

Homeownership & the racial wealth gap

Jenny Schuetz

Partnership for Strong Communities

July 2021



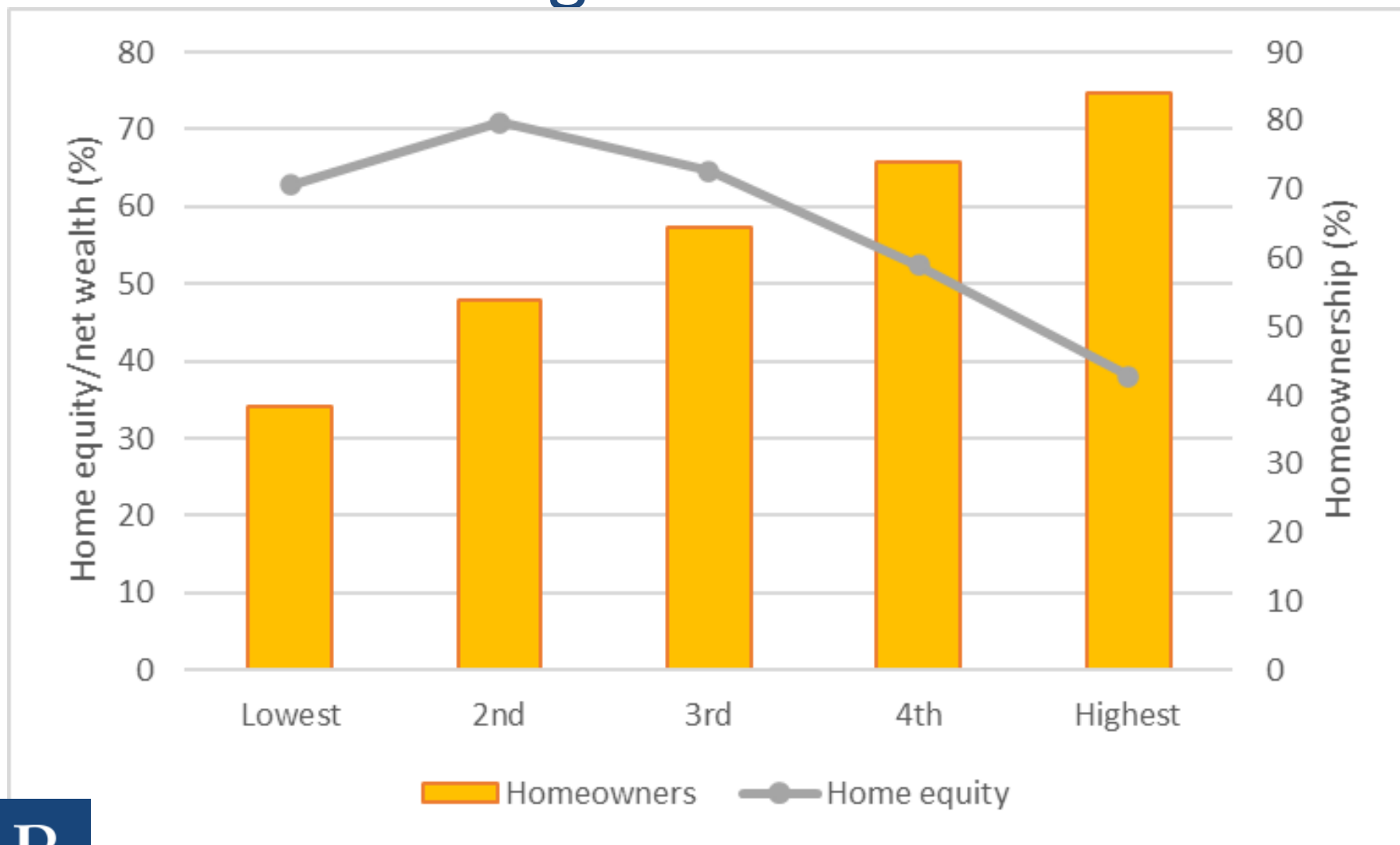
Brookings Institution
Metropolitan Policy Program

