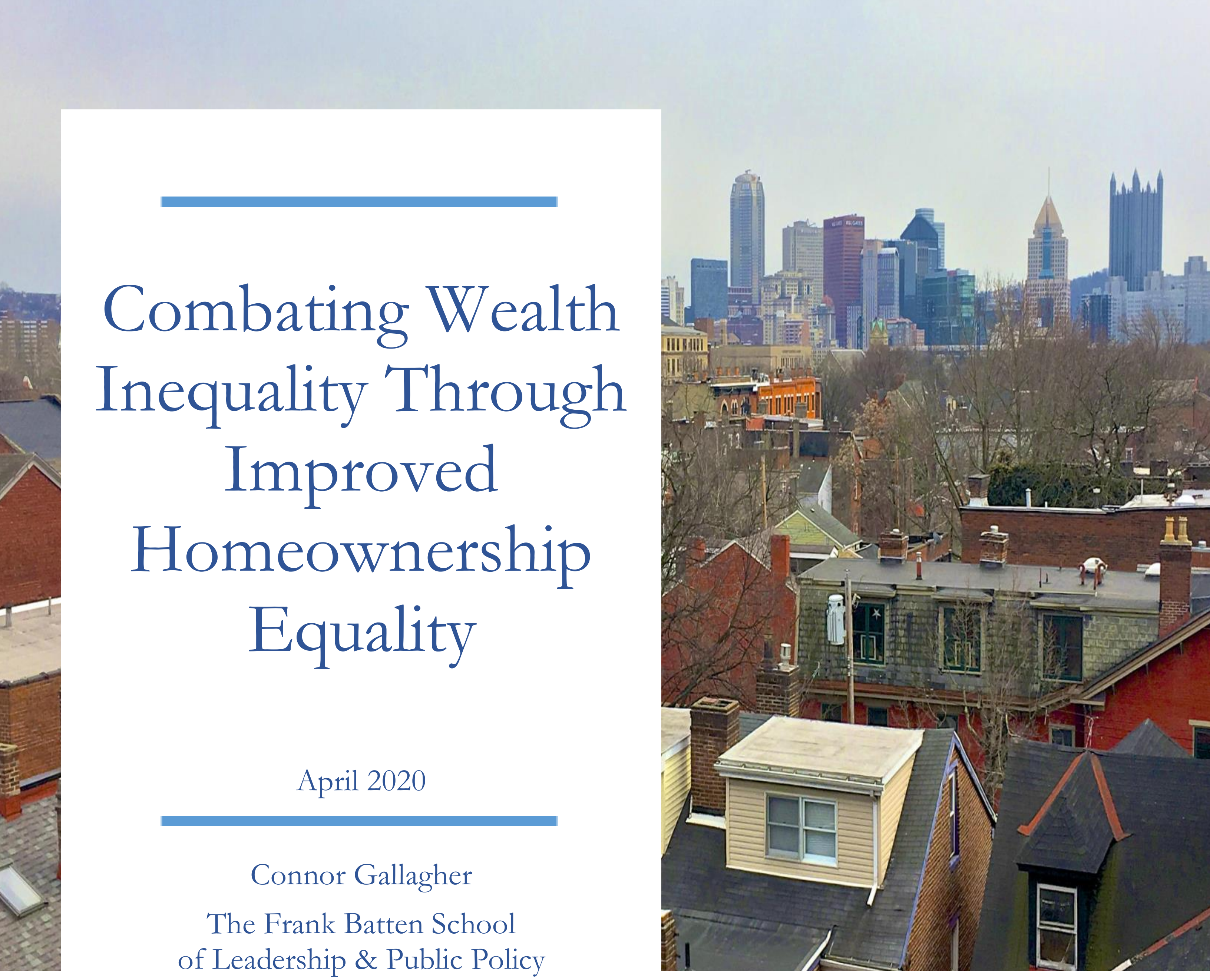

Combating Wealth Inequality Through Improved Homeownership Equality

April 2020

Connor Gallagher

The Frank Batten School
of Leadership & Public Policy
with the Center for American Progress

Image Source: National Geographic Society

Acknowledgements

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To my classmates, specifically Lester Coleman, Mattie Liebowitz, and Wittney Skigen, thank you for your feedback, suggestions, and late-night edits. I am honored to have had the opportunity to complete my Batten journey with you.

Disclaimer

The author conducted this study as part of the program of professional education at the Frank Batten School of Leadership and Public Policy, University of Virginia. This paper is submitted in partial fulfillment of the course requirements for the Master of Public Policy degree. The judgments and conclusions are solely those of the author, and are not necessarily endorsed by the Batten School, by the University of Virginia, or by any other agency.

Honor Statement

On my honor as a student, I have neither given nor received unauthorized aid on this assignment.

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CAP

Table of Contents

Executive Summary

For centuries, structural racism in the U.S. housing system has contributed to stark and persistent racial disparities in wealth and financial well-being, especially between African American and Caucasian households (Demos, 2016). In fact, these differences as so entrenched, that if current trends continue, it could take more than 200 years for the average African-American Family to accumulate the same amount of wealth as its white counterparts (Collins, 2019). Although prominent throughout the country, the issue is critical in cities, especially ones at risk of rapid gentrification.

Recent studies have estimated that closing the gap in homeownership rates between white and black families would cause the racial wealth gap to decrease by 31 percent (Sullivan, 2016). Housing is a powerful lever that affects other aspects of inequality: For most Americans, their home is their largest asset, and for those who do not own a home, it is their greatest expense (Baradaran, 2019). Their analysis further uncovered that making the returns of blacks' homeownership equal to the returns white families see on their investment would further reduce the gap by 16 percent (Sullivan, 2016). Solutions to promote equity among homeownership rates and homeowner returns are imperative.

The paper will posit four policy alternatives to promote equitable homeownership rates between African Americans and White Americans:

1. Let Present Trends Continue
2. Advocating for the 21st Century Homestead Act
3. Advocate for the Expansion of the Housing Benefits in G.I. Bill for Low-Income Civilians with Public Good Occupations
4. Implement National Housing and Urban Development National Tools for Financial Growth Workshop

Each alternative is evaluated based on its projected cost effectiveness, cost, effectiveness, administrative feasibility and political feasibility.

After careful consideration, the Center for American Progress should pursue Alternative 2, Advocating for the 21st Century Homestead Act. The 21st Century Homestead Act is a refreshing measure to counteract the longstanding legacy of racially discriminatory housing policies that have contributed to the widening of both the racial homeownership and wealth gap. The comprehensive act serves to revitalize distressed communities through public investment and increased homeownership.

As a think-tank, the Center for American Progress can best implement the policy recommendation through an advocacy campaign with the goal of influencing public officials and primary interests, namely the U.S. Department of Housing and Urban Development (HUD). The Center for American Progress has a platform that the policy's champion, Professor Mehrsa Baradaran, can leverage to gain support and publicity.

A final consideration and a limitation to this policy analysis is that it focuses on eliminating the direct discrimination that prospective African American homeowners face. While Alternative 2 best satisfies the criteria in this policy analysis, it is clear that just one solution will not work. The racial homeownership gap is built on decades of biased and discriminatory policy that still exists today. The problem is institutionally engrained into many of the mechanisms required for homeownership. It is important that the Center for American continues to recognize the multi-faceted nature of this long-standing issue.

Basic Definitions and Acronyms

- **AMI**: Area Median Income
- **BSRP:** Basic Systems Repair Program
- **CAP**: Center for American Progress
- **HUD**: United States Department of Housing and Urban Development
- **Hyper-vacancy**: Neighborhood with a vacancy home rate of 7.5% are considered suffering from hyper-vacancy. The number of vacant homes was then multiplied by the estimated home purchase value of $10,000 to estimate the initial investment for pilot city.
- **Public Good Occupations**: An occupation that provides benefit to all members of a society.
- **Racial Homeownership Gap:** The gap in the homeownership rate between black and white families.
- **Racial Wealth Gap**: The racial wealth gap is defined as the absolute difference in wealth holdings between the median households of differing races.
- **Wealth**: The net worth of a person, the total value of his assets minus his liabilities.

Problem Definition

For centuries, structural racism in the U.S. housing system has contributed to stark and persistent racial disparities in wealth and financial well-being, especially between African American and Caucasian households. Recent studies have shown that homeownership continues to represent an important opportunity for individuals and families of limited means to accumulate wealth (Herbert, 2013). Nevertheless, the multitude of federal programs over the last 150 years have disproportionately benefitted white households to build, grow, and transfer accumulated assets across generations, contributing to glaring racial disparities in homeownership and wealth as early as the 1860s (Solomon, 2019).

