RESEARCH REPORT

# How Economic Crises and Sudden Disasters Increase Racial Disparities in Homeownership

*Michael Neal* *Alanna McCargo*

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# Acknowledgments

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# Executive Summary

In the coming months, the Urban Institute's Housing Finance Policy Center will release a series of reports to explore the risks homeowners of color face during economic cycles and policies that can address those risks. This first report sets the stage by outlining considerations and implications for racial equity, homeownership, and wealth building presented by the current pandemic, which is magnifying racial and ethnic disparities within the US health and housing systems and labor market. We look at past economic cycles, including those that encompassed the Great Recession in 2007 and the aftermath of Hurricane Katrina, for insights on how they exacerbate disparities in risks and recovery for people of color. The Great Lockdown,[1] instituted to reduce the spread of the novel coronavirus, has crippled households, jobs, and businesses in ways we have not seen in modern history and that will have lasting effects on racial homeownership and wealth gaps. Yet we can learn from our past experiences with economic market disruptions. The goal of our series is to elevate the role of racial equity when examining economic cycles; promote equity-conscious federal, state, and city policies; bring forth relevant data and analysis; and create a useful set of tools to accelerate equitable and inclusive recovery.

## Key Takeaways

- This is the first in a series of research reports we will publish over the next few months on the risks homeowners of color face during economic cycles and natural disasters, to understand the ways homeowners of color may be disproportionately affected by the COVID-19 crisis.
- Structural barriers contribute to wide and persistent racial and ethnic disparities in homeownership (and other areas of the economy, such as labor markets), regardless of whether the overall economy is growing or shrinking.
- But from past economic downturns, we observe that the homeownership gap between people of color and white people often worsens amid a recession because people of color are disproportionately harmed. We hypothesize that structural barriers producing wide and persistent disparities in homeownership also make homeowners of color more vulnerable to loss of home and wealth. At the same time, they are less able to participate in the recovery afterward because their overall wealth is concentrated in their home, and they are less likely to return to homeownership if they became renters.

- To examine trends and lessons learned from previous catastrophes, we refer to the Great Recession because of its impact on unemployment and mortgage markets, as well as its disproportionate effect on homeowners of color. Some data analyses (e.g., of unemployment insurance claims, sectors most affected by job loss, and racial disparities about who is more likely to be affected) suggest the impact of COVID-19 more closely resembles a natural disaster than a cyclical downturn, so we also look at the effects of Hurricane Katrina.
- As today's economic disruption does not stem from a housing bust or a hurricane but from a public health crisis, we also draw on the research literature and experts in this area to identify unique features of this pandemic. One hypothesis we test and explore is the extent to which racial concentration yields worse wealth outcomes for homeowners of color during a downturn.
- We attempt to quantify how racial wealth disparities play out for homeowners of color compared with white homeowners when the economy is in a recession, as well as how the impacts on renters further delay homeownership, especially for low-income young renters of color.
- We also assess how much households of color typically share in economic recoveries (e.g., lower unemployment, higher home prices, higher stock market valuations).
- We plan to offer evidence-based policies and practices that federal, state, and local stakeholders might implement to address racial inequity and structural barriers to lessen the effects for future economic events, and recommend solutions that directly address underlying issues as well as mitigate and effectively prepare people of color for future economic shocks.
- By meeting the immediate and disproportionate impact on people of color from the economic downturn induced by COVID-19, policymakers have an opportunity to address the causes of persistent racial and ethnic disparities in homeownership and housing equity—particularly if these long-term discrepancies make people of color more vulnerable when the overall economy declines.

# How Economic Crises and Sudden Disasters Increase Racial Disparities in Homeownership

The COVID-19 pandemic has crippled economies and the daily lives of people throughout the world. As of this writing, over 100,000 US lives[2] have been lost in three months, many businesses have closed, travel has been curtailed, borders have closed, and global markets have collapsed as part of what has been dubbed the Great Lockdown. This health crisis has triggered an economic crisis that is affecting households in profound ways and has created the need for economic stimulus support for businesses and households alike. Government action to restore and support the economy has been swift, with the US spending close to $3 trillion in relief packages.[3] At the heart of the government's response, and the policies being introduced to restore the economy, are structural barriers that are deeply rooted in our history of racial inequality. This report focuses on how economic cycles shape outcomes for people of color in the United States, with a focus on racial equity, wealth, and homeownership.

## How Do Catastrophes and Economic Cycles Affect Black and Hispanic Homeownership and Housing Wealth Outcomes?

We draw on the lessons of recent local and national economic events—the Great Recession and Hurricane Katrina—to examine how a crisis can affect the long-term wealth of people of color. The Great Recession is the most recent and severe downturn and resembles the current economic crisis in the large-scale unemployment arising, in this case, from government-imposed stay-at-home orders intended to reduce transmission of the novel coronavirus, which also caused significant setbacks for small businesses and key industries that employ people of color (Housing Finance Policy Center 2020). Unemployment has soared, with the unemployment rate reaching 14.7 percent and more than 40 million workers filing initial unemployment claims (one in four US workers).[4] The resulting surge in unemployment is making it difficult for many households to meet monthly debt and housing obligations. COVID-19 also resembles a natural disaster like Hurricane Katrina, which left in its wake large-scale unemployment and widespread devastation in low-income and Black communities, which experienced higher death tolls and damage.

At the same time, COVID-19 differs from these two prior events because it is a public health crisis and not a housing bust or a natural disaster. Our quantification of COVID-19's implications will also be informed by the literature about the relationship between health and housing.

## Homeownership's Inextricable Link to Wealth for Households of Color

For Black and Hispanic households, homeownership remains a central way to build family assets and wealth. Home equity has long been a critical source of capital for minority entrepreneurs starting small businesses, allowing for continued asset building. Evidence suggests that if homeownership were more equalized along racial lines, the racial wealth gap would shrink (Sullivan et al., n.d.). We also know that homeownership benefits accrue differently to white homeowners than to homeowners of color. Some reasons for this are that Black homeowners are more likely to cycle between homeownership and renting, which has implications for how much housing wealth they can build relative to white homeowners.[5] In addition, Black homeowners are more likely to take on more debt to purchase homes that are less expensive, becoming more leveraged than white homeowners, while Hispanic homeowners live in higher-cost markets, taking out debt with lower down payments and having higher debt-to-income ratios (Limón et al., n.d.). These factors suggest that even after achieving homeownership, households of color are likely to experience greater financial instability that could be detrimental when economic shocks arise.