jschuetz@brookings.edu



@jenny_schuetz

Home equity is middle-income households' largest asset



Homeownership has pros & cons

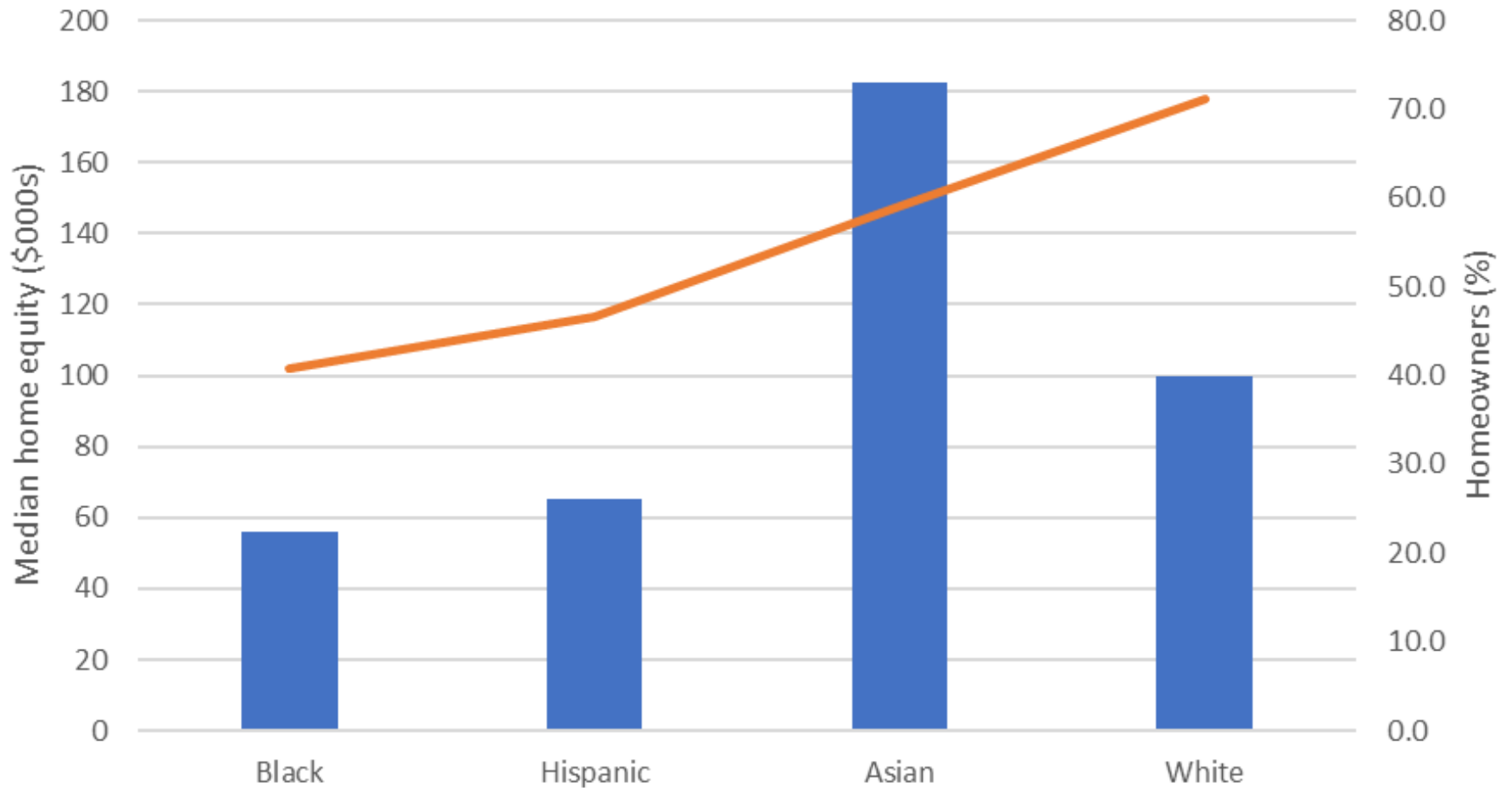
Strengths

High leverage on investment
Low borrowing costs (implicit subsidy)
Forced savings mechanisms
Hedge against future rent increases
Spillover benefits to communities