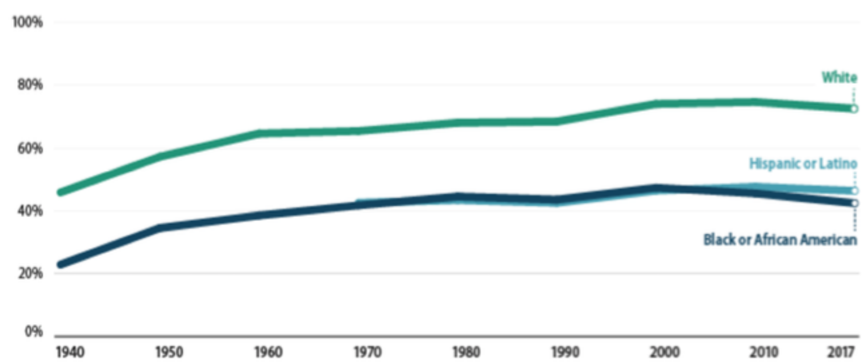
Background

Homeownership is the largest component of wealth portfolios for both white and black families (Shapiro, 2006). Homeownership, however, has been and is currently unequally distributed along racial and ethnic lines. The distinct divide in homeownership rates between Blacks and Whites in American demonstrates a historic and continued trend. Since the 1940s, the racial homeownership gap has maintained relatively stable.

Prior to 2008, minority homeownership rates both increased and decreased based on economic conditions (Kochar, 2009). For example, from 1995-2004, Black homeownership rates increased 7.3%. In 1995, 42.2% of African-American families owned a home. By 2004, 49.5% of African-American families owned a home. Similarly, the black-white homeownership gap stood at 28.5% in 1995 and narrowed to 26.2% in 2004 (Shapiro, 2006).

Since 2008, households of color remain have increasingly become less likely to own their own homes when compared with white households, even after controlling for protective factors such as education, income, age, geographical region, state, and marital status (Urban Institute, 2019). Regression results show that when key variables are controlled for, 17 percent of the black-white homeownership gap remains unexplained, which suggests that variables that are hard to control for, such as discrimination, may be contributing to the gap and persisting in current structures, such as credit scoring.

Homeownership rate by race/ethnicity, 1940-2017



Source: Solomon, D., Maxwell, C., & Castro, A. (2019). Systemic Inequality: Displacement, Exclusion, and Segregation. Race & Ethnicity.

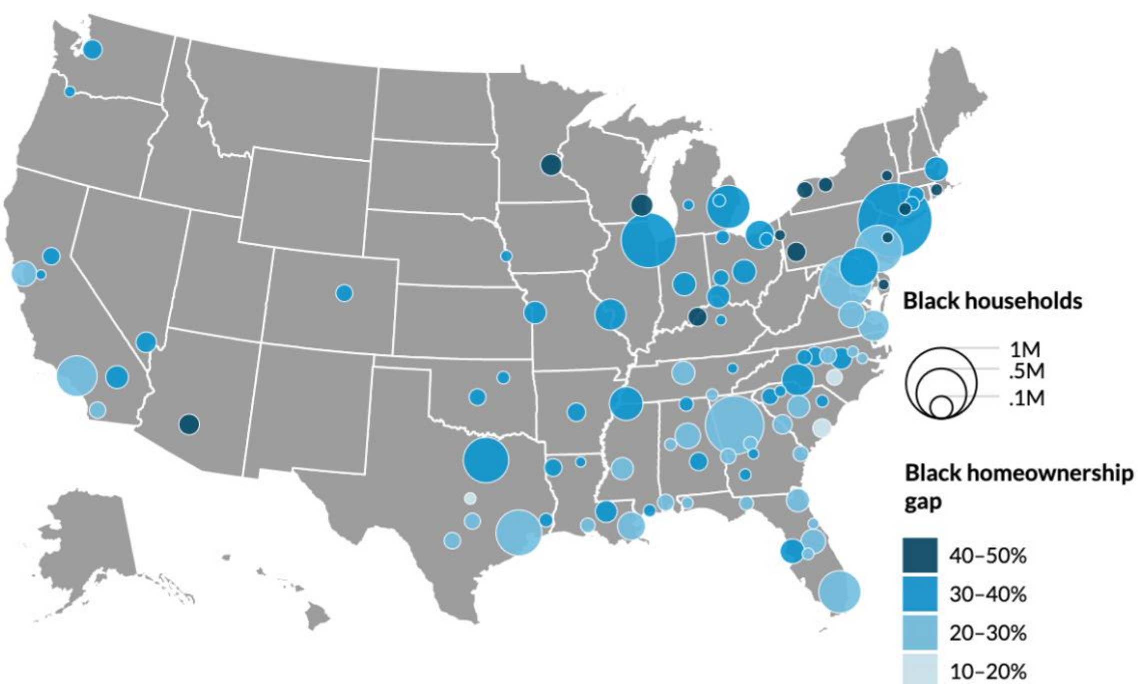
Today, just 41 percent of Black households own their own home, compared with more than 73 percent of white households (Solomon, 2019 & Simms, 2018).

Gap Regression: Black-White Homeownership Rate

	Base		MSA variables	Credit scores	
	(1)	(2)	(3)	(4)	(5)
Younger than 35 (%): gap	-0.58***	-0.53***	-0.69***	-0.64***	-0.61***
	(0.07)	(0.07)	(0.06)	(0.06)	(0.07)
Has bachelor's degree or more (%): gap	-0.03	-0.02	-0.04	-0.06	-0.12***
	(0.04)	(0.04)	(0.04)	(0.04)	(0.05)
Female-headed HH (%): gap	0.23***	0.26***	0.18***	0.18***	0.21***
	(0.06)	(0.05)	(0.05)	(0.05)	(0.05)
Married (%): gap	0.36***	0.27***	0.25***	0.23***	0.26***
	(0.08)	(0.08)	(0.08)	(0.07)	(0.07)
HH with children (%): gap	0.26***	0.20***	0.06	0.06	0.07
	(0.06)	(0.06)	(0.05)	(0.05)	(0.05)
Unemployment rate: gap	-0.29***	-0.20***	-0.25***	-0.23***	-0.23***
	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)
Log(median HH income): gap	0.03***	0.01	-0.01	-0.01	-0.00
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Earns below 25th percentile of AMI (%): gap		-0.29***	-0.19***	-0.17***	-0.19***
		(0.06)	(0.06)	(0.06)	(0.06)
Dissimilarity index	-0.13***	-0.13***	-0.04	0.00	0.01
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Building permits per HH			0.60***	0.59***	0.61***
			(0.21)	(0.21)	(0.21)
Log(median house value/median rent)			-0.24***	-0.22***	-0.20***
			(0.02)	(0.02)	(0.02)
Log(median house value/median HH income)			0.20***	0.19***	0.17***
			(0.02)	(0.02)	(0.02)
Missing FICO score in 2016 (%): gap				-0.25***	
				(0.06)	
FICO score above 700 in 2016 (%): gap					0.22***
					(0.06)
Log(GDP per capita)			0.02	0.03***	0.02*
			(0.01)	(0.01)	(0.01)
Log(MSA population)			0.00	0.00*	0.00
			(0.00)	(0.00)	(0.00)
Year fixed effects	Y	Y	Y	Y	Y
Observations	523	523	514	514	514
R^2	0.470	0.496	0.613	0.627	0.624

Sources: Decennial Census, the American Community Survey, Freddie Mac, and the Bureau of Economic Analysis.
Notes: AMI = area median income; GDP = gross domestic product; HH = household; MSA = metropolitan statistical area. Standard errors are in parentheses.
* $p < 0.1$; *** $p < 0.01$.

Further, not one of the 100 cities with the largest black populations has a black homeownership rate close to the white homeownership rate (McCargo, 2018). Even in places where black households are the majority, like Albany, Georgia, the gap persists. Northeastern and midwestern cities have the widest homeownership gaps between black and white residents. Four of the five metropolitan areas with the largest number of black households—Atlanta, Chicago, New York City, Philadelphia, and Washington, DC—are in this region. The two cities with the biggest gaps—Minneapolis, Minnesota, at 50 percent and Albany, New York, at 49 percent—are also in this region. Of the 100 cities, northern cities tend to have larger gaps in than cities in the South and on the West Coast (McCabe, 2018).[1]



Source: Urban Wire – The Blog of the Urban Institute (McCabe, 2018)

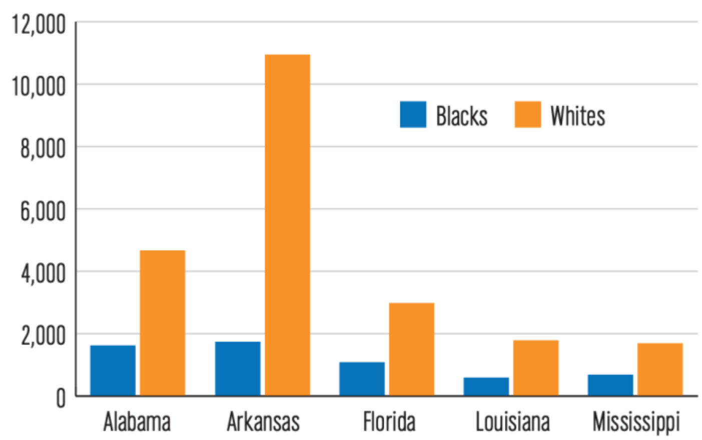
[1] See Appendix A

Homeownership & Wealth Building

Homeownership and housing appreciation are the foundation of institutional accumulation. Indeed, for most Americans, home equity represents the largest reservoir of wealth: home wealth accounts for 60% of the total wealth among America's middle class. (Shapiro, 2006). For decades, home prices have appreciated annually at average rates from about 3% to 5%, creating valuable home equity that increases a family's net worth (Hect, 2017). Increasing wealth is important because of the central role wealth plays in enabling families to both handle current financial challenges and make investments in their future. Over the longer term, wealth can expand the prospects of the next generation, increasing the likelihood of economic mobility through education, down payments, or business development (Traub et al., 2016).