Lower housing equity contributes to less overall wealth for Black and Hispanic households. In addition, Black and Hispanic homeowners rely more heavily on housing equity to increase their overall net worth (Emmons 2017). At the same time, Black and Hispanic homeowners also have lower incomes relative to white homeowners, limiting their ability to save and invest.

TABLE 1

**Median Home Equity and Net Worth for Homeowners, by Race or Ethnicity**

| | Overall | White | Black | Hispanic | Other |
|---|---|---|---|---|---|
| Home equity | $100,000 | $113,000 | $56,000 | $70,000 | $108,000 |
| Net worth | $234,060 | $276,680 | $98,910 | $105,200 | $250,000 |
| Housing equity share of net worth | 42.7% | 40.8% | 56.6% | 66.5% | 43.1% |

**Source:** Authors' calculations from the 2016 Survey of Consumer Finances.

A foreclosure is a devastating blow for any household to recover from, and the loss or a home a significant decline in the value of a home had larger financial implications for Black and Hispanic homeowners during the Great Recession. At the same time, less use of other investment vehicles, such as the stock market, further limit wealth accumulation for communities of color during a broad economic recovery. If households of color do not own or buy appreciating assets such as a home or stock when values are low during a down cycle, they will have no opportunity to benefit from the upside when values rise and recover.

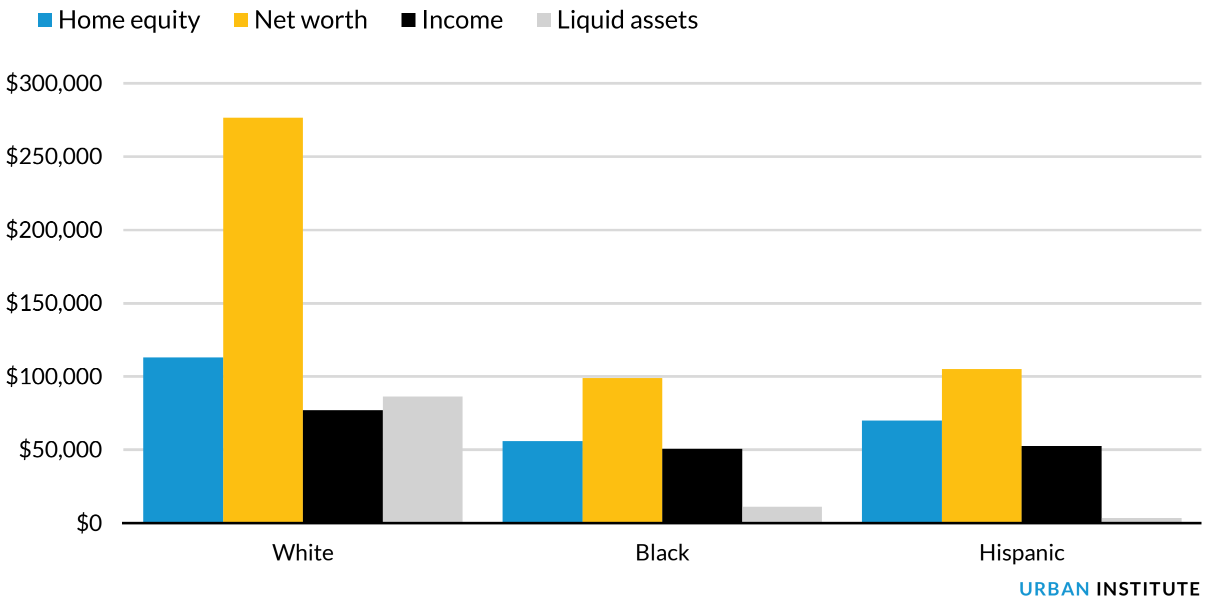
## Income and Other Assets

People of color are more likely than white people to lose wealth during economic downturns. Black and Hispanic workers experience higher unemployment rates than their white counterparts (Hoynes, Miller, and Schaller 2012). Historically, the gap in the median income of Black and white households typically grows during economic downturn (Austin 2008). And throughout all cycles, Black and Hispanic households generally have less liquid wealth (Farrell et al. 2020). This leaves households of color with fewer financial resources to draw upon when financial hardship or income disruptions occur.

Conversely, when the broader economy is expanding, gaps in income or in total asset holdings often remain wide. For example, excessively tight lending standards from 2009 to 2015—the period of economic growth following the Great Recession—reduced total mortgage lending by 6.3 million mortgages, contributing to growth in the homeownership rate gap between households of color and white households and keeping some Black and Hispanic households from benefiting from postrecession house price appreciation.[6]

FIGURE 1

**Household Financial Holdings, by Race or Ethnicity**




**Source:** Urban Institute calculations of data from the Survey of Consumer Finances.

The Great Lockdown has quickly expanded from a public health crisis to a deep economic contraction with far-reaching implications that threaten to deepen racial inequities. The effects of this cycle on renters and homeowners will be deep and have lasting effects on affordability, sustainability, access, and equity.

## Racial and Ethnic Wealth Disparities Have Been Pervasive

Racial wealth disparities have persisted through history, and white households today have 10 times more wealth than the typical Black household and 8 times that of Hispanic households.[7] Black and Hispanic families have considerably less wealth than white families, with nearly one in five Black households having zero or negative net worth. Because the wealth built up by people of color is more concentrated in housing equity, homeownership is an important asset to measure when it comes to assessing total wealth accumulation and distribution for households of color. In addition, wealth accumulation is financially beneficial not only to homeowners but to their children. Intergenerational homeownership transfer reinforces and expands the homeownership and wealth gaps by race or ethnicity (Choi, Zhu, and Goodman 2018).

Economic models have established that racially segregated areas are also economically segregated (Acs et al. 2017), and residential segregation can help lay the groundwork for sustained structural barriers (Simms et al. 2015). One hypothesis we will test and explore in this series of reports is the extent to which racial concentration yields worse wealth outcomes for homeowners of color during a downturn.

Households of color have long grappled with an uneven playing field during economic crises. For example, Black households have had higher unemployment levels and debt loads, and lower wealth, income,[8] and homeownership rates than white households since the Great Recession, contributing to a slower overall recovery for Black households compared with all other racial and ethnic groups.

### Homeownership and Housing Equity Disparities Are Unequitable

Owning a home can bring important stability and financial benefits that help a household build wealth. Most people who buy a home need a mortgage.[9] Even so, homeownership brings financial stability relative to renting because it provides an inflation hedge.[10] Many homeowners use fixed-rate mortgage debt to purchase a home, providing a set monthly mortgage payment for a long period instead of a fluctuating and often rising rental payment. Homeowners can reduce their housing costs through refinancing when interest rates fall, and many can benefit from tax advantages associated with homeownership.

