

Homeownership and
Racial Wealth Disparity in the Southeast:
Factor Ratio Reweighting Analysis of Homeownership in Six Southeast States and the
Importance of Race-Conscious Housing Policies

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Table of Contents

ABSTRACT	3
TERMS	4
BACKGROUND	5
RESEARCH QUESTIONS	6
LITERATURE REVIEW	6
WHY WEALTH	6
WEALTH AND HOMEOWNERSHIP	8
HISTORY OF DISCRIMINATION	11
IMPORTANCE OF RACE AND RACE-CONSCIOUS PRACTICES	13
STUDY AREA	14
DATA	15
METHODOLOGY	16
ANALYSIS	17
1. HOUSEHOLD WEALTH IN THE SOUTHEAST	17
2. FACTOR RATIO HOMEOWNERSHIP REWEIGHTING ANALYSIS	19
3. HOUSEHOLD WEALTH IN THE SOUTHEAST AFTER EQUALIZING HOMEOWNERSHIP RATES	21
4. HOUSEHOLD WEALTH IN THE SOUTHEAST AMONG HOMEOWNERS	22
FURTHER RESEARCH & OPPORTUNITIES	23
CONCLUSION	24
REFERENCES	25
APPENDIX	27
APPENDIX A:	27
APPENDIX B:	27
APPENDIX C:	28
APPENDIX D:	28
APPENDIX E:	29
APPENDIX F:	29
APPENDIX G:	30
APPENDIX H: COMPARISON OF MEDIAN HOUSEHOLD WEALTH BY RACE	31

Abstract

Recent studies have revealed that the racial wealth gap between Black and white households is ever growing, and will take significant changes to decrease. Wealth is an important measure in terms of economic mobility by providing new opportunity to future generations. Black households have historically been denied access to many of the key wealth building opportunities such as college education, homeownership, and investment. Perhaps the most notorious form of wealth creation is by homeownership, an institution that has continuously locked out many households of color, leading to a large disparity in homeownership rates between Black and white households. This analysis will look specifically at the use of homeownership as a wealth building tool, and how equalizing homeownership rates through factor ratio reweighting analysis would affect the racial wealth gap in six Southeast states. After determining the resulting decrease in the racial wealth gap, this paper seeks to explore possibilities in policy, practice, and future research to determine the best methods to decrease wealth disparity and the need for race-conscious policies.

Terms

Race: The socially constructed concept which classifies by dividing people into populations or groups based on various physical characteristics. This classification system has led to institutional and structural consequences of discrimination.

Wealth: Wealth is primarily defined as total net worth which adds up all assets (property, savings, retirement accounts, etc.) and subtracts all liabilities and debts (mortgages, student loans, etc.). Wealth is the accumulation (or lack) of resources which can be used to plan for future financial wellbeing.

Racial Wealth Divide/Gap: The racial wealth divide is the absolute difference in wealth holdings (net worth) between the median household among populations grouped by race or ethnicity¹.

Household Wealth: Household wealth accounts for the total net worth of all assets and liabilities of all inhabitants combined.

Homeownership: A person or household who own their own home. Homeowners can own their property either through debt (mortgage), or they can own it outright.

Income: Income is the total sum money an individual or household receives in exchange for goods or services, usually on a regular schedule. Income is used for day-to-day expenses.

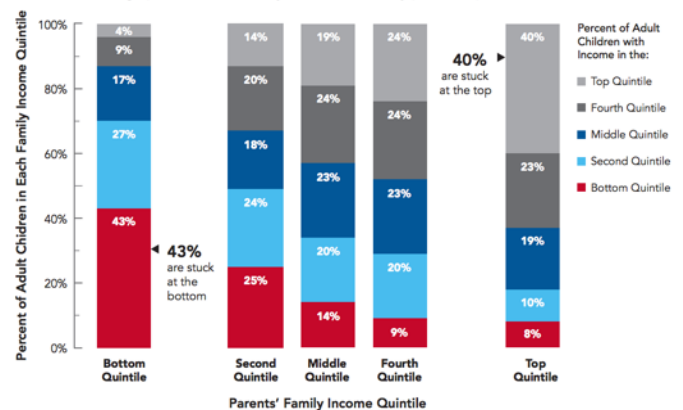
Assets: Assets are resources with economic value owned by an individual or household. Common assets include property, savings, and retirement accounts. It is generally assumed that assets will provide future monetary benefit.

¹ Traub et al., 2016

Background

The United States has had a tumultuous history in regards to racially discriminatory housing policies. Research into the causes of racial wealth disparity has traced its origins to historical injustices, from slavery to segregation to redlining. The significant expansion of white wealth in the years after World War II was primarily fueled by public policies like the GI Bill, which allowed veterans to purchase homes with guaranteed mortgages, creating the foundation of an American middle class that mostly excluded people of color (Traub et al., 2017). The outcomes of past inequalities are carried forward as wealth is passed down through generations and are strengthened by ostensibly "color-blind" practices and policies in effect today.

The racial wealth gap matters because of the central role wealth plays in enabling families to both handle current financial challenges and make investments in their future. Families that have accrued wealth can better endure unanticipated financial emergencies. 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 long as a substantial racial wealth gap persists, white households will continue to enjoy greater advantages than communities of color in meeting the financial challenges of everyday life and will be able to make more significant investments in their children, creating a cyclical advantage for future generations. This phenomenon was recently studied in a report by the Pew Charitable Trusts in 2012, looking at the economic mobility of children as compared to their parents. This study found that nearly 43 percent of those born in the bottom income quintile stay there as adults (Pew Charitable Trusts, 2012). With the racial wealth gap, this means that communities of color are at much higher risk of lack of economic mobility due to centuries of racial discrimination. We can only build a more equitable future by facing the racial wealth gap and the public policies that continue to fuel and exacerbate it.



Source: Pew Charitable Trusts, 2012

My paper will focus on effects homeownership has on the wealth between Black and white communities. Through this lens I see my paper composed of three parts:

1. A literature review of the historical context of racial discrimination that has disproportionately allowed white households to accrue wealth through homeownership as well as "color-blind," economic-based housing policies. This section will pay considerable attention to the historical contexts of the South, and look at past examples of housing discrimination in Atlanta, Georgia.
2. A look at six states in the Southeast and how equalizing homeownership rates between white and Black households affects the racial wealth divide.

3. Considerations for future research of the racial wealth gap, as well as the need for race-conscious housing policies.

Research Questions

This paper will seek to answer the following questions throughout the three sections outlined above. Would equalizing home ownership or home mortgage approval rates increase Black wealth, decreasing the racial wealth divide? What future research is necessary to continue to decrease the racial wealth gap?

Literature Review

Why Wealth

This research examines the impact of how homeownership effects household wealth by race, but to understand this topic thoroughly, I must first go into why wealth is the appropriate measure for this analysis. The wealth and homeownership literature provides compelling evidence that wealth—as opposed to other measures such as income—is the critical point to understanding racial stratification in the United States. For example, while communities of color made remarkable advances since the civil-rights era such as increases in income, racial inequality continues to be a significant problem, making wealth accumulation even more salient (Shapiro, 2006). Shapiro notes that a wealth perspective provides a "concrete way of analyzing how the past connects to the present, and thus provides a mechanism to refresh our historical memory of race" (Shapiro, 2006). While income only looks at the current economic standing, wealth has the ability to go beyond this surface level understanding to understand the generational effects of income, asset accumulation, and debt.