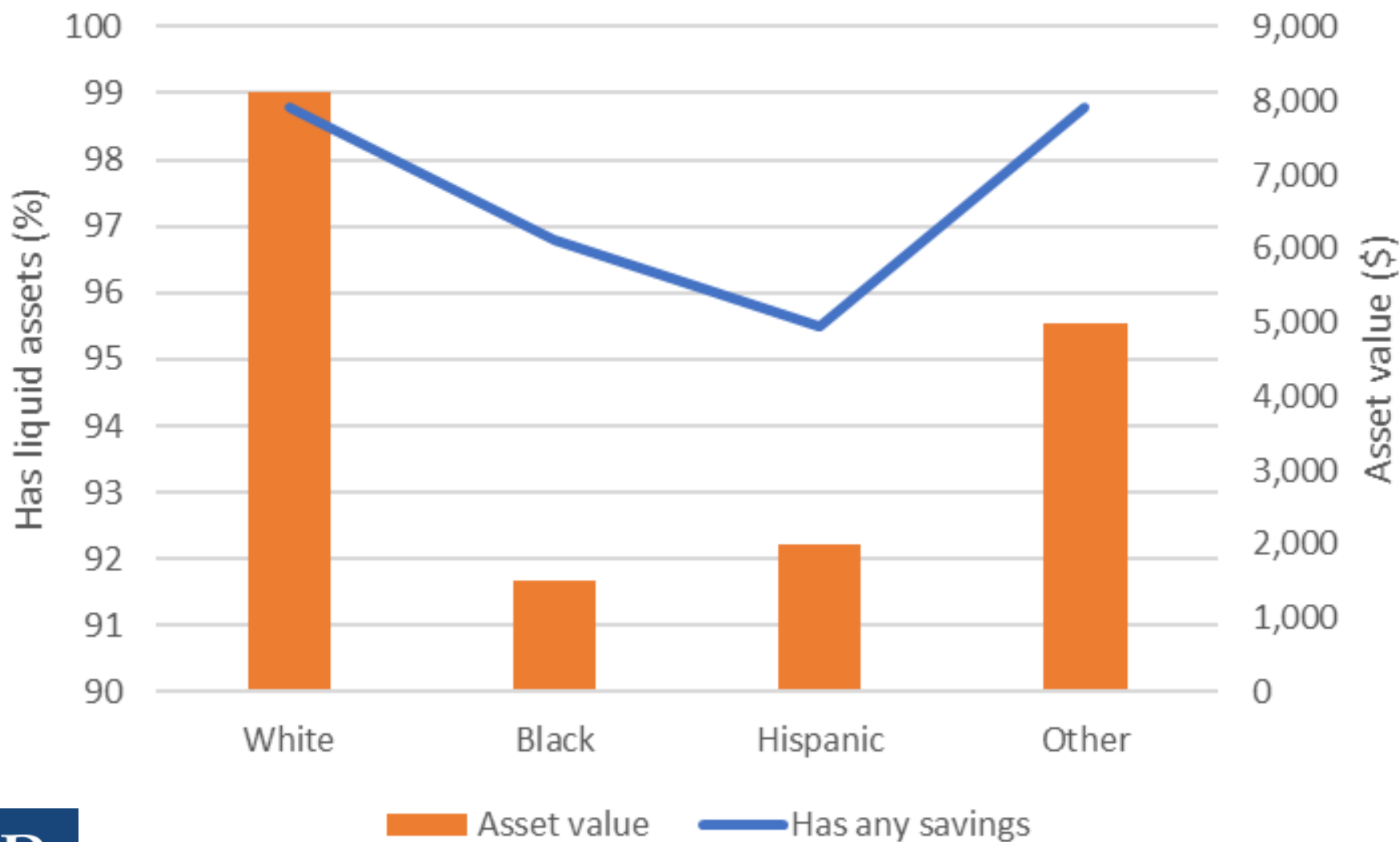
Limitations

Not diversified
Illiquid (hard to extract cash)
Returns depend on timing of purchase
Returns correlated with local labor markets
Political frictions between owners & renters
Exacerbates racial wealth gap

Black & Hispanic homeowners have less home equity



Racial gap in liquid savings



Policy recommendations for more equitable wealth-building

- Stop subsidizing homeownership for high-income households
 - Targeted tax credits to moderate-income first-time homeowners
- Subsidize short- and long-term asset-building outside homeownership
 - Baby bonds, Individual Development Accounts
 - Tax-exempt matched savings accounts
 - Portable renter savings accounts

Comments & questions welcome!

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