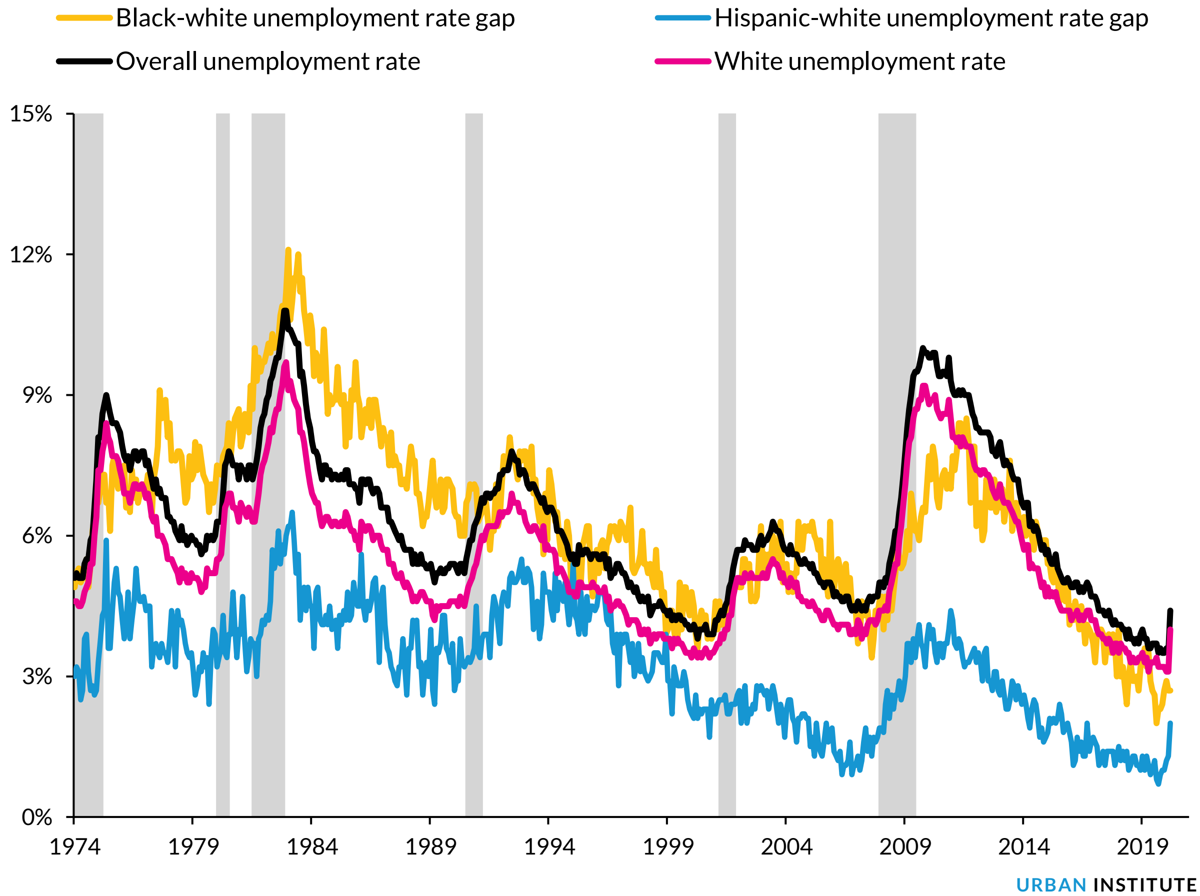
Black and Hispanic households experience deep inequities in homeownership (Choi et al. 2019). Some evidence has questioned the merits of homeownership as a wealth-building tool for households of color (Emmons 2017). But even though the benefits are not equitable, even modest wealth acquired in housing equity for Black and Hispanic households is helpful, and policy work to correct inequities by race or ethnicity and reducing the homeownership gap would close the overall wealth gap.

## People of Color Fall Further Behind during Economic Downturns

People of color experience disparities independent of economic cycles, but these cycles appear to exacerbate these differences. We hypothesize that this could be in part because Black and Hispanic households were more vulnerable entering the cyclical downturn.