What exactly is the meaning of wealth, and how does it differ from income? Income is the amount of money received for services provided over a certain amount of time (whether it be a week, month, or year) and it is mainly used for our daily necessities. On the other hand, wealth is the net value of assets accrued over time including personal savings and bank accounts, ownership of stocks, property ownership, business ownership, and much more. As opposed to the short-term use of income, we utilize assets as a "surplus resource available for improving life chances, providing further opportunities, securing prestige, passing status along to one's family" and securing economic security for present and future generations (Olliver & Shapiro, 1995). It is important to note that two seemingly identical families with similar incomes but divergent wealth will have immensely different futures, opportunities, and trajectories due to the opportunities that wealth provides. This is why it is critical to understand wealth and the importance that policy will have on different races and future generations.

With this critical understanding of the advantages of utilizing wealth as a measure of equality, we can next look into data and analysis of wealth accrual in the United States. Data on wealth for average Americans was not systematically collected and reported until recently, with some

of the first surveys of wealth taking place in the 1980s. Previous to this, economists and sociologists relied on income as a measure of equality. Lisa Keister's *Wealth in America* analyzed the correlation of income and wealth, coming to the conclusion that there is little to no correlation between the two. Keister suggests that the studies focusing solely on income "miss a large part of the story of advantage and disadvantage in America" (2000). By looking at wealth, we change our understanding of racial inequality. The magnitude and breadth of wealth differs significantly from income, as well as its ability to be transferred from generation to generation. While income opens the window into understanding the contemporary relevance of the historical legacy of African Americans, wealth thrusts the door wide open, allowing for broadened understanding between race, class, and wealth accumulation (Shapiro, 2006).

Economists and sociologists have been looking into racial wealth divide for many years, and literature agrees that the wealth disparity between Black and white households is the largest it has been in over 25 years (Fox, 2015). Fox's research found that in 2009 the median white household held 22 times more wealth than the median Black family. Similarly, in his article 'Race, Homeownership and Wealth', Thomas Shapiro found that the typical wealth accrued by white households stands at \$81,000, while Black household wealth is only \$8,000 (2006). This \$73,000 gap median white and Black wealth is one way of financially quantifying the centuries of historical disadvantages that have prohibited Black families from accumulating wealth. Another way to interpret the relationship between white and Black wealth is to view that for every dollar of white household wealth, Black households only own ten cents of wealth. This, again, shows the significance and magnitude of the wealth gap—ten-cent on a dollar gap—as opposed to the income gap—fifty-nine cent on a dollar gap (Shapiro, 2006). While my research focuses on the Black-white wealth gap, much of the literature also addresses other races and ethnicities as compared to white wealth. Shapiro also found that over a quarter of the Hispanic and African American households are asset poor, having little to no liquid financial assets, as compared to only thirteen percent of white families in the United States. Because of these sharp divides along racial and ethnic lines, lack of wealth will continue to impose negative impacts on those who have been systemically neglected.

Given the importance of wealth in economic outcomes of families, one would assume incorrectly that the literature on intergenerational economic mobility would pay greater attention to wealth and its impact on the Black-white mobility gap. Wealth is a crucially important piece of a household's financial well-being. In times of economic hardship, wealth can be a source to meet needs, and can also be borrowed against as a source of credit (Fox, 2015). Most importantly, wealth can also be used to invest in future generations of economic mobility through investments such as education, human capital, or beginning businesses as means of creating future wealth.

Because wealth has the properties to both enhance and hinder economic mobility based on institutionalized and ingrained historical inequalities in the United States, it is essential to have a deeper understanding of this powerful tool. Shapiro asserts that wealth provides an opportunity to explore how these historical advantages and disadvantages have accumulated

for different racial, class, and ethnic groups over time. To further examine wealth's power, it is critical to identify the root of racial and economic inequality. What are the policies, institutions, and mechanisms which provide wealth for some and inhibit others'?

In my analysis I use homeownership as a lens to view racial wealth divides, since homeownership is the largest component of wealth portfolios of all Americans, and exceeds 63% of all wealth in African American families (Shapiro, 2006). Homeownership is only one of many ways in which families create and accrue wealth, but it has a dark and tenacious past that continues to reverberate throughout today's society. In the next section, I will look into how wealth plays into wealth overall, and its merits and faults for measuring wealth.

Wealth and Homeownership

Homeownership has long been one of the most notable principals of the American Dream. Later parts of this paper will dig deeper into the histories of discriminatory practices that have kept generations of communities of color from reaping the same benefits as white Americans, but for now, it is important to recognize the symbolic role that homeownership has played in creating constructs of race. powell and Cardwell's paper 'Homeownership, Wealth and the Production of Racialized Space' is one of the few articles that grounds itself first in the understanding that race, and all the accompanying divisions experienced along with it, is a socially constructed concept (2013). Understanding that race is a social construct allows us to wield power, since how we conceptualize and construct race today will effect decades of policies and generations of Americans.

This section will seek to explore the role of homeownership as one of the key constructs of how Americans conceptualize race in our country, and as perhaps the largest institution which produces and perpetuates racial meaning and "racial distribution in modern America" (powell & Cardwell, 2013). powell and Cardwell discuss the role of housing as a key to manufacturing contemporary concepts of race in American society, supported by spatial patterns of residential living while housing continues to be the most significant explanatory variable in determining outcomes of racial inequality. The pair recognizes that these concepts and constructs have created institutions and structures which shape our own understanding the world, our self, and our possibilities and outcomes. powell and Cardwell refer to these structures as 'opportunity structures,' and recognize that housing is the hub of all of the structures in racialized space.

Housing policy is a keystone in determining economic trajectories, and therefore, must be considered much more than just housing policy. As housing is a central hub and 'opportunity structure,' housing policy has the ability to generate and distribute opportunity. With this view, powell and Cardwell determine that segregation "is not just about the distribution of people, but the distribution of opportunity" (2013). Therefore, housing policy has the ability to simultaneously facilitate and restrain the creation of wealth for millions of Americans and their life outcomes. The opportunities created for whites encompass the middle class, whereas housing policies created "significant gaps in, and the distance from opportunity and well-being"

for Black households (powell & Cardwell, 2013). Overall it is clear that the advantages of homeownership have not been distributed equally among all races and ethnicities.

To further understand and quantify what communities are missing out on when they are systemically and institutionally held back from wealth building opportunities I look to the literature to evaluate homeownership as a means of creating and maintaining wealth. First I looked to Traub et al.'s analysis in 'The Asset Value of Whiteness: Understanding the Racial Wealth Gap' to examine what is the root of the wealth gap. This report considers many of the typical explanations for the wealth gap between white, Black, and Latino Americans. Specifically, the study considers college attendance, two-parent households, full-time employment, and 'spending less,' and determines that none of these practices close the racial wealth gap (Traub et al., 2017). With this conclusion, we can better assert that it is not a lack of hard work or anything that the individual can control that is contributing to the racial wealth divide. The methodology of this report is also worth noting, comparing the statistical significance of median wealth intervals between various race and ethnicities, controlling for education, marital status, employment, and spending.

