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### **Study: Black Americans Should Get Reparations for Housing Discrimination**

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(CORVALLIS, Ore. ) - Historic housing and lending discrimination against black Americans has created a significant discrepancy in their overall wealth – a gap that may take reparations to close, according to

research published by two Oregon State University faculty members.

Jonathan Kaplan, associate professor and chair of the Department of Philosophy, and Andrew Valls, assistant professor in the Department of Political Science, published their study in the July issue of Public Affairs Quarterly. In the study, they argue for a shift from viewing reparations in the framework of slavery to emphasizing relatively recent housing discrimination practices which continue to put people of color at a disadvantage.

The average black American has only about 15 percent as much wealth as the average white American, even though black Americans earn about 60 percent as much as white Americans. And at every income level, white Americans have much more wealth than black.

Wealth is a measure of a person's total net worth – essentially, their assets minus their debts. For people in the middle-class, homes tend to be by far the biggest asset. And a large fraction of the black/white "wealth gap" is related to the very different home ownership rates of white and black Americans, and the differences in the value of homes owned by black and white Americans.

Kaplan and Valls argue that this situation was created by government programs that deliberately made it much more difficult for black Americans to acquire homes at the same time they made it much easier for white Americans to acquire homes.

Before the creation of the temporary Home Owner's Loan Corporation (HOLC) in 1933, and its permanent successor, the Federal Housing Authority (FHA) in 1934, relatively few Americans owned their homes.

The FHA made home ownership possible for many Americans by introducing low down-payment, long-term fixed-interest, self-amortizing loans. In 1938, the creation of the Federal National Mortgage Association ("Fannie Mae") provided a market for Federal Housing Authority (FHA) loans, increasing liquidity and further decreasing lender risk.

As Kaplan explains, black Americans were almost completely excluded from benefiting from these loans because the FHA assigned "risk" rating to neighborhoods, based on various demographic factors, especially race. Mixed and predominantly black neighborhoods were rated as "riskier" and were generally not eligible for FHA loans.

Valls said after World War II, the G.I. Bill led to a housing boom where returning soldiers bought new homes in the newly-formed suburbs. However, black veterans were largely excluded from the housing benefits of the G.I. Bill.

"The FHA manual at the time stated that 'If a neighborhood is to retain stability, it is necessary that properties shall continue to be occupied by the same social and racial classes,'" Valls said. "So for a home to be insurable, a neighborhood had to be white and to stay white."

To ensure that stability, the FHA actively promoted the use of racial covenants – legal restrictions on who houses could be sold to – in order to protect against transitions to mixed neighborhoods. According to Kaplan and Valls, by some estimates 80 percent of new suburban housing developments in the 1930s and '40s included such covenants.

"So even if you wanted to sell your home to a person of color, you couldn't," noted Valls. Valls said he recently found a racial covenant in the original deed for his 1949 home that stated that the home was "not to be sold to blacks or Asians."

In 1948, the Supreme Court ruled these covenants to be unconstitutional. However, Kaplan and Valls said that discriminatory practices continued well into the 1980s.

"This was a very explicit widespread discrimination that had real impact on people's well-being and their ability to have that cushion that comes from having assets such as a home," Valls said.

Kaplan added: "Access to equity in a home gives you a back-up in case of an emergency; it gives you something to fall back on. Historically, it helps you build on what you have: to hold out for a better job, upgrade to a better neighborhood, get other loans. If you are denied the opportunity of home ownership, it affects your entire way of life."

Valls and Kaplan said the majority of young, first-time white homebuyers today receive money from their parents to help them afford a home. This is not the case for black first-time homebuyers, however, because of the lack of ownership history.

The researchers believe that reparations for this government-supported discrimination are necessary. Using a model where they compared the current average wealth of white Americans due to home equity to the current average wealth of black Americans due to home equity, they believe that reparations in the billions – and perhaps hundreds of billions – may be owed to black Americans.

In their paper, they advocate for programs that would help correct some of these recent historical injustices.

They believe that low-interest federal government home and business loans aimed at (but not exclusive to) black Americans would help remedy a system that has discriminated against blacks since the 1930s and caused a historic gap in wealth between black and white Americans.

"Black Americans ought to be eligible for very favorable terms on mortgages, with very low interest rates and low or no down payment, with both mortgage insurance and the low interest rates subsidized by the government," Kaplan said.

In addition, they said that blacks should be provided with opportunities that would lead to the creation of wealth through means beyond the housing market alone:

- Improved access to good primary education;
- Improved access to funding for secondary education;
- Very favorable terms for loans to start new businesses, etc.

- Improved “safety nets” for crises.

“Some of these policies that might contribute to closing that wealth gap would benefit people of all colors,” Valls said. “But the important part is that it closes that gap.”

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