FIGURE 2

**Unemployment Rate and Unemployment Rate Gaps for People of Color**



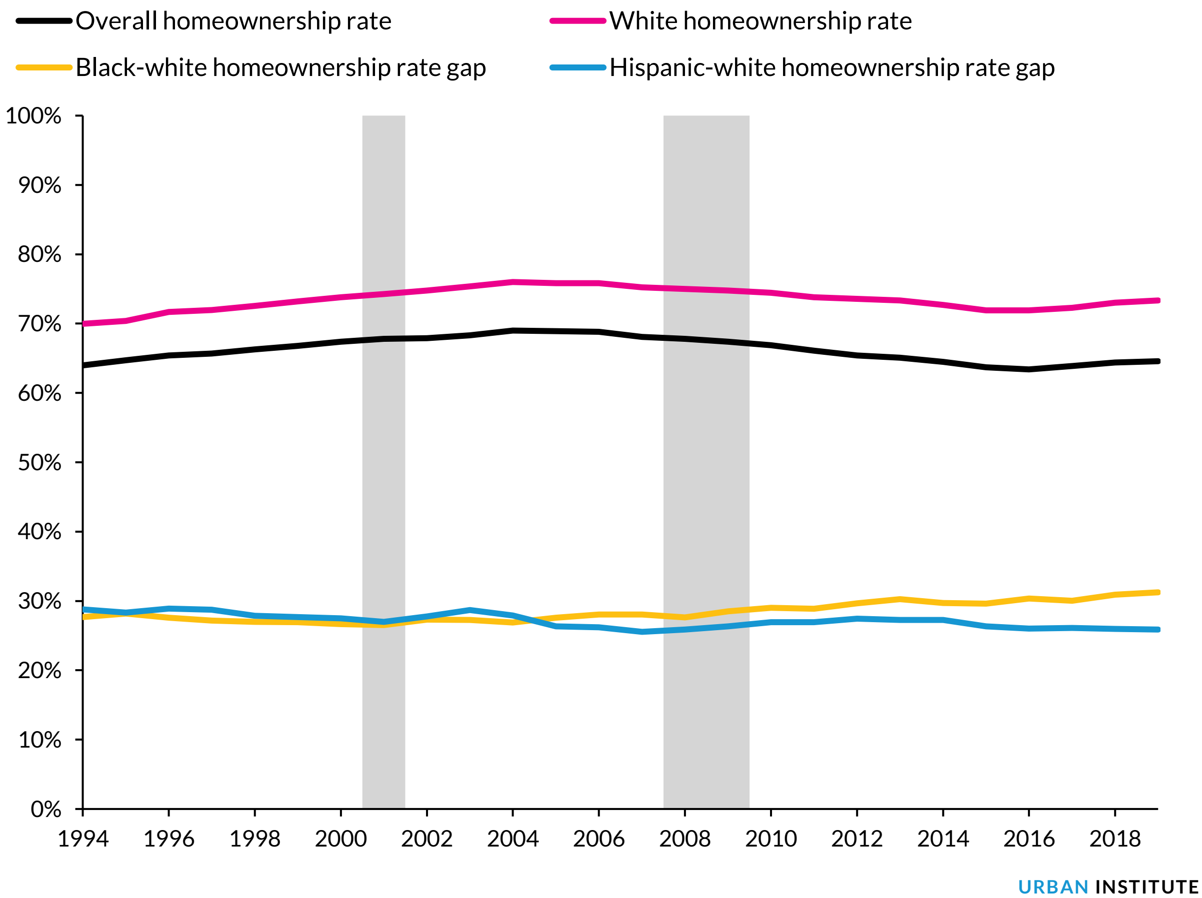

**Source:** Authors' calculations from Bureau of Labor Statistics data.
**Note:** Gray bars indicate recessions.

This phenomenon is well documented in the labor market. Figure 2 shows how unemployment rates for Black and Hispanic workers persistently exceed the rate for white workers. The excessive unemployment rate for people of color occurs whether the economy is expanding or contracting. During economic recessions, the overall unemployment rate rises, but people of color experience even worse outcomes. Not only does their unemployment rate rise, but it rises faster than that of white people. For Black workers, unemployment duration is also notably longer, further slowing recovery.[11]

The Great Recession highlighted the possible interaction between persistent structural barriers and cyclical downturns in homeownership. The Black-white and Hispanic-white homeownership rate gaps persist, regardless of economic cycles. The racial homeownership gap increased with the onset of the Great Recession. The Hispanic-white homeownership rate gap, however, appears to have plateaued, while the Black-white homeownership rate gap continues to widen (figure 3).

FIGURE 3

**Homeownership Rates and Gaps**




**Source:** Authors' calculations from US Census Bureau data.
**Note:** Gray bars indicate recessions.

Home values are an important part of housing wealth. Since 2012, the values of Black-owned homes have risen more rapidly than those of their white counterparts (Immergluck, Earl, and Powell 2019). But the median home value for a Black household head is $155,000, well below the median of $220,000 for a white household head.[12] In addition, lending standards have eased only modestly. Moderate easing has hindered or delayed homeownership, particularly for households of color.

## Lessons from Previous Economic Cycles

We hypothesize that homeowners of color will be harder hit than white homeowners during the cyclical downturn induced by COVID-19. We use the lessons from past crises to understand how recessions exacerbate homeownership and housing equity disparities for households of color. Two past economic disruptions that inform our work are the 2007–09 financial crisis that led to the Great Recession and the local economic downturn in the Gulf Coast region resulting from Hurricane Katrina in 2005. These economic shocks provide some parallels to the current pandemic and recession, but there are important differences. Accordingly, we also review health and homeownership literature to identify additional ways this current crisis will affect homeowners of color.

## Lessons from the Great Recession

The Great Recession started with the subprime mortgage crisis and housing price bubble that burst and had a ripple effect through the economy because of precipitous housing asset price declines and a global financial collapse. The crisis led to a recession that saw peak unemployment reach 10 percent,[13] and the federal government stimulated and bailed out several affected industries, including large financial institutions, the secondary mortgage market agencies Fannie Mae and Freddie Mac, and the automobile industry. Widespread unemployment and financial hardship led to nearly 10 million homeowners losing their homes to foreclosure,[14] massive home price depreciation, significant turmoil across financial markets, and widespread housing vacancies and blight.

Mortgage lending standards also tightened after the crisis, making it increasingly hard for families to buy new homes and refinance existing properties. Standards tightened on borrower underwriting requirements and on the types of mortgage products lenders were willing to offer.[15] For example, between 2000 and 2007, the average borrower FICO score at origination was 700. In 2007 and 2008, it rose to 730 and has remained near that level since. Borrowers of color have lower FICO scores, which has resulted in a severe decline in the number of Black and Hispanic households that can purchase a home, expanding the racial homeownership rate gap to its highest levels in recent years.

Borrower debt-to-income ratio at origination fell going into the recession, reflecting another way that lenders have tightened underwriting standards. In recent years, however, accepted debt-to-income levels have returned closer to their levels before the financial crisis. Median combined loan-to-value ratios on purchase loans rose through the crisis and remained above their prerecession levels during the recovery, indicating that this was not the parameter on which lenders tightened. Since the financial crisis, lenders have significantly limited the use of adjustable-rate mortgages and low-documentation mortgages and have eliminated the predatory mortgage products associated with the housing boom, which has further protected consumers.

Although white workers, as well as Black and Hispanic workers, experienced higher unemployment rates during the Great Recession, unemployment rose more quickly in communities of color. This suggests that the recession had a disproportionately adverse effect on Hispanic and Black communities, contributing to persistent income disparities.

In addition, a tighter credit box has had significant ramifications for households of color who were disproportionately affected by foreclosures and lost their homes or found themselves paying mortgages on homes valued significantly below their purchase price. Many also had predatory subprime loans originated during the peak of the bubble, leaving them with sizable and unaffordable debt and a low home value. These factors stripped billions of dollars of equity and wealth from Black and Hispanic communities, causing severe damage and exacerbating disparities.