Next, I looked at Traub and Ruetschlin's 'The Racial Wealth Gap: Why Policy Matters.' This report explores how various public policies reflect changes in the racial wealth gap, utilizing the Racial Wealth Audit (developed by a group at Brandeis University), to evaluate the impact of housing, education, and labor markets on the wealth gap between white, Black, and Latino households and assesses how equalizing outcomes for different race and ethnicities would reduce the racial wealth gap. The main findings related to my research include the fact that racial wealth divide is exceptionally large, with Black and Latino wealth making up 6% or less of white wealth, and it is substantially driven by public policy (Traub & Ruetschlin, 2016). Most importantly, it found that eliminating disparities in homeownership rates would dramatically reduce the racial wealth gap. This paper found that if Black and Latino households owned homes at the same rate as white households, median Black wealth would grow \$32,113, and median Latino wealth would grow \$29,213 (Traub & Ruetschlin, 2016). This significant increase in Black and Latino wealth from a simple reweighting analysis shows the vital role homeownership plays in the racial wealth divide.

Another resource which highlights the importance of homeownership in wealth disparities is Thomas Shapiro's 2017 book *Toxic Inequality*. One of Shapiro's main focuses is on homes—the largest reservoirs of wealth and opportunity for the vast majority of families. Today two-thirds of American wealth comes through homeownership, yet communities of color were shut out of this vital wealth building asset until the late mid-twentieth century, hampering their ability to accumulate wealth and pass on through generations (Shapiro, 2017). Shapiro highlights the enduring significance of race and economics in home values and the advantages and disadvantages of neighborhoods and location. Beyond merely understanding the importance of homeownership, Shapiro also looks into the significance of passing on wealth through homeownership and inheritance. Shapiro describes how inherited wealth permits a kind of life

well beyond the means of a family's earned income. Those without such transfers suffer as a result (Shapiro, 2017).

In order to have wealth accrual from homeownership to pass from one generation to the next, we must also observe rates of homeownership across all races and ethnicities. In a 2001 study by Raphael Bostic and Brian Surette note that the percentage of families owning their own homes has increased substantially from 63.9 percent in 1989 to 66.2 percent in 1998. While this seems like a very incremental shift, real observed homeowners increased by eight million people in just a ten-year period. Based off of statistics alone, it appears as though the U.S. has made great strides in increasing homeownership, but it must be recognized that these statistics ignore important distributional factors and divisions. Economic conditions likely did not improve equally for all, which masks disparities in homeownership trends.

Bostic and Surette surmise that communities of color and lower-income households have not been granted the same access to home mortgage lending and credit as others, limiting a household's ability to become a homeowner and benefit from the wealth-building opportunity (2001). In response to these concerns, the United States has imposed several policies including the Community Reinvestment Act and the Home Mortgage Disclosure Act to help improve and ensure equal access to credit and homeownership for all races and ethnicities.

Overall, Bostic and Surette's analysis showed that homeownership has rapidly increased in Black, Hispanic, and low-income families than other groups. These results are roughly consistent with the regulatory environment during the second half of the twentieth century, acknowledging that homeownership rates rose out of proportion to improvements in their economic condition, meaning that the increase was due to housing policies rather than realized improvement in economic status.

Jordan Rappaport discusses the effectiveness of homeownership in building wealth by comparing and analyzing homeowners to renters accrued wealth over a ten-year period. Rappaport's analysis showed that homeownership continuously creates more substantial sums of household wealth than renting and investing saved cash flows. This research suggests that homeownership is a reliable means of accruing wealth over significant periods of times. Another observation this study highlights is that it is unlikely that a renter would have equal amounts of saved cash flow to invest separately from housing as a homeowner has invested in their home (Rappaport, 2010). It is also worth noting identical households are not typically available to both rent and purchase, making the comparison very fickle.

While there is significant data to support the importance homeownership has played in creating wealth for many Americans, I should also note the opposition to this notion. Fox's 2015 article points out that while nearly all forms of wealth are linked with upward mobility, wealth has "few positive associations for Black families and housing wealth is actually associated with negative outcomes for low-income Black families" (2015). Similarly, Federal Reserve researcher Bill Emmons has published several articles noting the volatility of returns on investment for

Black and Latino homeowners. Emmons states that equity—which is the market value of real estate minus the value of debt owed—continues to be the single largest component of wealth for Black and Latino households (2016). Emmons also asserts that homeownership is a riskier investment than non-housing wealth and does not provide greater returns for the greater risk (2017). This is especially important since Black and Latino families maintain higher concentrations of wealth in homeownership than white families. Even so, it is critical to understand that the variability in Black and Hispanic return on home equity is likely explained by factors such as individualized racism and locations and communities where they can buy homes and the values of those homes.

To address these criticisms, I think it is important to note that while I am highlighting the importance of homeownership in creating and maintaining wealth, I am by no means suggesting that owning your own home is a cure-all for communities that have been systematically disadvantaged. This research is to show that homeownership has a significant impact on wealth. Given the right policy landscape, the same advantages that were given to white Americans nearly a century ago as well as the time to accrue wealth, homeownership can significantly decrease the Black-white racial wealth gap. In order to look at wealth holistically, we cannot put all our faith in homeownership, and we must also pursue other means of promoting wealth creation in communities of color, but homeownership will likely continue to be a significant source of wealth for generations to come.

With this understanding of how homeownership contributes to household wealth inequitably, the next section of this paper will look further into the historical institutional factors that have prohibited communities of color from reaping the same benefits as generations of white families.

History of Discrimination

This section will review the history of housing policy to illustrate the ways policy has contributed to contemporary housing patterns and influenced the racial wealth gap. There are many historical pinpoints in time where I could begin this analysis of how discrimination has affected the racial wealth gap, but I will start in the 1930s with the wave of federal policies that led to a massive increase in homeownership. In the aftermath of the Great Depression, the Roosevelt administration's New Deal led to several programs which have left ripple effects on America's society to this day.

The first notable program is the Home Owners Loan Corporation (HOLC) which began in 1933. One of the HOLC's original purposes was to save the millions of homeowners going into foreclosure by purchasing defaulted mortgages and refinance homeowners in debt with government-backed bonds (Gibbons, 2009). To address the risk of home mortgage lending after the Great Depression, the HOLC created risk assessment maps of cities to determine the quality of neighborhoods. These HOLC maps detailed the desirability of neighborhoods that would be acceptable to finance mortgages within. These maps had desirability ratings ranging from 'best,'

'still desirable,' 'definitely declining,' to 'hazardous'—which was outlined in red (Nelson et al., 2018). Desirability was determined by several factors, including "negro infiltration," percent of foreign-born residents, the presence of families on welfare, and religious minorities (Hibdon & Mirk, 2017). While the HOLC was only in existence for six years, their mapping system became famous for redlining, the practice of systematically undervaluing racially and socially mixed neighborhoods, thereby preventing home loans to be granted in Black communities (powell & Cardwell, 2013). The program which was initially meant to prevent foreclosures judged neighborhoods based on race, class, and religions, effectively deciding which homes—and therefore race/class—the government would allow people to get loans and purchase homes. Entire neighborhoods of ethnic and racial minorities were denied access to the privilege of owning a home. While the HOLC was only around for six years, their practices and maps were used for decades by the Federal Housing Administration.