As a result, American lawmakers have long sought to secure land for, reduce barriers to, and expand the wealth-building capacity of property ownership and affordable rental housing (Solomon, 2019). Nevertheless, these efforts have disproportionately benefited white households. Federal programs, dating back to the 19thth century, have led to the removal of people of color from their homes and neighborhoods, denied people of color from engaging in wealth-building opportunities, and relocated people of color from their cultural homes to unfamiliar communities (Baradaran, 2019; Solomon, 2019).

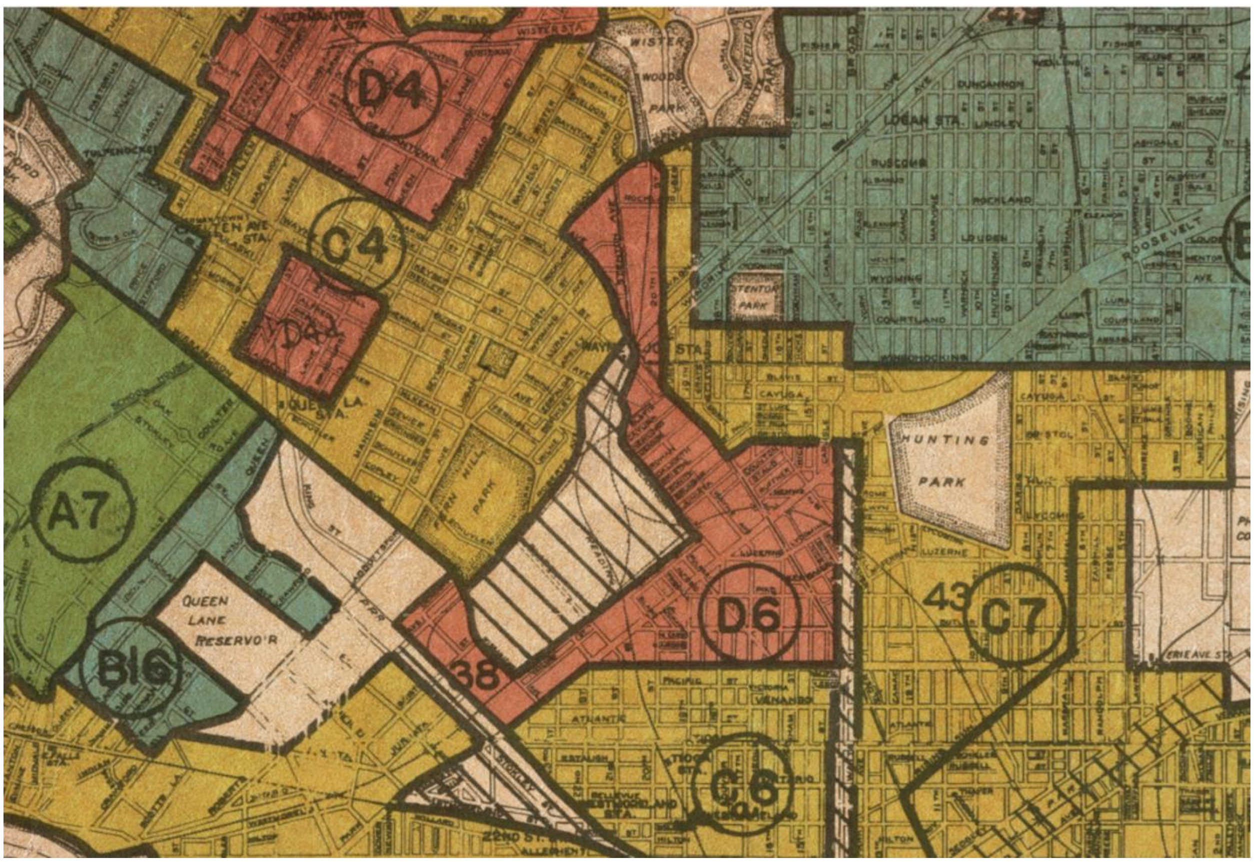
The Homestead Act of 1862, signed into law by President Abraham Lincoln, and the Southern Homestead Act of 1866, signed into law by President Andrew Johnson, discriminated against African-Americans. Although the acts did not explicitly discriminate based on race, the mechanisms to secure land ownership were exclusionary in nature. The Homestead Act of 1862, passed in the second year of the American Civil War, disproportionately benefitted members of the northern United States.



Estimated total number of successful homesteads by race, 1871-1883
Source: Project Muse (Edwards, 2019)

The Southern Homestead Act of 1866 attempted to extend the Homestead Act of 1862 into the southern states. The act, however, failed to consider many of the obstacles that the newly emancipated African American population faced. Most were unable to take advantage of the Southern Homestead Act because of their extreme poverty; the unsuitability of the lands available and difficulty of finding them; and the extreme hostility and violence that whites directed against them. By the conclusion of the 1866 act 10 years later, the government had awarded nearly 28,000 individuals land (Merritt, 2016). Combined with the successful claimants of the original Homestead Act, more than 1.6 million white families succeeded in becoming landowners. Conversely, only 5,500 African-American claimants ever received final land patents from the Homestead Acts (Edwards, 2019).

The National Housing Act of 1934 redlined entire Black neighborhoods, marking them as bad credit risks and effectively discouraging lending in these areas, even as Black home buyers continued to be excluded from white neighborhoods (Solomon, 2019). Further, the Federal Housing Administration used maps created as a result of the National Housing Act that determined areas of risk based on racial composition of the neighborhood and colored those neighborhoods red, denoting the hazardous nature. This process, known as redlining, served to deny people of color access to mortgage financing and reinforced the racial stereotype that residents of color were risky (Solomon, 2019). Although these processes were created in the early 20th century, they continue to plague potential African American homeowners. Today, approximately 3 in 4 neighborhoods—74 percent—that were deemed "hazardous" in the 1930s remain low to moderate income, and more than 60 percent are predominantly nonwhite (Solomon, 2019 & Mitchell 2018). Even after controlling for applicants' income, loan amount, and neighborhood, modern-day redlining practices persisted in 61 metro areas (Glantz, 2018). This suggest that redlining, although not as explicit as in the past, is inherent in the current housing practices.



A 1937 map from the federal Home Owners' Loan Corporation shows Philadelphia's Nicetown neighborhood (labeled D6) colored red, marking it as "hazardous" for bank lending. Source: Reveal Center for Investigative Journalism

Further, even geographic areas that have had a significant shift in racial demographics are suffering from the outlawed practice of redlining over 70 years later. The neighborhood of Germantown in Philadelphia was colored green – "the best" – by government officials. Today, the banks have denied more conventional loans of all types than they have made in Germanton (Glantz, 2018).

Current Institutional Factors Preventing African-American Homeownership & Wealth-Building

Two prominent institutional factors that prevent African-Americans from reaping the reward of homeownership. First, financial institutions reject African-Americans for home mortgages at considerably higher rates – about a 60% higher rejection rate-than whites – even when white and black families are equally creditworthy (Shapiro, 2006). As sanctioned community redlining diminishes under pressure from the civil rights movement, community organizations, the Community Reinvestment Act and 69 other fair-lending and fair-housing laws, it appears that current private financial institutions method of evaluation have resulted in similar redlining outcomes (Shapiro, 2006). These criteria used resulted in that Black families were more likely to have high-cost and riskier mortgages in the years leading up to the foreclosure crisis, even if they could have qualified for conventional products (Kim, 2018).

Second, the residential segregation has contributed to housing appreciation in select communities. Homes have appreciated in value in most communities and in most areas of the country, except for in poor, minority, urban neighborhoods (Shapiro, 2014). On average, homes owned by whites appreciate in value approximately $28,000 more than those owned by blacks (Shapiro, 2014). Moreover, homes lose about 16% of their value when located in neighborhoods that are more than 10% black (Shapiro, 2014).

Across the country, historic and ongoing policies of displacement and exclusion prevent African Americans from accruing the benefits of homeownership that appear over time. Structural racism in the U.S. housing system has contributed to stark and persistent racial disparities in wealth and financial well-being. Historic institutional factors created a segregated housing system that has left lasting, prominent wealth inequalities among the Black and white community.

Literature Review

The following literature review will examine and evaluate solutions to housing discrimination implemented across the country with a focus on metropolitan areas. As cities are areas of increased housing displacement and housing discrimination, their solutions are the most necessary and apt for exploration in conjunction with federal policy solutions (McCargo, 2018). The literature review focuses on eliminating the direct discrimination African-Americans face to securing homeownership.

Solutions to Discriminatory Housing Practices

Federal Policy Solutions

The United States Federal government has taken initiatives to combat discriminatory practices in the housing market. In 1968, the Fair Housing Act outlawed redlining – the practice of identifying neighborhoods with large proportions of immigrants and African Americans and preventing fair housing practices. Since 1968, through amendments to the Fair Housing Act and the passage of the Community Reinvestment Act of 1977, the United States Federal Government has aimed to eliminate discrimination. Largely, these policies, however, have only succeeded in eliminating blatant forms of discrimination (Fields, 2018).