In response to the Great Recession, the Federal Reserve lowered its key policy rate to near zero, purchased agency mortgage-backed securities, and opened facilities to inject liquidity into markets. Congress passed the American Recovery and Reinvestment Act, providing fiscal stimulus to households and businesses, and standardized loss mitigation alternatives that could be deployed on a massive scale (Schanzenbach et al. 2016). In addition, several loss mitigation programs, including the US Department of the Treasury's Making Home Affordable program, were enacted, providing standardized modifications through the Home Affordable Modification Program and alternatives to foreclosure through Home Affordable Foreclosure Alternatives.[16]

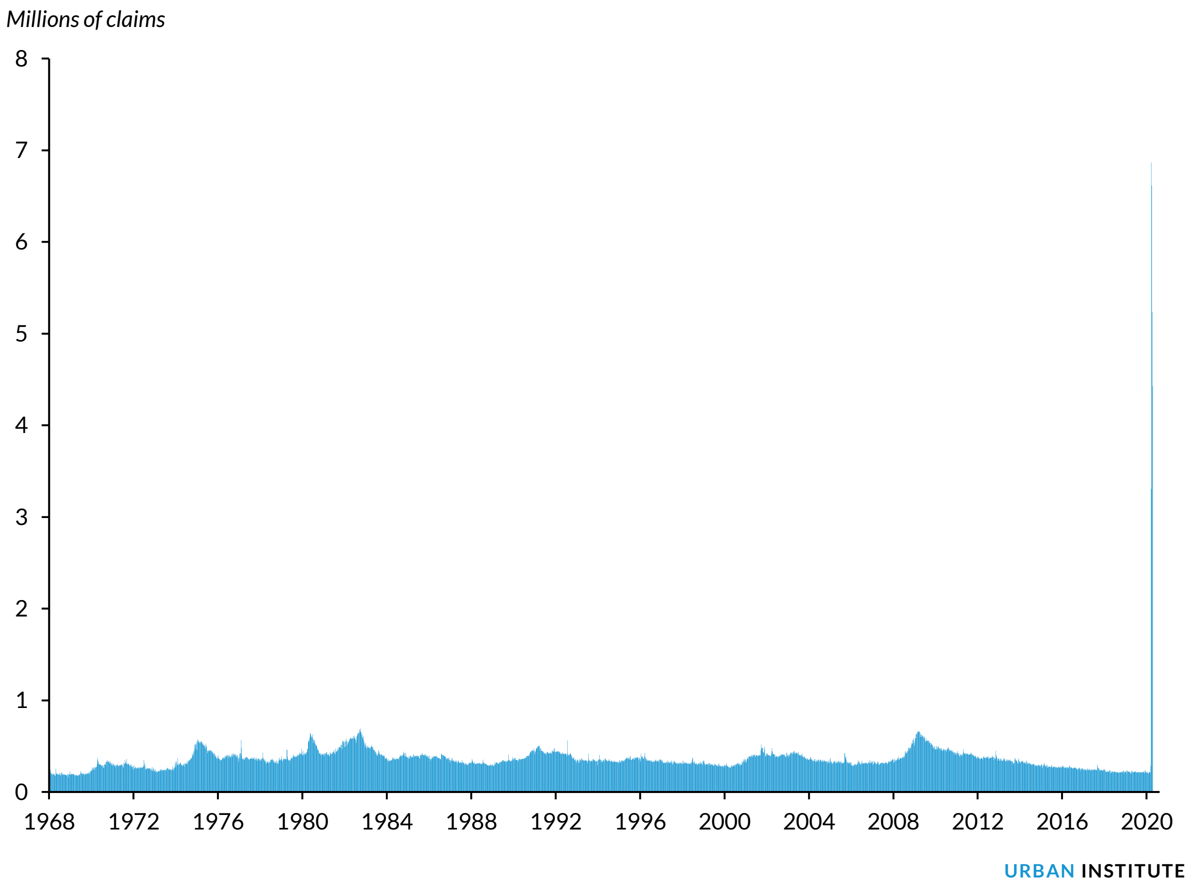
The increase in delinquencies and tightened lending standards that resulted from the bust reflected deteriorating labor market conditions and a decline in home prices. Many homeowners, particularly homeowners of color, saw their home's value fall below their mortgage balance, leaving them with no or even negative housing equity. House prices in the COVID-19 era are stable or continue to rise, suggesting homeowners have better housing equity positions today than they did when the economy entered the Great Recession.[17] At the same time, tightened standards for cash-out refinance mortgages and some lenders' refusal to accept applications for home equity lines of credit are limiting homeowners' ability to access their housing equity.[18] Constraints on access to housing equity could give some homeowners an incentive to request forbearance.

## Lessons from Hurricane Katrina

The COVID-19 crisis may more closely resemble a natural disaster than a cyclical downturn.[19] Both the initial large-scale shock of this pandemic and the varying state and local responses resemble the impact of a hurricane rather than a protracted economic event.

FIGURE 4

**Initial Claims of Unemployment Insurance**




**Source:** US Employment and Training Administration.

Hurricane Katrina affected a wide area along the Gulf Coast, including parts of Louisiana, Mississippi, and Alabama, with New Orleans experiencing the greatest damage. New Orleans saw the majority of its housing destroyed and more than 80 percent of the city's 450,000 citizens displaced (Turner and Zedlweski 2006).

The economic downturn brought on by Hurricane Katrina has similarities to COVID-19. Researchers at the Federal Reserve Bank of New York have found that the recent jump in unemployment insurance claims caused by COVID-19 closely track the number of such claims we would likely have seen had Hurricane Katrina been a nationwide, rather than a regional, shock (figure 4). In addition, job losses caused by both Hurricane Katrina and COVID-19 are concentrated in the leisure and hospitality sectors, including the accommodation, food services, retail, and entertainment sectors (Dolfman, Wasser, and Bergman 2007).[20]

Hurricane Katrina highlighted deep racial disparities rooted in New Orleans's long history of segregation coupled with the lowest-income households living in highly vulnerable flood-prone environments. More than half the victims in Louisiana whose deaths were directly tied to Hurricane Katrina were Black residents (Brunkard, Namulanda, and Ratard 2008). Research has found that low-income Black residents were more likely to lose their jobs after Hurricane Katrina than low-income white residents, creating a significant barrier to mobility and the ability to rebuild after the storm.

Separately, research has found that even though people with homes were more at risk of losing them, homeowners were more likely to have other safety nets, including adequate insurance coverage to mitigate losses (Zottarelli 2008). Although homeowners were more likely to recover relative to renters, Black homeowners were less likely than other homeowners to have adequate insurance, thus slowing the pace of recovery amid diminishing wealth and home values.

Federal policy in light of COVID-19 partly resembles the response to natural disasters. For example, the Coronavirus Aid, Relief, and Economic Security (CARES) Act has enabled up to 12 months of mortgage forbearance for homeowners facing hardship. Loss mitigation practices such as forbearance have become a more typical response to natural disasters and have become standard use in light of an increasing number of severe weather events, wildfires, and earthquakes (Zottarelli 2008, 13).