The Federal Housing Administration (FHA) was founded as a part of the National Housing Act of 1934, a continuation of Roosevelt's New Deal. While the HOLC was meant to prevent foreclosures, the FHA was created to increase access to credit and encourage home mortgage lending (Gibbons, 2009). The HOLC may have initially determined the HOLC redlining maps, but it was the FHA that truly popularized the systematic discrimination of mortgage lending. This fundamentally prevented African American's from buying into the 'American Dream,' missing out of the same wealth-creating opportunities that many white families benefited from.

The 'American Dream' is centered around the idea that housing provides a sense of financial, social, and emotional security, creating a refuge from the hardships of life. As Richard Rothstein writes about in his anthology *The Color of Law*, countless white families benefited from systematic exclusion of African Americans from homeownership. While Black families were excluded from this institution, white families were able to provide financial security to their children by sending them to college and bequeathing their accrued wealth to future generations (Rothstein, 2017). As Ta' Nehisi Coates wrote in his 2014 article 'A Case for Reparations,' "Black people were viewed as a contagion. Redlining went beyond FHA-backed loans and spread to the entire mortgage industry...excluding Black people from most legitimate means of obtaining a mortgage". The use of redlining was utilized beyond the FHA, and continued to be a common practice after World War II.

Programs like the FHA, and subsequently the G.I. Bill in the wake of World War II, ensured that federal policies promoted us to become the nation of homeowners that the U.S. is today. The G.I. Bill and the Veterans Administration is still "unmatched by any other single social policy" in regards to the many provisions it provided to returning soldiers, including college tuition, business loans, and an overabundance of veterans' mortgages (Desmond, 2017). The loans that the VA administered were characterized by modest interest rates, reduced or waived down payments, and 30-year loans. This provided many returning veterans the opportunity to afford homes in newly constructed suburbs, with veteran mortgages accounting for more than 40 percent of all home loans, with the one exception that veterans of color were not allowed to benefit from the same policy (Desmond, 2017). While the 1968 Congress passed the Fair

Housing Act which made it illegal to refuse to sell or lend to someone because of their race or ethnicity, the long history of racial discrimination had already rooted itself, creating permanent damage within the Black community.

It's also important to note that it is not only lending practices that contribute to the numerous benefits of homeownership. The Mortgage Interest Deduction (MID) was introduced in 1913, long before homeownership was being promoted through the many housing policies of the New Deal. When the MID was first instituted, it was simply intended to allow businesses to deduct interest payments from loans from their taxes (Desmond, 2017). As housing policies began to change, and the United States began to establish programs subsidizing and promoting homeownership in majority white communities, the MID started to have the unintended consequences of allowing property owners who make payments towards a mortgage to deduct mortgage interest payments from their taxes, collecting the savings (Desmond, 2017). For over a century, this policy has reinforced the wealth building and beneficial properties of owning a home for the select segment of society that historically had access to this racialized institution.

While there are countless examples of how housing policy has affected the racial wealth divide over the last century, it is important to recognize that the injustices preventing Black wealth creation goes much farther than housing policy alone.

Importance of Race and Race-Conscious Practices

The previous literature review has attempted to demonstrate how race-connected practices and the changes in policies and physical form continuously shapes society's concept of race. The housing policies I have discussed have socialized and desensitized us to the current racial homeownership and wealth gap. It is critical to recognize and understand the outcomes of these race-connected practices, which Wilson describes as the conventions, policies, and procedures resulting from racism (2002). This means our analysis must not only take into account the housing policies that impacted the racial wealth divide, but we must also go all the way back to slavery. Baradaran highlights in her new book, *The Color of Money*, the need to start with the institution of slavery as the crux of the American capitalist system, allowing for millions of white households to prosper at the expense of the African slave trade (2018). The commodification of African Americans directly enabled the economic gains of the early U.S. economy—especially from growing demand and trade of cotton in the South—without allowing for slaves to reap any of the profits (Baradaran, 2018). It is important to recognize these historical realities because they directly inform our current society. Wilson wrote that the purpose of revisiting history was not to relive the past, “but to provide a critique and an understanding of the present” (2002). Understanding how the Black community has been marginalized, commodified, and neglected ultimately informs our “understanding of life as it is expressed in the larger society” (Wilson, 2002). With all of this in mind, it is crucial that we examine the continuing effects of race-connected practices on society today.

We must understand and examine racialized practices and policies from both the appropriate historical and geographical context. For example, Du Bois was only able to understand the resulting institutional and structural racism leading to Jim Crow in the South through the lens of Reconstruction as a pivotal point in America's capitalist development (Wilson, 2002). We must also look at our society today as a product of our past, the sum of many wholes, rather than in a silo. As Du Bois eloquently put it:

“Take the question of property ownership: it is probably true that only a twenty-fifth of the total property of the South belongs to the Negro, and that the Negro property of the land exceeds three hundred million. Here, again, brute figures mean little, and the comparison between Black and white is misleading. The basic question is, ‘How soon after a social revolution like emancipation ought one reasonably to expect the appearance of habits of thrift and the accumulation of property?’ Moreover, how far is the accumulating of wealth indicative of general advance in moral habits and sound character, or how far is it independent of them or in spite of them?”

-Du Bois, *The Development of a People*

Then, is 150 years an acceptable length of time to expect Black homeownership rates and household wealth to equalize to that of whites? At the same time, is it fair to assume Black households to climb up the economic ladder or achieve the American Dream when we continuously set up more and more roadblocks in the housing and job market? Instead of accepting half-measure policies and being expected to reach the same outcomes as white households, perhaps it is time we create true race-conscious policies that address the current and historical reality that our economy was built upon a foundation of institutional and structural racist policies.

Study Area

Considering Du Bois's analysis of the Black community's expected economic advancement in the South—where so many of the historical injustices are deeply rooted—I have decided to focus my own analysis on the Southeastern United States. Du Bois considered the contradictory nature of advancement, especially in the often hostile environment of the South, and concluded that we need to “judge [the development of a people] intelligently” (Du Bois, 1904). In other words, we can only judge the advancement of a group of people based off of the opportunities that they have been—or not been—provided. While it may seem that since emancipation the Black community has been given freedom to pursue any future they desire, we must consider the social constructs and policies our society created which barred communities of color from benefiting from many institutions. For this reason, I will be looking at how housing and homeownership have affected Black and white wealth in the South.

For my study area, I will look at Alabama, Florida, Georgia, Mississippi, and Tennessee. The impetus of this choice is not only due to Du Bois' critiques but also due to the larger than average Black population in the American South. **Table 1** describes the proportion of white and Black populations in the six southeastern states as compared to the United States as a whole. As the table shows, the proportion of the Black population in the U.S. as a whole is only 12.6

percent, whereas the proportion ranges from 16.1 to 37.3 percent. With a larger proportion of Black population in the South, and with the many historical injustices that occurred, and are still felt in the region, I am interested to see how Black homeownership plays into wealth outcomes, and how homeownership policies may decrease the racial wealth divide.