The Fair Housing Act of 1968 was meant to do two things: outlaw individual acts of housing discrimination and foster integration. It was the first time that Congress declared it illegal for private individuals to discriminate on the basis of race in the sale or rental of housing. It had the potential to accomplish both objectives. Nevertheless, the final bill included significant compromises that limited the Department of Housing and Urban Development's enforcement capabilities. As a result, whites employed a combination of legal tactics, such as homeowner associations, and illegal tactics, such as arson and physical attacks, to prevent African-Americans from moving into neighborhoods.

Further, the Community Reinvestment Act of 1977 failed to addressed discriminatory lending practices perpetrated by financial institutions. The act developed "12 assessment criteria to evaluate how banks ascertained and responded to the credit needs of their communities, and assigned banks a rating based on how they met these criteria" (Berry, 2018). The act, while it created the criteria, lacked any enforcement method to confirm the ratings fo financial institutions were accurate.

While not as effective as intended, these policies did begin to address the discrimination in the housing industry. They combination of the two acts successfully made individual acts of explicit racial discrimination in housing transactions illegal, and residential segregation by race has since declined. Further, it has addressed discrimination in the credit industry. Without these acts, the discrimination in the housing market may have continued at 1950 levels.

More recently, the Obama administration introduced an "Affirmatively Furthering Fair Housing" (AFFH) rule that strengthened the mandate of the Fair Housing Act. The rule compelled states to "take[e] meaningful actions that address significant disparities in housing needs and in access to opportunity and wealth" (HUD, 2019). As a result of the AFFH rule, each state and major city has conducted or began the process of conducting a "Fair Housing Assessment." The completed assessments reveal the areas of discrimination and provide greater insight into addressing the rampant issues at a more local level.

Despite recently implemented policies, such as the "Affirmatively Furthering Fair Housing Rule," that strengthened the mandate of the Fair Housing Act, the lack of corrective action to aid minorities in their homeowning experiences has only exasperated this trend (Shapiro, 2016). In a recent National Bureau of Economic Research study, after controlling for general risk considerations, such as credit score, loan-to-value ratio, and debt-to-income ratios, they found that African Americans are 105 percent more likely to receive a high-cost mortgage (Bayer, 2019). A mortgage is classified as high-cost when the annual percentage rate of payment is more than 6.5 percentage points higher than the average prime offer rate, which is an estimate of the rate people with good credit typically pay for a similar first mortgage (Consumer Financial protection Bureau, 2018).

City Policy Solutions

Consistent and rampant failure to mitigate discrimination in the housing industry has left metropolitan areas to experiment with programs. The Federal Housing Act of 1968 and Community Reinvestment Act of 1975 set a framework for a discrimination-free marketplace. Nevertheless, a 2017 analysis of millions of mortgage records of 2015-2016 detailed the persistence of subtle discriminatory policies in the housing (Mitchell, 2018). In dozens of cities across the country, African Americans, Latinos, Asians, and Native Americans remain more likely to be denied a conventional mortgage than whites (Glantz, 2018). To address the consistent financial barriers to housing, cities across the nation have implemented policies to facilitate homeownership.

The Tools for Financial Growth Workshop

Through homeownership education, the Tools for Financial Growth (TFFG) Workshop aids low-income and minority individuals in developing financial goals and improving credit. Chiefly, however, TFFG workshops prepares community members on how to apply for loans. Its three-class curriculum – budgeting, track expenses, and improving credit – works to make the applicant more well-rounded (City, 2016). From 2011 to 2016, metropolitan areas, such as Atlanta, Baltimore, and Philadelphia, have implemented TFFG workshops. In Philadelphia, since the program started, a total of 1,403 participants graduated after successful completion of all three classes (City, 2016).

The TFFG workshops works with low-income community members to provide financial education with assistance from lending institutions, such as PNC bank (City, 2016). This process aids lending institutions in feeling more comfortable providing assistance to these individuals and promotes lending. However, studies have revealed that the effectiveness of this program lacks in geographical areas of historical redlining (City, 2016). For example, both Philadelphia and Baltimore have implemented a TFFG workshop program; both cities, nevertheless, have proved to have one of the widest lending disparities among their metro areas (McCargo, 2018).

Furthermore, there are holes in the research. While graduates of the workshop secured loans, it is unable to demonstrate that they secured the loan because of the workshop. There is a lack of causal data that affirms the effectiveness of the educational initiative (Hastings, 2012).

Solutions to Promote Wealth Development Among African American Communities

Recent studies have estimated that closing the gap in homeownership rates between white and black families would cause the racial wealth gap to decrease by 31 percent (Sullivan, 2016). Their analysis further uncovered that making the returns of blacks' homeownership equal to the returns white families see on their investment would further reduce the gap by 16 percent (Sullivan, 2016). Solutions to promote equity among homeownership rates and homeowner returns are imperative.

Mortgage & Tax Foreclosure Prevention Program

The nationally-recognized Mortgage & Tax Foreclosure Prevention Program has promoted homeownership for low-income individuals. Under the program, Philadelphia homeowners undergoing the process of mortgage foreclosure are provided free housing counseling, free legal advice, and offered a forum where lenders can engage in good faith negotiations. Since 2008, more than 30,000 homeowners in foreclosure have received foreclosure prevention assistance, and approximately 13,000 homes have been saved from foreclosure (City, 2020). Unfortunately, the City of Philadelphia does not publicly list the number of homeowners that applied for assistance.

The Mortgage & Tax Foreclosure Prevention Program has clear benefits. Chiefly, it allows for wealth accumulation through housing appreciation. By persevering homeownership, residents are able to continue to reap the rewards of homeownership. Further, program evaluations have revealed that homeowners who participate in the voluntary program are nearly twice as likely to save their home as homeowners who do not participate (City, 2016). Second, as a free voluntary service, economically struggling individuals have a resource to turn to in their time of need.

Nevertheless, the Mortgage & Tax Foreclose Prevention Program has drawbacks as well. Chiefly, it provides a forum for discussion. It does not guarantee the prevention of a foreclosure and loss of property. It does not remove discrimination from the forum. Lending institutions control the direction of the conversation.

Dollar Homes Program

Baltimore, Maryland, provides a historical example for the effectiveness of the program. The "Dollar Homes" project, implemented in the 1980s, provided homeownership opportunities to low-income individuals at a discounted price, albeit in previously vacant housing (HUD, 2020). The program gave homeownership opportunities at below market price and provided the financial opportunity to rehabilitate the home. The program had no defaults on home improvement loans and led to the rehabilitation of up to 600 vacant homes (Gerdom, 2015).

The program, however failed, due to the lack of continued funding. Having partnered directly with financial institutions, the appraisal of home value prevented many homeowners from receiving home improvement loans. The fatal flaw was that there was no mechanism for financing the improvement projects, and banks were unwilling to lend on properties with no value (Baradaran, 2019). Appraisals, loans, and other tools of the traditional market are insufficient to alter the trajectory of the housing market, as demonstrated over the past 70 years. Public credit support is necessary and can capitalize on reliable funding over an extended time horizon.

Homeownership is the primary vehicle to wealth development in the United States, especially for black households. It is imperative that restrictions toward homeownership are removed. Moving forward, policy and program alternatives that dispel discrimination and establish a fairer process are of the utmost importance and deserve careful consideration.

Criteria

I have selected five criteria to evaluate my policy alternatives. The following evaluative criteria will be used to assess the tradeoffs between the proposed alternatives: cost effectiveness, cost, equity, effectiveness, and political feasibility. While each criterion is important, I have assigned weights that emphasize the Center for American Progress' specific goals for this policy project. Effectiveness will receive a 40%. Cost effectiveness and cost will each receive a 20% weight. Administrative and political feasibility will each receive a 10% weight.

Using this criterion, each alternative will receive a score from 1-5. A score of 1 indicates that the alternative does not satisfy the criteria well and a 5 indicates that the alternative perfectly satisfies the criteria.[2]

Cost Effectiveness

Cost effectiveness is important. As many of the alternatives are expensive, it is critical to know the effectiveness of the intervention per dollar. As the outcome of interest in determining cost-effectiveness is the increase in homeownership rates among African Americans per dollar, this criterion will help the Center for America Progress identify a policy that is both effective and fiscally responsible.

This cost-effectiveness criterion is calculated by first measuring the financial costs of each alternative—for example, cost of hiring or increasing staff wages, collecting and analyzing survey data, creation of an educational intervention, training for staff and volunteers, etc. These costs are divided into fixed costs and variable costs, and variable costs are discounted over the length of ten years. From these yearly cost estimates, the final cost over the course of ten years is calculated as a net present value (NPV) in 2019 dollars.

To find the cost-effectiveness of each option, the projected increase in African-American homeownership (in percentage) will be divided by the total projected cost over a 20-year period. The cost-effectiveness number will reflect the monetary amount to raise African Homeownership by 1%.