There are key differences, however, between COVID-19 and a natural disaster (Zottarelli 2008, 15). COVID-19 has not caused massive physical destruction, and there will be no construction boom for rebuilding. Instead, many buildings in the wake of COVID-19 will sit empty, and businesses will be closed. Apartment buildings and houses are being used as offices, people are remaining in their homes, and home deliveries have increased. Having safe and stable housing with access to reliable internet, electricity, and water is vital, and the vulnerability of the millions who do not reliably have these resources has never been more stark. After Hurricane Katrina, many residents left flood-ravaged areas for nearby cities such as Houston to find new work and housing. We have yet to see how the COVID-19 crisis might affect migration patterns.

## COVID-19 Has Implications for the Economy, Homeownership, and Racial and Ethnic Disparities

The leap in unemployment insurance claims in the weeks since pandemic lockdowns began suggests that the unemployment rate will rise dramatically during this cycle. In tandem with a higher unemployment rate, the broader economy—as measured by real domestic product—will contract.

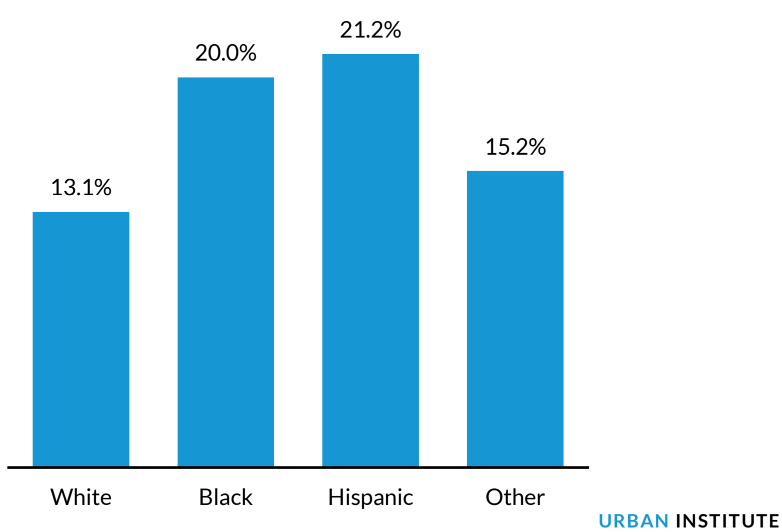
COVID-19 will likely lead to a broad and deep recession in the face of already deep racial and ethnic disparities.

The pandemic is exposing blatant systemic racial inequities that have long plagued the nation. Black families face a higher risk of contracting and dying from the virus.[21] At the same time, Black workers have had consistently higher unemployment and debt and lower wealth, income, and homeownership rates[22] since the Great Recession, all of which will likely make their recovery slower than that for all other racial and ethnic groups.

Historically, workers of color tend to lose employment first and at higher rates than their white counterparts during a recession. And workers of color are also disproportionately represented in the service occupations that have been hit hardest by the COVID-19 crisis (figure 5). Accordingly, as the first round of unemployment claims in response to the Great Lockdown come in, we expect to see that Black and Hispanic workers are disproportionately struggling with unemployment or earnings loss. These job losses will significantly threaten overall housing stability.

FIGURE 5

**Share of Homeowners in Service Occupations, by Race or Ethnicity**




**Source:** Authors' calculations from Bureau of Labor Statistics data.

As unemployment rises, more homeowners will struggle to make their mortgage payments. According to the Mortgage Bankers Association, 4.2 million homeowners, representing 8.36 percent of total loans, are now in forbearance plans.[23] Partly in response to this, mortgage lending standards have already begun to tighten[24] both for borrower characteristics and the loan products available to homeowners. Several primary and secondary mortgage market lenders and investors have announced measures that restrict underwriting based on borrower characteristics such as credit scores and loan-to-value ratios while refusing applications for cash-out refinancing. These tighter lending standards will constrain low–down payment lending products and access to credit for households of color, first-time homebuyers, and veterans.[25]

The federal policy response to COVID-19 has been swift. The Federal Reserve purchased agency mortgage-backed securities and set up vehicles to inject liquidity into various areas of the economy. Congress and the administration passed the CARES Act stimulus package to shore up health care provisions and provide financial relief to households and businesses. Delinquency and loss mitigation measures are being implemented early, allowing up to a year of forbearance, along with moratoriums on foreclosure and eviction to stem the rise of homeowners and renters at risk of losing their homes (McCoy 2013). Although these steps are commendable, the medium- and long-term impacts for housing markets may be severe. Taking additional steps now to bring clarity and security to homeowners and renters and avoid negative outcomes will take coordinated effort. Measures to stabilize households, keep people in their homes, and lessen long-term shocks on household financial stability are paramount.

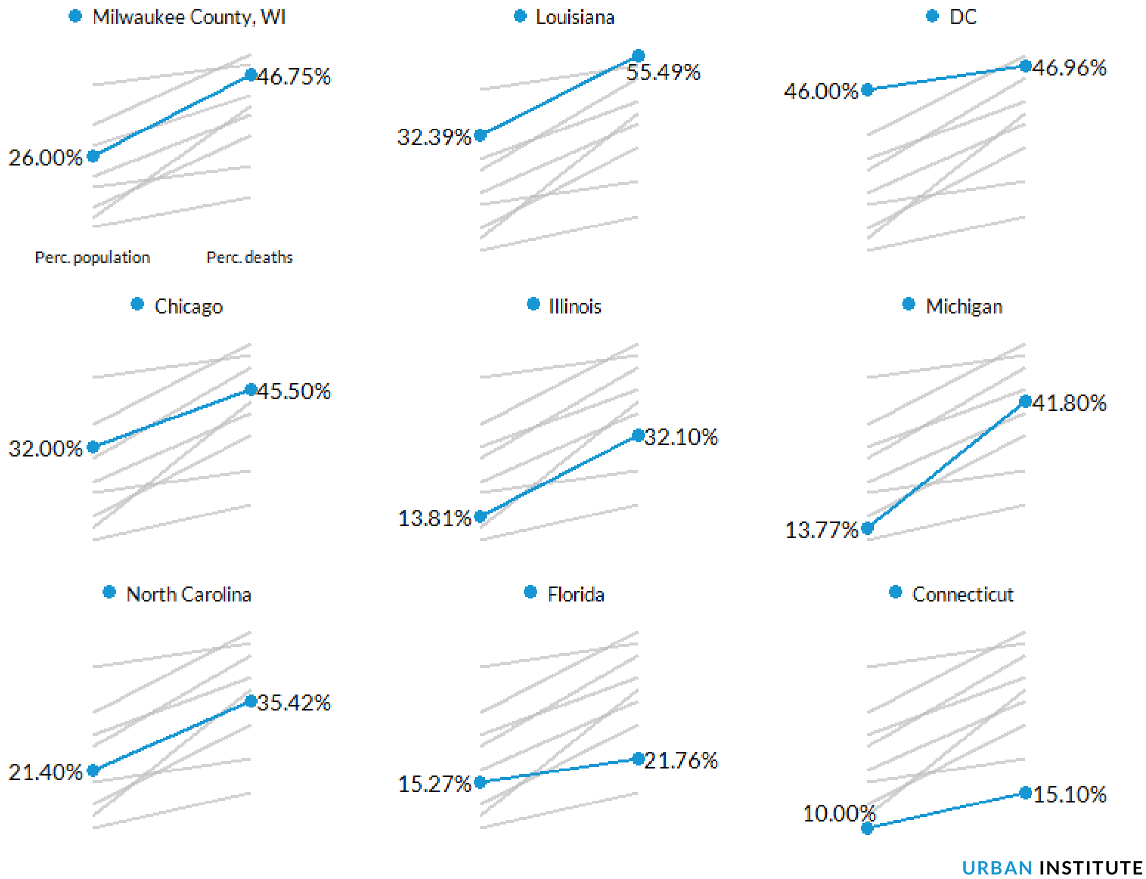
# COVID-19 Brings Additional Challenges and Disparities