Table 1: Black and White Populations of Study Area Communities

	Alabama	Florida	Georgia	Louisiana	Mississippi	Tennessee	SE Six States	US
Total Population	4.8M	19.4M	9.9M	4.6M	2.9M	6.5M	48.1M	314.1M
Black	26.4%	16.1%	30.9%	32.1%	37.3%	16.8%	23.1%	12.6%
White	69.1%	76.2%	60.5%	62.8%	59.3%	78%	70.1%	73.8%

Source: ACS 2014 (5-Year Estimates)

Data

There are relatively few surveys which measure household wealth, even though it is an important measure to understand financial standings of American households. There are three nationally representative surveys which are widely recognized by those studying wealth of United States households including the Survey of Consumer Finances (SCF), the Panel Study of Income Dynamics (PSID), and the Survey of Income and Program Participation (SIPP). In order to measure wealth inequality in the six Southeastern states, this analysis utilized the Survey of Income and Program Participation.

SIPP is a national panel survey conducted by the U.S. Census Bureau which collects data on household wealth, assets, and liabilities. Some of the measures include participant household incomes, demographic characteristics, and participation in government social programs, such as the ‘Supplemental Nutrition Assistance Program’ (SNAP). The survey has a sample which includes over 40,000 households, and is designed to be representative at the state level. In comparison to the SCF which has a sample of 4,500, and PSID which has a sample size of 7,500, SIPP is the only data set large enough to be representative at the state level. Of course, as with any survey, sample sizes vary by state with some smaller than others. It is important to recognize that while SIPP is the best national data set to produce estimates of wealth, there is still a concern over the precision of the estimates.

With that said, the SIPP is designed to provide comprehensive information on the financial well-being of American households. The survey which started in 1968 is run as a panel, with each panel following the same household for four years. This analysis has used the 2014 Panel Wave 1 to determine household wealth estimates by race in the six Southeastern states; Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee.

Methodology

This analysis utilizes the SIPP to examine how homeownership relates to the racial wealth divide in the Southeast. To answer the research question posed, this analysis will look at the observed gaps between median white and Black household wealth in the Southeast. This analysis utilized two methods: 1) paired t-tests to determine if there are statistically significant differences in median household wealth between white and Black households in various scenarios, and (2) factor ratio reweighting of homeownership among Black household to mimic that of white households. To start, I performed a quick analysis to confirm that the difference in state median household wealth between white and Black households is statistically significant by performing a paired t-test.

Next, this analysis utilizes a factor ratio reweighting methodology. Recent economic inequality studies have been attempting to measure the potential changes in the racial wealth divide by using a factor ratio reweighting method. This practice, as seen in the 2016 report ‘The Racial Wealth Gap: Why Policy Matters’, highlights the importance of several key contributing factors of wealth—homeownership, education, and labor markets—and the impacts on racial wealth equity outcomes when these factors are equalized between white and Black households (Traub et al.). This analysis will mimic the same methodology, utilizing the Racial Wealth Audit² to model the changes in racial wealth gap after equalizing homeownership rates between white and Black households in the six Southeastern states. To determine the effect homeownership has on the wealth gap, this analysis will reweight the ratio of Black households who have achieved homeownership among all Blacks to equalize that of the proportion of White households that have achieved homeownership among all whites. This methodology adjusts factor ratios between two groups in order to model the changes in the racial wealth gap. The easiest way to explain this process is through an example:

If the proportion of homeowners to renters among white households in the six Southeast states is $\frac{3}{4}$, and the proportion of homeowners to renters among Black households in the six Southeast states is $\frac{1}{2}$, then this approach would reweight Blacks in the SIPP data who own homes from $\frac{1}{2}$ to $\frac{3}{4}$. This process equalizes the ratio of homeowners among all households between white and Black populations, shifting the sample proportions of households with a particular characteristic. This affects measures such as the median household wealth which allows researchers to observe the change in the racial wealth gap.

Traub et al., 2016

The following **Table 2** depicts the mathematical equations used to recalculate and reweight the ratio of Black homeowners to reflect the ratio of the white homeowners.

² The Racial Wealth Audit is a framework created by the Institute on Assets and Social Policy at Brandeis University and the public policy organization Dēmos.

Table 2: Reweighting Calculations			
	Ownership (Binary)	Total Group Size	Rates (=n/N)
Black	n1	N1	r1
White	n2	N2	r2

Step 1: If Black household is homeowner, assign weight = $(n2/N2)*(N1/n1) = r2/r1 = w1$
Step 2: If Black household is not homeowner, assign weight = $((N2-n2)/N2)*(N1/(N1-n1)) = (1-r2)/(1-r1) = w2$
Total weight among blacks = $n1*w1 + (N2-n1)*w2 = N1$

Using the above table, we assign the new weights to Black households using the given formulas:

$$\text{New Black Homeowner Weight} = (n2/N2) * (N1/n1) = r2/r1 = w1$$

$$\text{New Black Non-Homeowner Weight} = ((N2-n2)/N2) * (N1/(N1-n1)) = (1-r2)/(1-r1) = w2$$

This process was duplicated for each individual state in the Southeast—Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee—as well as for the Southeast six states as a whole. These reweighting tables can be found in the Appendix. After computing the equalized Black household median incomes, this analysis again utilized paired t-tests to determine if median household wealth is statistically significantly different between Black and white households in the Southeast.

The last step of the analysis conducted a final paired t-test to determine if there is a significant difference in median household wealth between white and Black homeowners.

Analysis

Given the long history of discrimination discussed in the literature review which has led to lower rates of homeownership among Black households, this analysis will seek to test the effect of equalizing homeownership rates on the racial wealth divide. This analysis takes place in four steps: (1) a paired t-test to confirm statistically significantly different household wealth between Black and white households, (2) factor ratio reweighting of Black household to mimic that of white households to determine how household wealth would increase, (3) a paired t-test analysis to determine if even Black household wealth is still statistically significantly different even after the reweighting analysis, and lastly (4) a paired t-test comparing unweighted median household wealth of Black and white homeowners.

1. Household Wealth in the Southeast

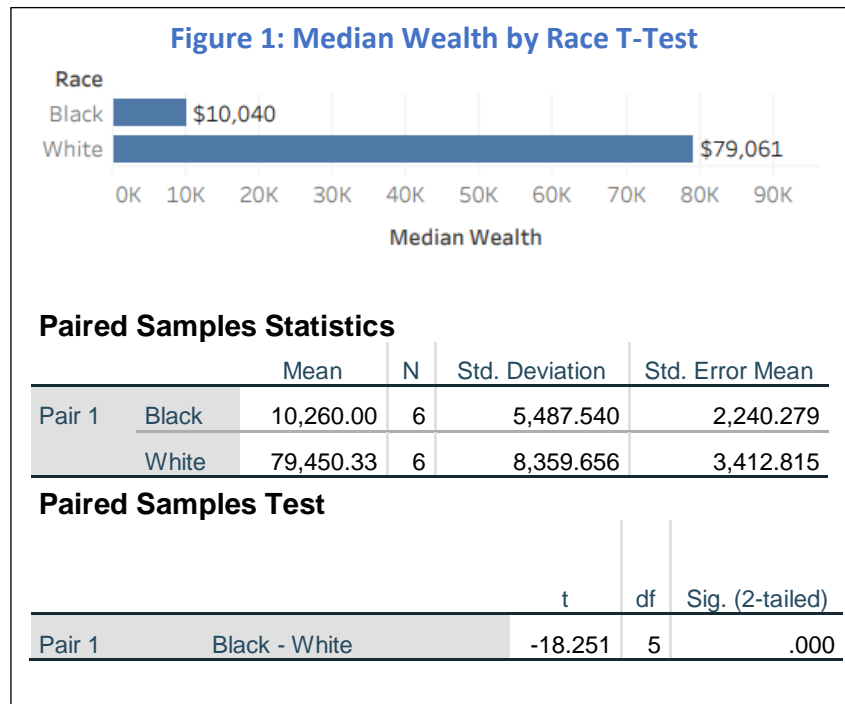
This section will explore the current wealth gap between white and Black households in the southeast, which will lead directly into our analysis on homeownership rates and factor ratio reweighting. **Table 3** displays the median household wealth by race in the study area’s six states, as well as the Southeast region overall. The table shows that median Black household

wealth in the six states ranges from as little as \$3,510 in Florida to \$17,155 in Mississippi. Median white household wealth in the six states is considerably larger, ranging from \$68,700 in Florida to \$89,885 in Louisiana.