Qualitative measures of uncertainty, such as multiple discount rates, will be included in the rubric to account for the sensitivity analysis of each option. A large amount of uncertainty means that the sensitivity analysis has rendered a significant range in cost-effectiveness. A little amount of uncertainty means that the sensitivity analysis has rendered a range that is contained and does not fundamentally change the prediction of cost-effectiveness.

After assessing the outcomes, each alternative will receive a number representative of cost effectiveness – the amount per dollar to raise African-American homeownership by 1%. That number will then be ranked in relation to the other alternatives for the purpose of scoring.

[2] In the case of cost, a score of 1 indicates high cost, and a score of 5 indicates a low cost.

Cost

The Center for American Progress, as a think-tank, will need to consider the cost of each option. As a result, it is important to consider the effort, time, and resources, they have able to invest in seeing one of these alternatives manifested. The cost of the proposed alternatives will provide a realistic indicator that details the likelihood of implementation.

The cost criterion examines the monetary cost to undertake an initiative. In order to make cost predictions, this report will use pricing from similar programs implemented in the United States or other countries, as well as consider the scale of the implementation of the alternative. While assessing the outcomes, each alternative will receive a score of 1-5 in order to compare the tradeoffs between each option.

Effectiveness

This criterion will measure how successfully the alternative addresses the goal of eliminating disparity in homeownership rates between the African-American and Caucasian populations. The primary goal of this analysis and the Center for American Progress is the ultimate increase in homeownership for African-American households.

Ideally, I plan to measure effectiveness in how each alternative increased homeownership for the African-American community. Some policy alternatives, however, may not have the data available to use this metric. In this case, I will rely on the academic literature of similar programs implemented on a smaller scale. They will provide a baseline to build out from. After assessing the outcomes, each alternative will receive a score of 1-5 in order to compare the tradeoffs between each option.

Administrative Feasibility

Feasibility will assess the administrative and political feasibility of implementing alternatives. In terms of administrative feasibility, each alternative will receive a score of 1-5 in order to compare the tradeoffs between each option. It looks specifically at the administrative capability of the department and the amount of networking and relational investment necessary to implement and sustain each alternative. As many of these alternatives are on the national level, it is critical to understand the administrative challenges to implementation. For example, considerations will include:

- Ability to implement
- Acquisition of resources
- Ease of implementing
- New employment and facility cost

Political Feasibility

For political feasibility, each alternative will receive a score of 1-5 in order to compare the tradeoffs between each option. This considers how the alternative impacts U.S. Department of Housing & Urban Development and other federal agencies interact with local communities. Further, it encompasses the likelihood of national legislators to support the initiative. For example, considerations will include:

- Ability to secure passage
- Elected political champions
- Public support
- Visibility of issue to policymakers

Alternatives

Alternative #1: Let Present Trends Continue

The disparity in the racial housing gap has persisted and expanded for over 70 years. While homeownership rates have increased for both groups since 1940, they have not reached any semblance of equality. Today, rate of homeownership for White Americans is roughly 73%. Black Americans, however, saw a recent decrease in overall homeownership rates, dropping from 45% in 2008 to 41% in 2017 (Solomon, 2019). Furthermore, historically redlined communities have yet to recover from their purposeful exclusion from mortgage credit programs: 74 percent of communities redlined in the 1930s are low income communities today, and 64 percent are still minority neighborhoods (Baradaran, 2019). Lending practices that consistently discriminate against African Americans, although explicitly outlawed, continue to maintain a 30% discrepancy in homeownership rates. If allowed to continue, present trends have showed no propensity to changing without intervention.

Evaluating Alternative #1 Outcomes

Cost Effectiveness: In consideration of this option, there is no associated cost-effective score with this option. As there is no change in cost with the continuation of current policies. **Score: N/A**

Cost: As the policy already in places have contributed to present trends, there is no increase in the cost of the current program. Additionally, compared to the other three options, the present trends model is the only one that receives no substantial increase in funding. Estimating the cost of this alternative is not necessary as the programs in place would continue. **Costs: 5**

Effectiveness: The policies in place have shown no propensity to eliminate disparity in homeownership rates between the African-American and Caucasian populations at an acceptable rate. With that said, the federal government has implemented rules, such as the "Affirmatively Furthering Fair Housing Rule," federal programs, such as the HUD Emergency Homeowners Loan Program, and federal prosecution of redlining institutions, such as Klein Bank, to further homeownership. Despite these efforts, the current trend is not effective, as illustrated through declining homeownership among African Americans and high number of redlining institutions (Glantz, 2018).

In fact, the lack of corrective action to aid minorities in their homeowning experiences has only exasperated this trend (Shapiro, 2016). Lending practices that consistently discriminate against African Americans, although explicitly outlawed, continue to maintain a 30% discrepancy in homeownership rates (Consumer Financial protection Bureau, 2018).

Further, mortgage accessibility discrepancies have manifested itself: African-Americans are significantly less likely to be homeowners than whites, missing out on access to the savings and tax benefits that come with owning a home (Wachter, 2010). Thus, African Americans have less access to stable jobs, good wages, and retirement benefits at work – all key drivers by which American families gain access to savings. Persistent housing discrimination "continue to worsen the damaging cycle of wealth inequality" (Hanks 2018). **Score: 1**

Administrative Feasibility: This option is the most administratively feasible for the clear reason that it does not require any change in operating structure. The lack of foreseeable change is one that will allow administrative stability across any possible national or local offices. **Score: 5**

Political Feasibility: This option is the most politically feasible for the clear reason that it does not require any change in policy. **Score 5**

Cost Effectiveness N/a
Cost 5
Effectiveness 1
Administrative Feasibility 5
Political Feasibility 5

Alternative #2: Advocate for the 21st Century Homestead Act

"The racial wealth gap is where historic injustice breeds present suffering" (Baradaran, 2019). The goal of the 21st century Homestead Act is to counteract the longstanding legacy of racially discriminatory housing policies by revitalizing distressed communities through public investment. The program uses property grants, administered from the U.S. Department of Housing and Urban Development's Homestead Fund, to build wealth in communities that have been excluded from past and present public investment (Baradaran, 2019). Although federally funded, local community homestead offices will administer the funds for the purpose of community revitalization. These offices will purchase a critical mass of abandoned properties in a qualified city. Once owned, the homestead office will provide qualified individuals the properties through an absolute grant with the condition that they hold and improve the property for 10 years. In order to prevent heavy turnover and to give enough time for revitalization to occur, homesteaders promise to occupy the property for 10 years. Should they choose to leave, they can do so by paying their profits back to the Homestead Fund. For example, if a homeowner receives a property worth $10,000 and decides to sell the property, they are required to return the original $10,000 and any additional profit garnered from the sale of the house.

Cities will place bids through the Department of Housing and Urban Development (HUD) for comprehensive financing provided by a newly established Homestead Fund. If selected, for an individual to qualify, he/she must be a resident who has less than the area median income (AMI) over the last five years and either is a current resident of any historically redlined or racially segregated area or a resident of such an area for at least three years over the previous decade (Baradaran, 2019).

Similar to New Deal era credit programs, such as the Government Sponsored Enterprise (GSE) mortgage programs, the Federal Housing Act (FHA) or the Export-Import Bank of the US, the public investment will be a revolving credit fund that will become self-sustaining on the secondary markets after an initial public investment (Baradaran, 2019 & FDR, 2019). To offset the initial grants of $10,000, the trust, appropriated by Congress, will subsequently issue investment shares through a securitized bond, which will be structured as a fixed rate, and variable terms of between five to 20 years open to all investors. The bond will be guaranteed by the Treasury and will maintain a AAA rating. Treasury guarantees lower the risk of investment, thereby attracting more private capital like pension funds and low-risk mutual funds (Baradaran, 2019). The U.S. Department of Housing and Urban Development would structure the fund will to create self-sustainability. To the extent that there is a shortfall of capital to finance the entire homestead effort, the Federal Reserve will purchase and hold these bonds until private investors return.

The aim of this program is to counteract the legacy of racially discriminatory housing policies by building wealth in distressed communities. If successful, a market revival in formerly redlined communities will lead to community wealth building. The 21st Century Homestead Act is a comprehensive plan of action to promote equality and wealth building through fair public investment.

Evaluation of Alternative #2 Outcomes

Cost Effectiveness: Using Baltimore, Maryland as a case study, the cost-effective analysis yielded a cost of $52,143.36 to raise African-American homeownership by 1% over a 20-year period at a 7% discount rate. The analysis used the estimated population of African-Americans living in Baltimore city as well as the estimated homeownership rate according to the United States Census Bureau. The analysis then took the projected number of housed individuals and divided it by the total cost over a 20-year period. **Score: 4**

Cost of Program Implementation: The total cost of implementing the program is expensive. The alternative requires "an initial appropriation by Congress, followed by a sale to investors of homestead bonds guaranteed by the Treasury, and the purchase of the bonds as needed" (Baradaran, 2019). The program is one that creates both high upfront costs, assumed to be $100,000,000 for one pilot city followed by maintenance costs for individual properties moving forward. $100,000,000 is estimated for each pilot city as a result of taking into account the number and value of vacant homes in cities experiencing hyper-vacancy.[4] Additionally, the cost of the program is increased through the number of employees hired in local offices to implement and administer the program.