Certain features of the COVID-19-induced catastrophe are similar to downturns induced by economic shocks or natural disasters, yet many characteristics are different. An assessment of the connection between health and housing can shed additional light on the challenges presented by COVID-19. This includes the ways health affects homeownership and the effects of homeownership on health.

The current economic downturn is directly fueled by a public health crisis that is presenting its own set of racial and ethnic concerns. The COVID-19 virus is infecting and killing Black people at a high rate.[26] Figure 6 presents updated data and shows a disproportionate impact on the Black share of coronavirus deaths relative to their share of the population. As more data about the pandemic's impact become available, there will be more clarity about how this disease is hitting the most vulnerable groups the hardest. Racial and ethnic information is available only for about 35 percent of total US coronavirus deaths, and even this limited sample shows Black people and other historically disadvantaged groups experiencing an infection and death rate that is disproportionately high for their share of the population.[27]

FIGURE 6

**Black People as a Share of the Population and as a Share of Coronavirus Deaths**

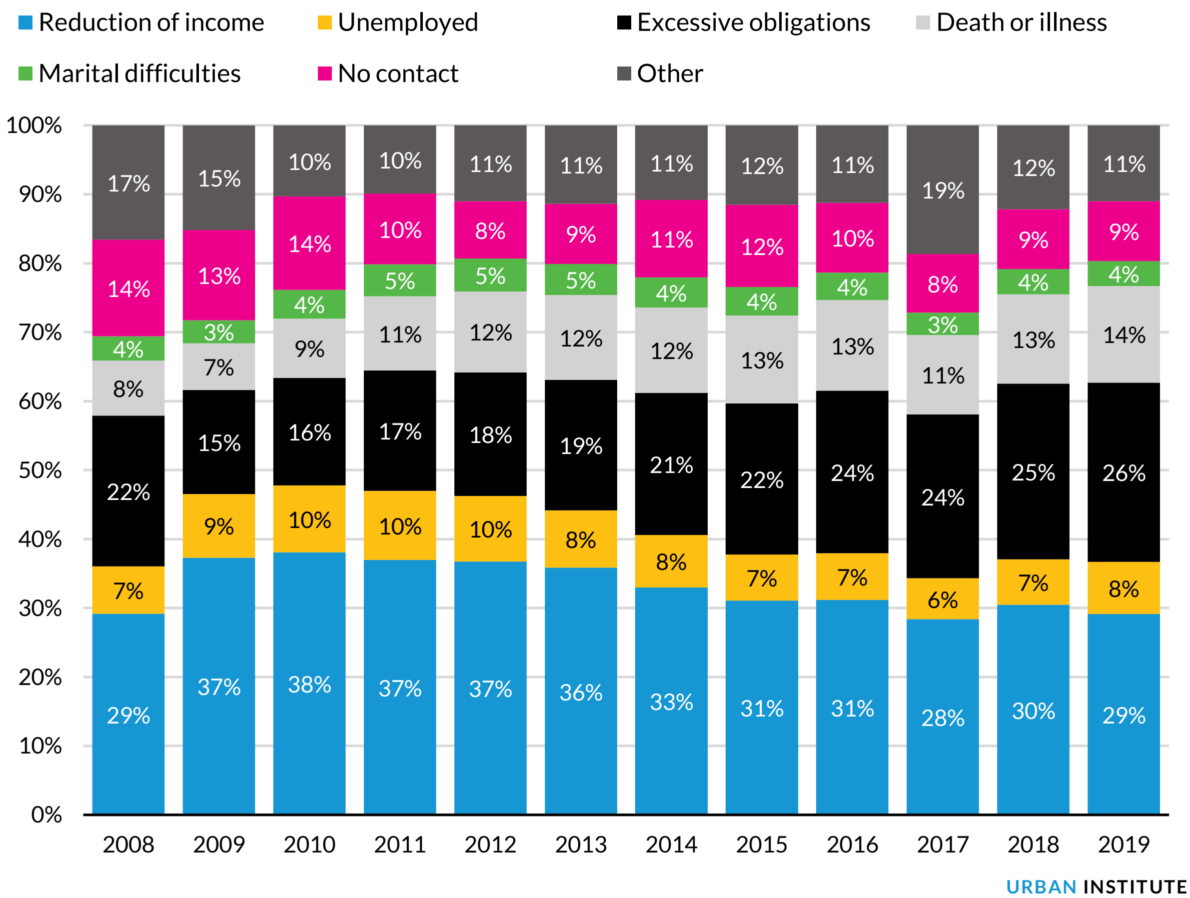



**Sources:** Johns Hopkins University, state health departments, and the American Community Survey.

COVID-19 could affect the ability of homeowners and renters to pay their monthly mortgage or rent obligations because of prolonged sickness, job loss, or reduced hours and income. Related income shocks and inability to work for extended periods creates tremendous uncertainty for housing markets in the short and long term. Before the inclusion of "national emergency," partly to reflect the impact of COVID-19, the Federal Housing Administration indicates that illness or death accounts for 10 to 20 percent of severe delinquencies (mortgages that are 90 or more days past due) (ORMRA and OERAD 2020). To date, COVID-19 appears to have had a disproportionate impact on racial and ethnic minorities relative to white people based on the types of jobs lost and the number of illnesses and fatalities.