	Alabama	Florida	Georgia	Louisiana	Mississippi	Tennessee	Southeast Six States
Black	\$14,030	\$3,510	\$13,540	\$8,480	\$17,155	\$4,845	\$10,040
White	\$88,030	\$68,700	\$78,360	\$89,885	\$72,368	\$79,359	\$79,061

Source: Authors calculations, Survey of Income and Program Participation (SIPP), 2014 Panel 1

In the Southeast overall, this led to a nearly \$70,000 gap in wealth between white and Black households as depicted by the bar chart in **Figure 1**. **Figure 1** also displays the paired t-test which utilized the six states’ median household wealth for Black and white households from **Table 3**. The t-test revealed that the wealth gap between Black and white households is indeed statistically significant with a p-value of 0.000. Now that we have exposed the current state of the racial wealth gap, the next part of my analysis will seek to determine how equalizing homeownership rates between white and Black households would affect wealth.



Source: Authors calculations, Survey of Income and Program Participation (SIPP), 2014 Panel 1

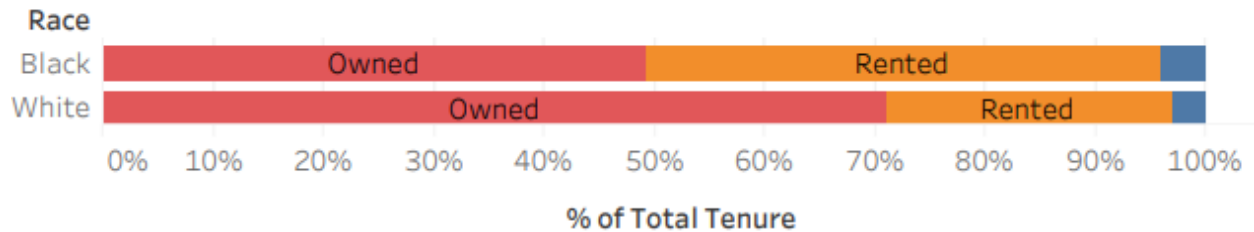
2. Factor Ratio Homeownership Reweighting Analysis

Knowing that there is a significant racial wealth gap between Black and white households, I next wanted to look at homeownership rates by race to determine if lower rates of homeownership in the Black community could be contributing to lower household wealth. **Table 4** displays homeownership rates by race in the six states, as well as the southeast at large. While homeownership rates in Black households range from 44%-52%, white homeownership rates range from 67%-76%. Overall, in the Southeast at large homeownership rates for Black households is 49%, while homeownership rates for white households is 71%, resulting in a 22% gap (see **Figure 2**).

	Alabama	Florida	Georgia	Louisiana	Mississippi	Tennessee	Southeast Six States
Black	52%	44%	47%	52%	52%	44%	49%
White	76%	67%	72%	72%	74%	71%	71%

Source: Authors calculations, Survey of Income and Program Participation (SIPP), 2014 Panel 1

Figure 2: Southeast Homeownership Rates



Source: Authors calculations, Survey of Income and Program Participation (SIPP), 2014 Panel 1

Given the disparity in homeownership rates, I used a factor ratio reweighting analysis (described in the methodology section), which models changes in the racial wealth gap by increasing the population weights of Black homeowners in the data to mimic the proportion of white homeowners among all whites. Factor ratio reweighting analyses for the six individual states and the Southeast at large can be found in the Appendix, **Appendix A-G**. **Table 5** displays the results from the factor ratio reweighting, enumerating the original racial wealth gap, the new racial wealth gap after equalizing homeownership rates, the dollar amount change in the racial wealth gap, and the percent reduction in racial wealth gap. The decrease in the racial wealth gap in the six states ranges from \$12,730 (Florida) to \$37,635 (Tennessee). Similarly, the percent reduction in racial wealth gap ranges from 20-51 percent. As a whole, the Southeast region experienced a \$26,248 decrease in the racial wealth gap, from \$69K to a \$42K gap in Black and white household wealth. While equalizing homeownership rates leads to a meaningful increase in Black household wealth, I next wanted to explore if the resulting

reweighted median Black household wealth is still statistically significantly different from white households.

Table 5: Changes in the Racial Wealth Gap if Rates of Homeownership Were Equalized					
Black Household Wealth by State	Wealth Gap with White Families Before Equalizing Homeownership Rates	Wealth Gap with White Families After Equalizing Homeownership Rates	Change in the Racial Wealth Gap	Percent Change in the Racial Wealth Gap	
Alabama	\$74,000.00	\$48,118.00	\$(25,882.00)	-35%	
Florida	\$65,190.00	\$52,460.00	\$(12,730.00)	-20%	
Georgia	\$64,840.00	\$37,502.00	\$(27,338.00)	-42%	
Louisiana	\$81,405.00	\$56,341.00	\$(25,064.00)	-31%	
Mississippi	\$55,213.00	\$28,820.00	\$(26,393.00)	-48%	
Tennessee	\$74,514.00	\$36,879.00	\$(37,635.00)	-51%	
Southeast Black Households, Avg	\$69,021.00	\$42,773.00	\$(26,248.00)	-38%	

Source: Authors calculations, Survey of Income and Program Participation (SIPP), 2014 Panel 1

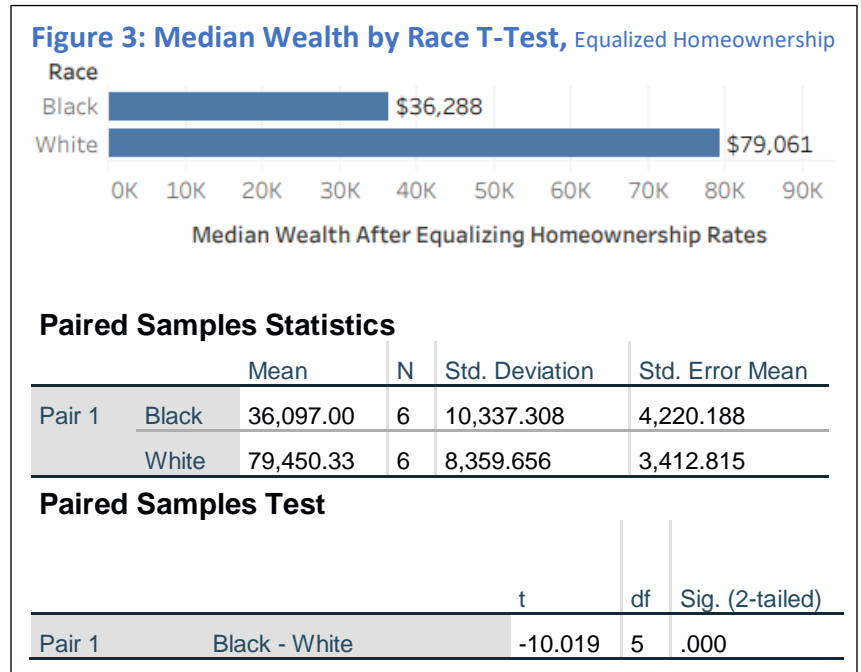
3. Household Wealth in the Southeast After Equalizing Homeownership Rates