Further, there is a cost of risk. Relying on targeted investment strategies to fund the alternative provides uncertainty of achieving the necessary returns (Baradaran, 2019). The federal government, through the Treasury will, guarantee homestead bonds is to diminish credit risks. As seen in the 2008 financial crisis, these guarantees did not present a net expense for the government. The Congressional Budget Office (CBO) has measured the costs of all of the government's credit programs and found that, overall, these programs, though costly, have led to net gains in the budget and not losses.

[4] Cities with a vacancy home rate of 7.5% are considered suffering from hyper-vacancy. The number of vacant homes was then multiplied by the estimated home purchase value of $10,000 to estimate the initial investment for pilot city.

Nevertheless, the program is designed to become self-sufficient. The 21st Century Homestead Act is a total revitalization program that will not rely on tax incentives or corporate decision-making but rather on targeted investment from the federal government (Baradaran, 2019). This analysis has estimated the cost for the pilot program in three cities to be $1,564,300,853.90. **Score: 3**

Effectiveness: The 21st Century Homestead Act has the propensity to significantly bolster African American homeowner rates while counteracting the legacy of racial discrimination in the housing market. The program grants opportunity of homeownership only to applicants that have less than the area median income over the last five years and is either a current resident of the pilot area who has lived in the area for a period of at least three years during the previous decade or a current resident of any historically redlined or racially segregated area or a resident of such an area for at least three years over the previous decade.

Cost Effectiveness
4
($52,143.36)
Cost
3
($1,564,300,853.90)
Effectiveness
4
Administrative Feasibility
3
Political Feasibility
2

Nevertheless, the uncertainty surrounding the effectives and past failures of similar programs, such as the aforementioned "Dollar Homes Program," introduces reservations regarding this program's effectiveness. **Score: 4**

Administrative Feasibility: The creation of a new program would require moderate administrative adaptability and reorganization. Upon passage of the 21st Century Homestead Act, the U.S. Agency of Housing and Urban Development would need to: (1) educate and train individuals on the program; (2) hire more employees to implement program and inspect applicant validity and; (3) establish offices in selected pilot cities. **Score: 3**

Political Feasibility: The 21st Century Homestead Act would require moderate support from key political officials. If passed through the traditional legislative process, the Act would require bi-partisan support in both the Senate Chamber and Presidential Office, which both appear incredibly unlikely.

As the housing crisis continues to worsen across the United States, however, the program serves as an opportunity to mitigate growing concerns of affordable housing and increased homeownership. Home prices are rising faster than wages in roughly 80 percent of American metro regions. In 2018, housing affordability declined in every one of the 160 urban areas analyzed by the National Association of Realtors, save for Decatur, Illinois. Rising prices and housing shortages are squeezing families in Reno, Minneapolis, and Phoenix (Lowrey, 2020). Stressing the importance of an affordable housing restructuring will help aid political officials recognize the need for action. **Score: 2**

Alternative #3: Modernized G.I. Bill for Low-Income, Public Good Occupations

The G.I. Bill provides benefits and opportunities to United States servicemen in return for their sacrifice and service in defense of the country. In other words, they are rewarded with select benefits, such as increased unemployment compensation, educational opportunities, and government guaranteed loans, in return for the public good they have provided. These thoroughly deserved benefits have led to dramatic differences in homeownership and wealth among the veteran population in comparison to the general population. Homeownership rates for African American veterans, even when holding income constant, are 16% higher than homeownership rates in the non-veteran African American population (USCB, 2019). Furthermore, the wealth disparity between African American veterans and White American veterans is 30% smaller than the racial wealth gap in the general population (USCB, 2019).

Recognizing that these benefits provide positive effects in the smaller veteran population, expanding these benefits to other public good occupations may also prove beneficial. To qualify for the benefit, individuals must serve in a public good occupation, limited to education, make less than the AMI over the previous five years, and reside in an historically redlined neighborhood.[5] Crafting a bill similar to the G.I. Bill with smaller, discounted benefits for individuals that fall below the annual, area median income consecutively for five years in historically red-lined communities will lead to closing the racial homeownership gap. Providing benefits to this specific group will reward them for their service in a historically discriminated geographic area and promote homeownership.

Evaluation of Alterative #3 Outcomes

Cost Effectiveness: Using the most common class of housing benefit to veterans, the cost effectiveness analysis determined that it would cost $116,045.37 to raise African-American homeownership by 1% over a 20-year period at a 7% discount rate. The cost effectiveness analysis employed Baltimore, Maryland as a representative city and expanded population demographics to represent country nationally. The overall cost is higher due to the lack of the intervention affecting the target population as well as the benefits distributed annually being much larger than the estimate for vacant homes. Further, educators are overwhelming white and will benefit from the intervention. **Score: 3**

5 In Baltimore, there are 11,273 teachers. Baltimore has a 22.2% of the population earning less than the area median income (Baltimore City Public Schools, 2020). Assuming that rate is consistent through Baltimore educators, roughly 2,502 individuals would qualify solely of the financial component. The policy analysis assumes all 2,502 individuals are qualified applicants. The 2,502, or .4% of Baltimore's total population was used as a sample. Using Baltimore as a case study, where poverty rates are 10% higher than the national average, the total number of teachers financial qualified is 1,528,000. 1,528,000 is the number used in the cost effectiveness analysis.

Cost of Program Implementation: The alternative would require moderate costs across an extended time horizon. Although the individual costs are low, they would extend to a more expansive base.. Providing roughly $2,000 dollars a month to each American educator under the localized poverty line living in a historically redlined district that hold will incur a significant cost each year. Additionally, administrative costs, such as new employees and increased office space, would contribute to the cost. The estimated total cost of program implementation over a 20-year period is $28,931,248,462.16. **Score: 2**

Cost Effectiveness
3
($116,045.37)
Cost
2
($28,931,248,462.16)
Effectiveness
3
Administrative Feasibility
3
Political Feasibility
2

Effectiveness: Research has shown that homeownership rates are higher for veterans in comparison to the general population. While unclear to the extent, the housing stipend received each month under the G.I. Bill provides financial support. The average of roughly $2,000 per month provides veterans with a considerable advantage to secure housing. On average, African Americans earn lower incomes and possess substantially less income-producing wealth than whites (Monnat, 2012). The additional $2,000 monthly may produce a significant uptick in homeownership.

The program, however, would lack in two key areas. Chiefly, individual educators living in urban areas would benefit disproportionately more. The localized area median income is typically higher in urban areas than rural areas. Secondly, the bill would provide benefits to those that meet the financial and geographic requirements. Thus, the benefits of the bill, will help all educators, not only African-American educators. **Score: 3**

Further, the program, if implemented, would benefit other ethnicities than just African Americans. For example, a white individual with an income of less than annual, localized poverty line for five year living in a historically redlined area would benefit from the program. While this may lead to a general uptick in homeownership rates, it may not directly and solely impact our targeted group.

Administrative Feasibility: An extension of a federal program would require less administrative reorganization than the creation of a new program. The infrastructure, however, would require a considerable increase in employees to process the requests and investigation of eligible applicants. Additionally, as the G.I. Bill falls under the administration of the Veteran Affairs, official responsibility of the extended program would require agency leadership for civilians (Veterans Affairs, 2020). Although the program is not novel, it will mandate training and development in a new agency. **Score: 3**

Political Feasibility: American veterans hold a well-deserved, distinguished station in society and in politics. The feasibility of providing similar benefits, although only in one aspect, creates an image discrepancy that is hard to overcome politically. Politicians may hesitate to support a measure that extends certain benefits to members of the community that have not provided a similar level of service, especially if it impacted veteran targeted initiatives. Further, contentious discussion of occupations that qualify as public good occupations may derail public officials as high-income professions, such as healthcare physicians, may desire the benefits. **Score: 2**

Alternative #4: Advocate for HUD National Tools for Financial Growth Workshop

The U.S. Department of Housing and Urban Development should implement a nationally sponsored financial education program similar to the Tools for Financial Growth Workshop (TFFG) already available in many metropolitan areas. Through homeownership education, TFFG aids low-income and minority individuals in developing financial goals and improving credit . Chiefly, however, TFFG prepares community members on how to apply for loans. Its three-class curriculum – budgeting, track expenses, and improving credit – works to make the applicant more well-rounded (South, 2017).

The TFFG works with low-income community members to provide financial education with assistance from lending institutions, such as PNC bank. This process aids lending institutions in feeling more comfortable providing assistance to these individuals and promotes lending. For example, beginning in 2011, Philadelphia implemented TFFG workshops to combat the racial discrimination minorities of all income levels faced from private banking institutions. Upper-income Black households in the City of Philadelphia were denied mortgage loans at more than double the rate (17 percent) of upper-income White applicants (8 percent). Further, analysis uncovered that the top three reasons cited for denials across all races and incomes were: 1) debt-to-income ratio; 2) lack of collateral; and 3) bad credit history. TFFG workshops attempt to provide proper financial management skills to overcome the three most cited reasons for loan denial.