FIGURE 7

**Homeowners' Reasons for Becoming 90 or More Days Delinquent on Federal Housing Administration Loans**




**Source:** Authors' calculations from US Department of Housing and Urban Development data.

Research has established a profound connection between household health and individual well-being. Homeowners may have a health advantage over renters because they have greater control over their environment (Lindblad and Quercia 2015), though it is unclear how uniformly this health benefit affects all homeowners. Owners of high-value homes, for example, may have better health outcomes than owners of low-value older homes (Mahdipanah et al. 2017). And those living in unsafe or unrepaired homes may be more at risk amid stay-at-home orders.[28]

Substandard housing conditions such as pest infestation, lead paint, faulty plumbing, and overcrowding disproportionately affect Black families and lead to health problems such as asthma, lead poisoning, heart disease, and neurological disorders (Matthew, Rodrigue, and Reeves 2016). In addition, Black households are 1.7 times more likely than the rest of the population to occupy homes with severe physical problems. Research also suggests that improved housing conditions would also increase access to health care for Hispanic families and reduce morbidity from such conditions as asthma. Additional research has found that the link between health and housing may not hold for homeowners of color (Ortiz and Zimmerman 2013). Although the mechanisms are being disentangled, research findings indicate that the connection between homeownership and health has been a robust and independent predictor of each health outcome in the non-Hispanic white population, but the association disappears for racial and ethnic minorities.

# Key Considerations and Future Research

When economic setbacks arise, household wealth matters to family outcomes in ways greater than income alone. Households that have assets of value, particularly those that can be liquidated to get through economic cycles or potential shocks, are better positioned to endure these cycles without financial ruin. Households of color have less wealth, and homeownership is a large share of overall net worth for minority homeowners, yet most people of color are renters. Renter households of color are most vulnerable and may see significant setbacks in their ability to purchase a home in the future, given income shocks, an inability to save, and the damage that can be done to their credit profile in times of economic distress.

We have noted that home equity makes up a disproportionate amount of overall net worth for Black and Hispanic households, and they have fewer liquid assets and lower retirement and traditional savings. This suggests that people of color are likely to have greater difficulty recovering from an economic shock, suffering more severe losses of wealth and a slower recovery. We continue to focus on efforts to reduce persistent racial homeownership gaps (McCargo, Choi, and Golding 2019) and conclude that if homeownership is to be a true wealth-building asset and source of financial stability for Black and Hispanic households, it must be sustainable through all economic cycles, and we must make policy decisions that support households of color, who are most vulnerable to hardships and severe loss of income and wealth from these events. For example, policies focused on homeownership sustainability during times of hardship are critical, including the design and structure of homeowner relief programs, such as forbearance, or ensuring long-term housing counseling supports are in place for the hardest-hit groups. Federal, state, and local policies must consider that circumstances for households of color may be worse because of the systemic disparities households of color inherently face.

COVID-19 has amplified racial and ethnic disparities and highlights the critical connection that having safe and stable housing has to overall health. By examining the ramifications of this unprecedented health and economic event, we will attempt to quantify how wealth disparities play out for homeowners of color compared with white homeowners, as well as long-term implications for renters, who will likely experience setbacks in becoming homeowners, especially if they are low-income young renters of color.

Specifically, we will analyze how Black and Hispanic homeowners are affected by economic recessions and subsequent recoveries; explore policies and practices that federal, state, and local stakeholders might implement to address racial equity and structural barriers to lessen the effects of future economic events; and recommend solutions to directly address underlying issues, as well as mitigate and effectively prepare people of color for economic shocks.

The policies that will be required to create an appropriate safety net for homeowners of color with low wealth will be varied and driven from federal, state, and local decisions and support. Specifically, the framework we present suggests that policymakers at all levels of government will need to meet the immediate and disproportionate impacts on people of color from the economic downturn induced by COVID-19. This is also an opportunity for policymakers to address the causes of more persistent racial and ethnic disparities in homeownership and housing equity, particularly if these long-term discrepancies make people of color more vulnerable when the overall economy declines. Evidence-based policies targeting this challenge along both these dimensions should boost the recovery for people of color and better support them when a future crisis arrives.

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# About the Authors

**Michael Neal** is a senior research associate in the Housing Finance Policy Center at the Urban Institute. Previously, Michael worked at Fannie Mae where he was a director of economics in the Economic and Strategic Research division. Prior to his service at Fannie, Michael was the assistant vice president at the National Association of Home Builder's Economic and Housing Policy department. As a housing economist, Michael has an in-depth knowledge of housing market trends and has provided expert analysis and commentary on housing to media outlets around the country. Previously, Michael worked at the Congress' Joint Economic Committee, within the Federal Reserve System, the Congressional Budget Office, and at Goldman Sachs. Michael has a master's in public administration degree from the University of Pennsylvania and a bachelor's degree in economics from Morehouse College.

**Alanna McCargo** is vice president for housing finance policy at the Urban Institute, where she focuses on management, development, and strategy for the Housing Finance Policy Center, including the cultivation of innovative partnerships within Urban and with external stakeholders. McCargo has over 20 years of experience in housing finance, policy, and financial services. She has worked in the private, public, and nonprofit sectors on programs, policies, and research to improve access to housing and mortgage finance. Before joining Urban, McCargo was head of CoreLogic Government Solutions, working with federal and state government agencies, regulators, government-sponsored enterprises, think tanks, and universities to deliver custom data, analytics, and technology solutions to support housing and consumer policy research. Previously, McCargo held leadership roles with Chase and Fannie Mae, managing portfolios, policy efforts, and mortgage servicing transformation and alignment. From 2008 to 2011, she was an agent of the US Treasury Department on housing programs, such as Making Home Affordable and Hardest Hit Funds, working with industry stakeholders on the recovery. McCargo serves on nonprofit boards and committees, focusing on her passion for helping underserved populations with financial literacy, economic stability, and housing security. She works with Doorways for Women and Families, Women in Housing and Finance, and DC Habitat for Humanity. McCargo has a BA in communications from the University of Houston, an MBA from the University of Maryland, and an executive certificate in nonprofit management from Georgetown University's McCourt School of Public Policy.

## Statement of Independence

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500 L'Enfant Plaza SW
Washington, DC 20024

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