After the factor ratio reweighting analysis, I wanted to see if the resulting median household wealth was still statistically different between Black and white households. **Table 6** displays the resulting reweighted Black median household wealth, enumerating the actual reduction in the racial wealth gap that **Table 5** described on the previous page. Median Black household wealth now ranges from \$16,240 in Florida to \$43,548 in Mississippi, while the median Black household wealth in the Southeast increased to \$36,288. Note that white household wealth has not changed since the factor ratio reweighting analysis only reweights Black households to white homeownership rates.

	Alabama	Florida	Georgia	Louisiana	Mississippi	Tennessee	Southeast Six States
Black	\$39,912	\$16,240	\$40,858	\$33,544	\$43,548	\$42,480	\$36,288
White	\$88,030	\$68,700	\$78,360	\$89,885	\$72,368	\$79,359	\$79,061

Source: Authors calculations, Survey of Income and Program Participation (SIPP), 2014 Panel 1

The process of equalizing homeownership rates led to a \$42,773 gap in median wealth between Black and white households in the Southeast at large (**Figure 3**). **Figure 3** also displays the paired t-test to determine if median wealth is still statistically significant between Black and white households. The t-test revealed that the wealth gap between Black and white households remains statistically significant with a p-value of 0.000. So although median Black household wealth increased significantly after the reweighting process, they are still significantly different from white household wealth in the Southeast. Even with the understanding that homeownership rates alone do not close the racial wealth gap, I wanted to look at wealth disparities between Black and white homeowners in the Southeast.



Source: Authors calculations, Survey of Income and Program Participation (SIPP), 2014 Panel 1

4. Household Wealth in the Southeast Among Homeowners

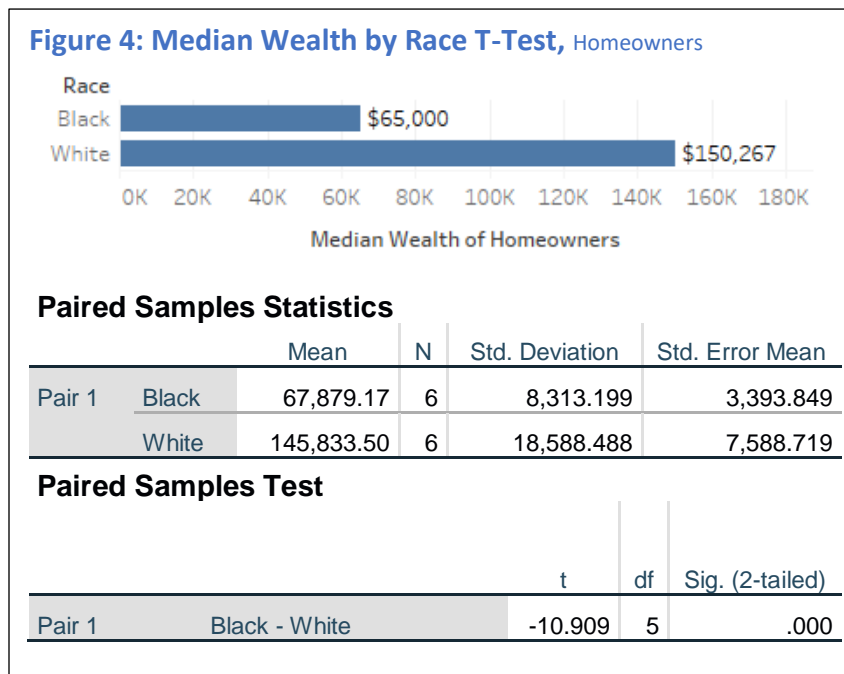
The final step of this analysis is comparing median household wealth between Black and white homeowners. While this is obviously not representative of all households, this provides an idea of how useful homeownership is at creating wealth when compared to the median household wealth estimates in **Table 3**. From **Table 7**, it is clear the Black homeowners have a much higher median household wealth than Black households at large. Median household wealth for Black homeowners ranges from \$56,615 in Alabama to \$77,165 in Georgia. While Black homeowners have a median wealth very similar to that of white households (see **Table 3**), median wealth for white homeowners also increased considerably, ranging from \$122,579 in Mississippi to \$175,000 in Florida. For a comparison of all states' median wealth by race including median household wealth, reweighted median household wealth, and median household wealth of homeowners, see **Appendix H**.

Table 7: Median Household Wealth in the Southeast, Homeowners

	Alabama	Florida	Georgia	Louisiana	Mississippi	Tennessee	Southeast Six States
Black	\$56,615	\$67,675	\$77,165	\$68,210	\$60,725	\$76,885	\$65,000
White	\$136,950	\$175,000	\$135,270	\$147,400	\$122,579	\$157,802	\$150,267

Source: Authors calculations, Survey of Income and Program Participation (SIPP), 2014 Panel 1

Figure 4 displays the \$85,267 gap between Black and white homeowners overall in the Southeast. **Figure 4** also displays the paired t-test comparing the six states' median household wealth for Black and white homeowners from **Table 7**. As anticipated, the t-test revealed that the wealth gap between Black and white homeowners is indeed statistically significant with a p-value of 0.000. Now that we have exposed the current state of the racial wealth gap, the next part of my analysis will seek to determine how equalizing homeownership rates between white and Black households would affect wealth.



Source: Authors calculations, Survey of Income and Program Participation (SIPP), 2014 Panel 1

Further Research & Opportunities

The analysis provided in this paper highlight the significant disparities between Black and white household wealth, specifically in the Southeast region of the United States. While the factor ratio reweighting substantially decreased the racial wealth gap between Black and white households by roughly 38% in the Southeast region, there is still a statistically significant difference in median household wealth. With the understanding that equalizing homeownership is only part of the equation in the Southeast, further research should be conducted to determine what other salient determinants of wealth. This research could use a methodology similar to the one in this paper to understand how other factors such as education, returns in home equity, income, or other financial assets affect the racial wealth divide. Future research could also easily utilize the Survey of Income and Program Participation data, especially as more panel results are released over the next few years.