The U.S. Department of Housing and Urban Development would amend the curriculum of the TFFG to best fit housing loan applications. Once the curriculum was updated with best practices, local department offices should begin to plan workshops in communities that have suffered from historical discrimination, have high minority populations, or have limited amounts of affordable housing. These workshops would then be offered Educating the population that is most in need of housing assistance will increase the likelihood of securing a loan and, thus, a house. Additionally, as financial planning and homeownership are complicated areas, advising the most susceptible to predatory lending practices will increase the likelihood that the loan secured will not doom the potential homeowner to failure.

Evaluation of Alternative #4 Outcomes

Cost Effectiveness: Using the Philadelphia's TGGF workshop as a model, the cost effectiveness analysis estimated a cost of $150,775.25 to raise African-American homeownership by 1% over a 20-year period at a 7% discount rate. The analysis assumed a 60% success rate for graduate of the programs[6] The lack of cost effectiveness fits as the policy option fails to provide direct benefits and fails to reach a large number of people. **Score: 2**

Cost of Program Implementation: The program cost is low, especially relative to the other alternatives. The program would require the hiring and training of new employees in the Housing and Urban Development. The employees would then find assignment in a local HUD office across major U.S. cities. Further, the local HUD office would need to secure space for instruction of these classes as well as financial partners to donate their time and expertise. The cost is estimated over the 20-year period to total $2,533,024,159.56. **Score: 4**

Effectiveness: The alternative serves to aid a population in a relatively small way. The program, while helpful in aiding participants in navigating financial institutions, provides a limited curriculum. Everyone is eligible to take the program. While the access is beneficial for all homeowners, it may prevent the targeted population, African-Americans, from enrolling in the program.

Cost Effectiveness 2 ($150,775.25)
Cost 4 ($2,533,024,159.56)
Effectiveness 2
Administrative Feasibility 4
Political Feasibility 2

Additionally, there are non-monetary costs of enrolling in the program. The three-class curriculum occupies time of the students; it may supplant time at work, at home, or at other worthwhile endeavors. Further, the program does not directly benefit individuals. There is a significant risk that, even after enrolling in the class, their application for a home loan or mortgage financing will be rejected. **Score: 2**

Administrative Feasibility: As stated above, the program would require a significant increase in employees and a period of training for the new hires. Further, local Housing and Urban Development Offices would need to find financial partners to aid their curriculum, as in Philadelphia (City, 2016) . **Score: 4**

Political Feasibility: The program does not have overwhelming support. The program has existed in localities and has failed to spread throughout the country, and has even been discontinued for a variety of reasons. As a small program with moderate costs, administrators may be willing to experiment on the vitality and efficacy of the program. However, there is a lack of support outside localities that have it has already been introduced. **Score: 2**

[6] The 60% success rate in securing a loan following the class is estimated based on the City of Philadelphia's report.

Outcomes Matrix

	Cost Effectiveness	Cost	Effectiveness	Administrative Feasibility	Political Feasibility	Total
	20%	20%	40%	10%	10%	
Alternative #1: Let Present Trends Continue	-	5 (0)	1	5	5	2.4
Alternative #2: Advocate for the 21st Century Homestead Act	4 ($1,564,300,853.90)	3 ($1,564,300,853.90)	4	3	2	3.5
Alternative #3: Modernized G.I. Bill for Low-Income, Public Good Occupations	3 ($116,045.37)	2 ($28,931,248,462.16)	3	3	2	2.7
Alternative #4: Advocate for HUD National Tools for Financial Growth Workshop	2 (150,775.25)	4 ($2,533,024,159.56)	2	4	2	2.6

Recommendation

Through this analysis, it became clear that no single intervention would resolve the racial homeownership gap and promote the creation of wealth. The steady discrepancy in homeownership rate and wealth appreciation is a testament to this fact. While this is not ideal, new innovative ideas and combination of policies must be introduced to fully address the vast difference in homeownership rates. As a result, it is critical to not view these alternatives as mutually exclusive. Therefore, the Center for American Progress should not feel constrained to only choosing and advocating for one intervention.

Single Option: Advocating 21st Century Homestead Act

Ultimately, I recommend "Alternative #2: Advocating 21st Century Homestead Act." The alternative introduces a sustained commitment to housing the most vulnerable individuals in areas with housing vacancies. Additionally, it provides the most direct route to increasing homeownership – providing a home. Despite not scoring the best in all categories, it has the highest overall score in comparison to the other options. Further, it provides a comprehensive approach to the encroaching housing crisis that is slowing becoming more apparent in large, urban centers.

"Alternative #1: Let Present Trends Continue," while the most feasible, simply does not effectively improve homeownership among African-Americans. The goal of the analysis was identifying a policy alternative that would increase African-American homeownership.

"Alternative #3: Advocate for the Expansion of the Housing Benefits in G.I. Bill for Low-Income Civilians" faces considerable roadblocks. Although educators are a deserving group, it is highly unlikely that any public official would extend benefits unique to veterans. Similarly, the alternative will generate considerable contention among the definition of a public good occupation. Further, the overwhelming majority of educators in the United States are white. Thus, the majority of housing benefits would fail to go to the target population, African-Americans.

Finally, "Alternative #4: Implement National Housing and Urban Development National Tools for Financial Growth Workshop," fails to effectively secure benefits for the target population. Although the curriculum aids participants in developing good financial health habits, it fails to secure any tangible benefits that are readily available to the prospective homeowner.

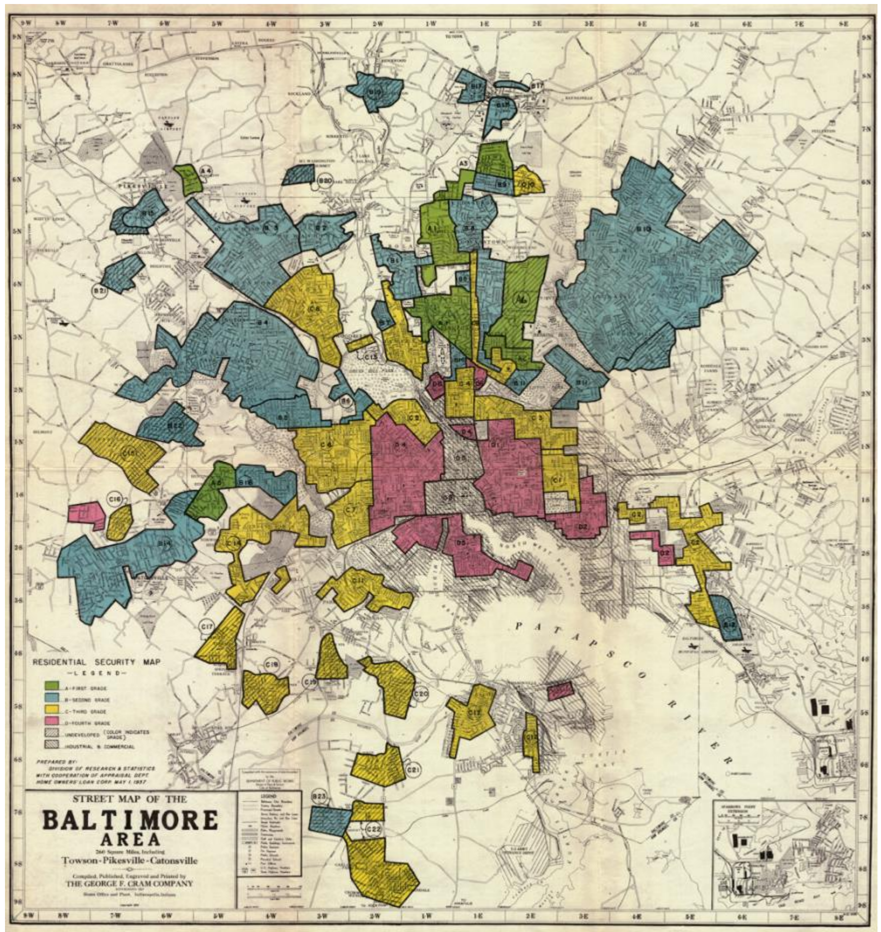
Limitations of Recommendation

The 21st Century Homestead Act, individually, is not enough to eliminate the racial homeownership gap, albeit the racial wealth gap. While the act does increase homeownership through direct, public investment, it fails to correct the private, systematic discrimination that has perpetuated a system of inequality. It fails to address the practice of redlining; rather, it creates a work around. Further, the 21st Homestead Act fails to introduce ways to create equitable housing value appreciation to white families.

Implementation

In order to implement the chosen alternative, the Center for American Progress will need to launch an advocacy campaign with the goal of lobbying the United States Congress and other primary interests, namely the U.S. Department of Housing and Urban Development. The campaign will require funding, educational materials to distribute, and a platform for the 21st Century Homestead Act's author, Professor Mehrsa Baradaran, to increase support. The Center for American Progress has an immense ability to introduce ideas and shape perception of alternatives.

The implementation period for this option is currently undefined. The COVID-19 pandemic has justifiably captured the attention of domestic and international lawmakers. As the pandemic takes center stage in local and national legislatures, it is imperative that the Center for American Progress prepare for the return to normalcy. As soon as allowed, the Center for American Progress in conjunction with Professor Baradaran, should reach out to ideal pilot cities and identify regions in with eligible applicants. Ideal citizens include metropolitan areas suffering from hypervacancy and have demonstrated a willingness to support housing initiatives, such as: 1) Baltimore, Maryland[7]; 2) Detroit, Michigan; and 3) Gary, Indiana (Baradaran, 2019 & Stebbins, 2019). Once identified in potential pilot cities, the Center for American Progress should explain the benefits of the problem to local leaders that will have the opportunity to apply to be a pilot city. Generating city level support for this program will lead to visible support at both state and national levels.



