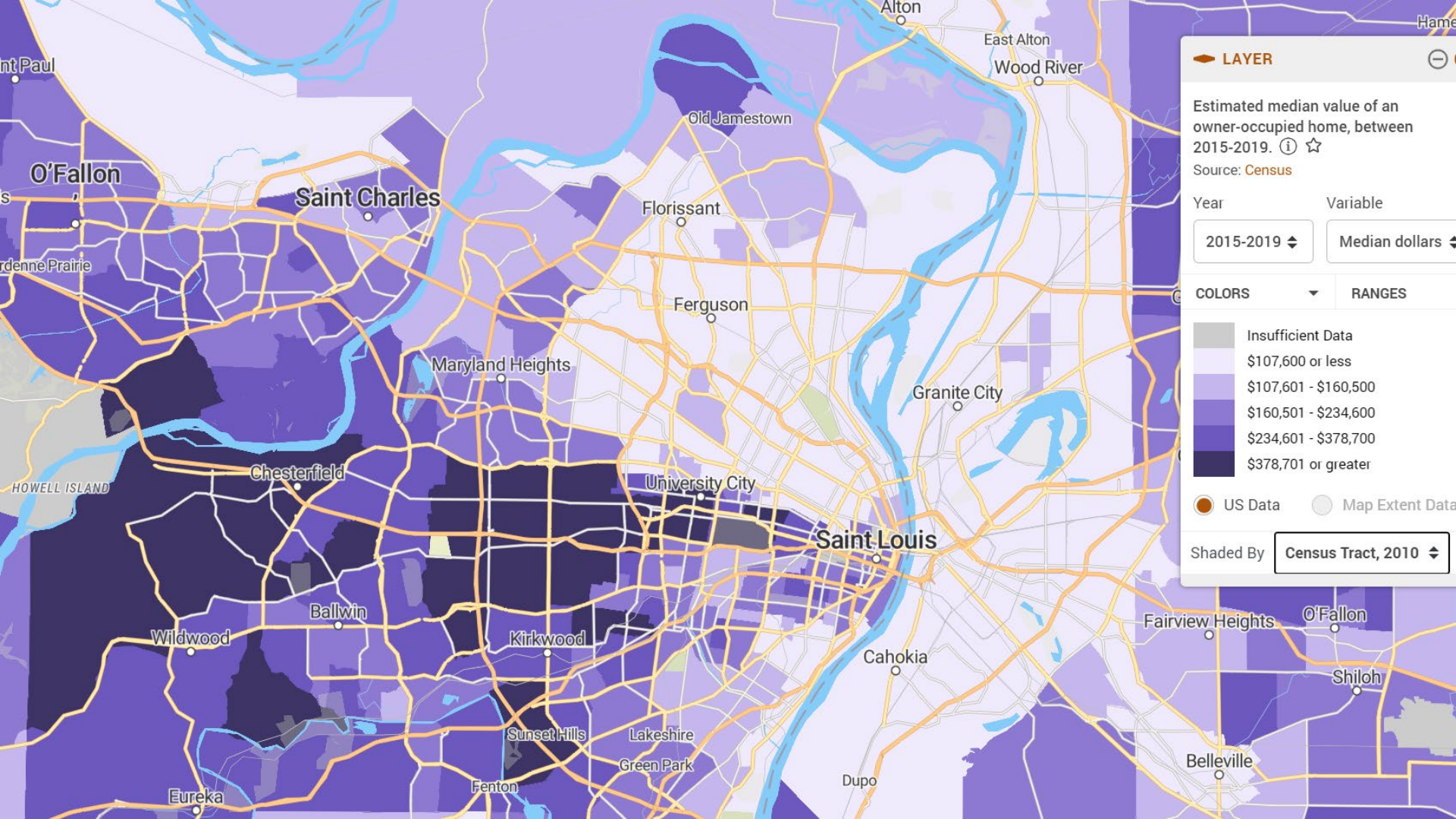
- City: \$149,000
 - White: \$170,000
 - Black: \$65,000
- County: \$230,000
 - White: \$250,000
 - Black: \$100,000
- US: \$250,000
 - White: \$250,000
 - Black: \$185,000

Source: PolicyMap, Census, American Community Survey, HUD, and Ana Kent's calculations.

Note: Housing affordability indicates the share of homes in a block group that are likely affordable for a four-person family earning the area median income. House value is rounded to the nearest \$1,000.

*Unable to disaggregate by race.





LAYER

Estimated median value of an owner-occupied home, between 2015-2019. ⓘ ☆

Source: **Census**

Year

2015-2019 ▾

Variable

Median dollars ▾

COLORS

RANGES

- Insufficient Data
- \$107,600 or less
- \$107,601 - \$160,500
- \$160,501 - \$234,600
- \$234,601 - \$378,700
- \$378,701 or greater

● US Data

● Map Extent Data

Shaded By

Census Tract, 2010 ▾

POLICIES TO ADDRESS HOUSING INEQUITIES

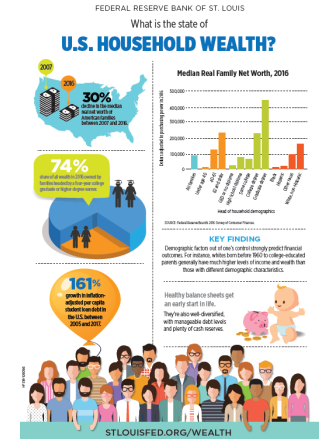
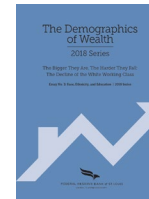
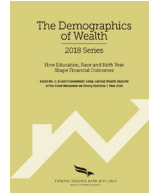
Policies to Address Housing Inequities

- Expand support for small dollar mortgage loan programs
- Tackle housing supply constraints and housing affordability
- Adopt credit scoring practices with less discriminatory impacts
- Extend credit and down payment assistance to borrowers impacted by discriminatory housing and lending practices
- Reduce uneven costs of mortgages for Black homeowners
- Increase diversity in the appraisal profession
- Continue stimulus and relief efforts for homeowners and buyers in the wake of the COVID-19 pandemic

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