While other avenues of research should be pursued, this paper has also shown that equalizing homeownership rates would notably lessen the racial wealth divide. For this reason, opportunities to leverage race-conscious policies should be pursued to address the unmistakable disparities between Black and white communities and the centuries of discrimination that led to them. Colorblind policies that offer 'universal' provisions are unlikely to rectify for the persistent legacy of discrimination. Instead of promoting policies for which everyone is 'universally' eligible, we need to consider universal goals. These goals promote the race-conscious policies that would help decrease the racial wealth gap that this paper has explored. An example of a housing policy that takes historic inequalities into account is

Portland's North/Northeast Neighborhood Strategy which addresses the legacy of displacement of a historically Black neighborhood from urban renewal projects. This housing policy adopted in 2014 stipulates a 'right to return,' providing investments for new affordable housing, opportunities for first-time homebuyers, and home retention programs first to families and individuals that have historical connections to the neighborhood or were displaced. It is policies like these that act as reparations, making amends for previous injustices, that have greater opportunity to lessen the racial wealth divide, and are the type of policy we should be striving for locally, regionally, and nationally across the country.

Conclusion

This study has highlighted the connection between the disparate historical injustices of the past and their lasting effects on Black households today. The analysis presented explicitly looked homeownership's potential to decrease the racial wealth divide in the Southeast states of Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee by modeling the effects of equalizing homeownership rates between Black and white households. This paper also explored the statistical significance in the difference of median household wealth by race before and after the factor ratio reweighting analysis. Overall, the analysis provided in this paper highlight the significant disparities between Black and white household wealth. The methodology proved that increasing Black homeownership would significantly decrease the racial wealth divide, but that there is much more than homeownership holding back Black wealth. Further research should be pursued to explore the elements of the racial wealth gap, as well as seeking out race-conscious housing policies to increase median Black household wealth.

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Appendix

Appendix A:

Reweighting Calculations: Southeast Six States			
Reweighting Calculations: Homeownership			
	Ownership (Binary)	Total Group Size	Rates (=n/N)
Black	808	1643	49%
White	2840	3992	71%
Step 1: If Black household is homeowner, assign weight = $(n_2/N_2)*(N_1/n_1) = r_2/r_1 = w_1$			
Black Homeowner Weight			
w1=	144.66185%		
Step 2: If Black household is not homeowner, assign weight = $((N_2-n_2)/N_2)*(N_1/(N_1-n_1)) = (1-r_2)/(1-r_1) = w_2$			
Black Non-Homeowner Weight			
w2=	56.782307%		
	57%		
Total weight among blacks = $n_1*w_1 + (N_2-n_1)*w_2 = N_1$			
N1=	2977		

Appendix B:

Reweighting Calculations: Alabama			
Reweighting Calculations: Homeownership			
	Ownership (Binary)	Total Group Size	Rates (=n/N)
Black	128	245	52%
White	389	515	76%
Step 1: If Black household is homeowner, assign weight = $(n_2/N_2)*(N_1/n_1) = r_2/r_1 = w_1$			
Black Homeowner Weight			
w1=	144.57676%		
Step 2: If Black household is not homeowner, assign weight = $((N_2-n_2)/N_2)*(N_1/(N_1-n_1)) = (1-r_2)/(1-r_1) = w_2$			
Black Non-Homeowner Weight			
w2=	51.232263%		
	51%		
Total weight among blacks = $n_1*w_1 + (N_2-n_1)*w_2 = N_1$			
N1=	383		

Appendix C:

Reweighting Calculations: Florida			
Reweighting Calculations: Homeownership			
	Ownership (Binary)	Total Group Size	Rates (=n/N)
Black	88	200	44%
White	653	980	67%
<p>Step 1: If Black household is homeowner, assign weight = $(n_2/N_2)*(N_1/n_1) = r_2/r_1 = w_1$ Black Homeowner Weight $w_1 = 151.43785\%$</p>			
<p>Step 2: If Black household is not homeowner, assign weight = $((N_2-n_2)/N_2)*(N_1/(N_1-n_1)) = (1-r_2)/(1-r_1) = w_2$ Black Non-Homeowner Weight $w_2 = 59.584548\%$ 60%</p>			
<p>Total weight among blacks = $n_1*w_1 + (N_2-n_1)*w_2 = N_1$ $N_1 = 665$</p>			

Appendix D:

Reweighting Calculations: Georgia			
Reweighting Calculations: Homeownership			
	Ownership (Binary)	Total Group Size	Rates (=n/N)
Black	162	345	47%
White	411	569	72%
<p>Step 1: If Black household is homeowner, assign weight = $(n_2/N_2)*(N_1/n_1) = r_2/r_1 = w_1$ Black Homeowner Weight $w_1 = 153.82738\%$</p>			
<p>Step 2: If Black household is not homeowner, assign weight = $((N_2-n_2)/N_2)*(N_1/(N_1-n_1)) = (1-r_2)/(1-r_1) = w_2$ Black Non-Homeowner Weight $w_2 = 52.349535\%$ 52%</p>			
<p>Total weight among blacks = $n_1*w_1 + (N_2-n_1)*w_2 = N_1$ $N_1 = 462$</p>			

Appendix E:

Reweighting Calculations: Louisiana			
Reweighting Calculations: Homeownership			
	Ownership (Binary)	Total Group Size	Rates (=n/N)
Black	194	375	52%
White	461	642	72%
Step 1: If Black household is homeowner, assign weight = $(n_2/N_2)*(N_1/n_1) = r_2/r_1 = w_1$			
Black Homeowner Weight			
w1=	138.80191%		
Step 2: If Black household is not homeowner, assign weight = $((N_2-n_2)/N_2)*(N_1/(N_1-n_1)) = (1-r_2)/(1-r_1) = w_2$			
Black Non-Homeowner Weight			
w2=	58.411215%		
	58%		
Total weight among blacks = $n_1*w_1 + (N_2-n_1)*w_2 = N_1$			
N1=	531		

Appendix F:

Reweighting Calculations: Mississippi			
Reweighting Calculations: Homeownership			
	Ownership (Binary)	Total Group Size	Rates (=n/N)
Black	164	314	52%
White	344	468	74%
Step 1: If Black household is homeowner, assign weight = $(n_2/N_2)*(N_1/n_1) = r_2/r_1 = w_1$			
Black Homeowner Weight			
w1=	140.73379%		
Step 2: If Black household is not homeowner, assign weight = $((N_2-n_2)/N_2)*(N_1/(N_1-n_1)) = (1-r_2)/(1-r_1) = w_2$			
Black Non-Homeowner Weight			
w2=	55.464387%		
	55%		
Total weight among blacks = $n_1*w_1 + (N_2-n_1)*w_2 = N_1$			
N1=	399		

Appendix G:

Reweighting Calculations: Tennessee

Reweighting Calculations: Homeownership

	Ownership (Binary)	Total Group Size	Rates (=n/N)
Black	72	164	44%
White	582	818	71%

Step 1: If Black household is homeowner, assign weight = $(n_2/N_2)*(N_1/n_1) = r_2/r_1 = w_1$

Black Homeowner Weight

w1= 162.06194%

Step 2: If Black household is not homeowner, assign weight = $((N_2-n_2)/N_2)*(N_1/(N_1-n_1)) = (1-r_2)/(1-r_1) = w_2$

Black Non-Homeowner Weight

w2= 51.429786%

51%

Total weight among blacks = $n_1*w_1 + (N_2-n_1)*w_2 = N_1$

N1= 500

Appendix H: Comparison of Median Household Wealth by Race