Source: John Hopkins Sheridan Libraries & University Museums

Furthermore, generating support at the city level will potentially allow for a pilot program to occur in the individual city if the measure is not adopted nationally. Although the program is costly, an adapted-version of the plan may be feasible. Rather than an initial appropriation from the federal government, the city attempts to purchase vacant housing and employ the 21st Century Homestead's Act principals, similar to the "Dollar Homes Project" attempted in Baltimore.

On the national level, it is imperative that a policy champion is found. Ideally, the policy champion would ride a wave of public support. With an upcoming political election, it is wise to evaluate the potential leadership. The current political landscape is unfavorable to secure passage of such an innovative and expensive piece of legislation. Former presidential candidate Pete Buttigieg embraced many aspects of the plan 21st Century Homestead Act in his broader housing policy. If possible, the Center for American Progress should use his newfound fame and midwestern background. Although he rose to national prominence he lacks a national position. As a result, the Center for American progress should seek out Members of Congress from the recommended pilot cities.

After engaging with public officials, the Center for American Progress should seek partnerships with other thinktanks, such as the Urban Institute, and housing campaigns. Seeking out partners will expand an advocacy base to exert pressure on elected officials and raise awareness regarding the act.

7 See Appendix C

Resistance

The Center for American Progress, however, may face resistance to adopting the recommended alternative from multiple groups, such as fiscally conservative groups and the Trump Administration. The most fundamental concern from opposition groups is the overall cost of the plan, which requires an initial investment of $100,000,000 per pilot city. As the plan requires a sizeable, initial investment from Congress, the alternative is one that will stress the overall Housing and Urban Development budget depending on the number of pilot cities selected. The initial appropriation is ideal, as it allows the pilot cities to acquire a critical mass of vacant housing.

Additionally, the Trump Administration has demonstrated opposition to expanding the budget of Housing and Urban Development (Fessler, 2019). The lack of support from the Executive branch may prove a challenge. A challenge, however, that may be removed in the Fall.

Further, the 21st Century Homestead Act, although different in funding and commitment, is similar to previous "Dollar Housing" programs. As those programs failed for a myriad of reasons, they are likely to encounter similar resistance in those pilot cities. Thus, it is critical that advocates for the plan are aware of the key differences in each program.

Timeliness

Further, the Center for American Progress must continue to emphasis the severity of the affordable housing crisis and the growing number of vacant housing. As of right now, there is no nationwide toll of vacant properties, according to recent research; instead, the national map of blight is piecemeal. A 2015 survey conducted by Gary, Indiana, found that 25,000 of its parcels are vacant (40 percent of the city's total). Detroit estimates that it has more than 120,000 vacant lots. Keeping the focus on both crises will lead to developments in using one to affordably offset the other.

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Appendices

Appendix A: Table of Widest and Smallest Homeownership Gaps Across the Country

Widest and Smallest Homeownership Gaps

	White homeownership rate	Black homeownership rate	Homeownership gap
Widest gaps			
1. Minneapolis, MN	74.8%	24.8%	50.0%
2. Albany, NY	68.9%	20.1%	48.8%
3. Buffalo, NY	73.4%	28.9%	44.5%
4. Salisbury, MD	81.2%	38.0%	43.2%
5. Bridgeport, CT	76.5%	34.1%	42.3%
Smallest gaps			
1. Killeen, TX	63.0%	48.5%	14.5%
2. Fayetteville, NC	62.8%	45.4%	17.4%
3. Charleston, SC	71.6%	53.5%	18.1%
4. Austin, TX	64.2%	42.7%	21.5%
5. Augusta, GA	75.1%	53.4%	21.7%

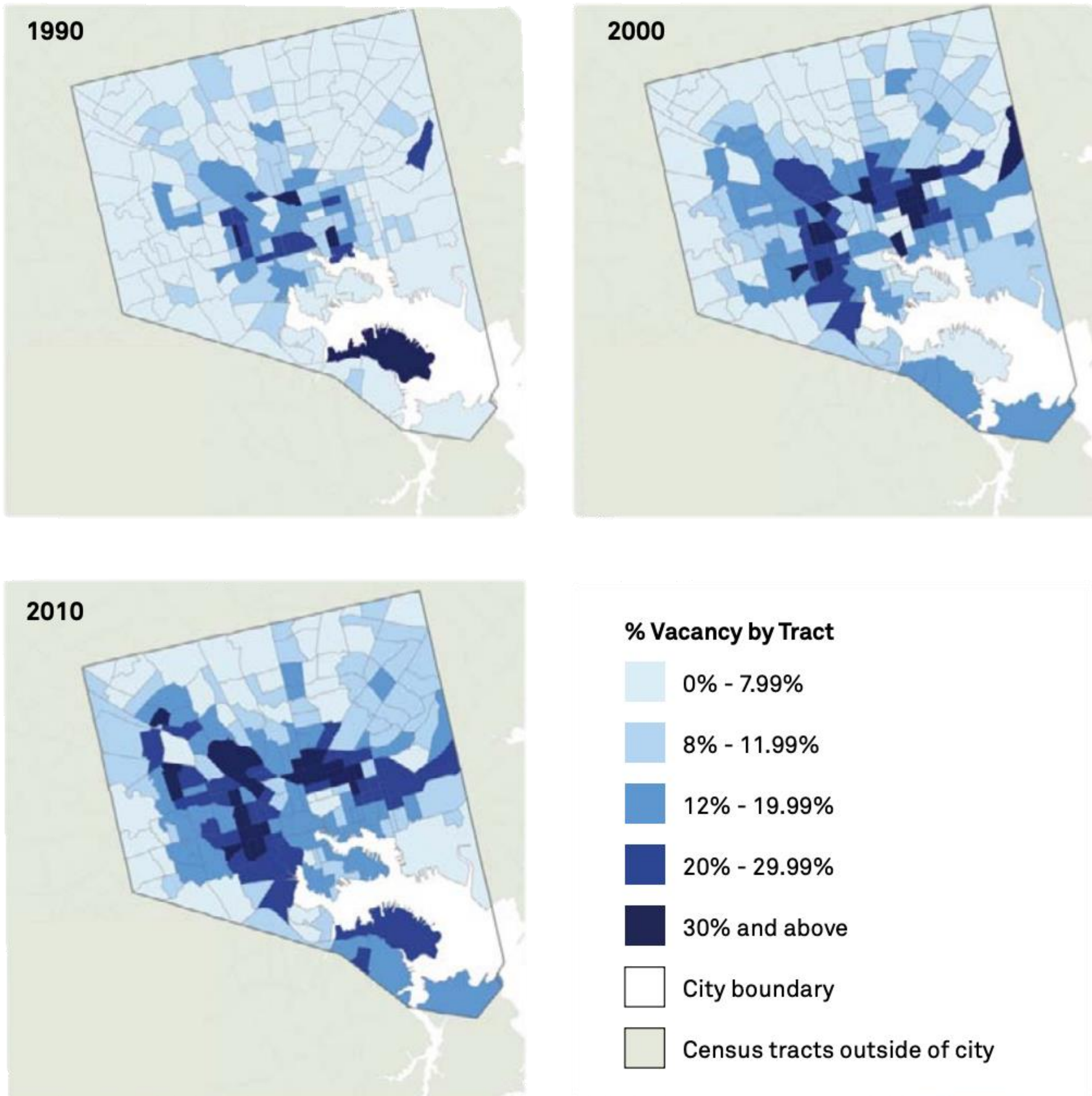
Source: Urban Wire – The Blog of the Urban Institute (McCabe, 2018)

Appendix B: Demographic Distributions for Basic Systems Repair Program

	FY13#	FY13%	FY14#	FY14%	FY15#	FY15%	FY16#	FY16%	Total #	Total %
Demographic Distribution - Income										
Very low	853	71%	601	57%	679	67%	896	82%	3,029	69%
Low	343	29%	460	43%	337	33%	170	16%	1,310	30%
Moderate	0	0%	0	0%	0	0%	24	2%	24	1%
Over	0	0%	0	0%	0	0%	1	0%	1	0%
Totals	1,196		1,061		1,016		1,091		4,364	
Demographic Distribution - Race										
White	87	7%	72	7%	70	7%	82	8%	311	7%
Black	941	79%	849	80%	811	80%	879	81%	3,480	80%
Other	164	14%	134	13%	128	13%	121	11%	547	13%
Asian	3	0%	5	0%	7	1%	6	1%	21	0%
American Indian	1	0%	1	0%	0	0%	3	0%	5	0%
Totals	1,196		1,061		1,016		1,091		4,364	
Demographic Distribution - Ethnicity										

Source: City of Philadelphia

Appendix C: House Vacancy Rates by Tract in Baltimore, 1990, 2000, and 2010



Source: The Empty House Next Door (Mallach, 2018)