



Knowing and eliminating systemic barriers to homeownership: leveraging renters to build wealth

White households hold between [15 and 20 times](#) the wealth of Black and Latinx households. These differences can be explained by policy decisions—structural racism—intentionally keeping Black and Brown communities from generating wealth that can be passed down between generations. While policies increased and exacerbated the racial wealth gap, a major culprit—and an important opportunity to close the wealth gap—lies in land and home ownership. In 2022, the U.S. Census Bureau data showed a gap of [more than 29 points between White and Black households who own their homes](#).

To effectively dismantle the systemic barriers to Brown and Black homeownership, we must understand our history, examine current barriers, and advocate for innovative solutions that will help close the wealth gap.

Key discussion points

1

The origins of the racial wealth gap between White and Black Americans go back to the unfilled promise of 40 acres of land for each formerly enslaved person (Sherman’s Field Order). An additional barrier to generating wealth for Black and Brown folks during the 20th century was that zoning and home-ownership laws and practices disallowed people of color from owning homes in certain areas, or from the benefits of government-backed mortgages. These practices, known as redlining, effectively codified racial segregation. Today, you can overlay modern zoning maps on historic “Residential Security” maps created by the Home Owners’ Loan Corporation (which formalized redlining) and clearly see that historic structural racism impact on the racial homeownership and wealth gaps today.

2

While structural racism caused the racial wealth and homeownership gaps, these disparities continue to exist and are actively getting worse. For example, [the gap in homeownership between Black and White families is larger today than in the 1960s](#), before the passage of the Fair Housing Act of 1968. So what is contributing to this?

There is a historic housing crisis. Only single-family homes are allowed on 90% of residential land in America due to restrictive zoning. That means diverse housing types (such as duplexes, townhouses, etc) are effectively banned during a time when we are estimated to need [over seven million more housing units](#). Additionally, minimum single-family lot sizes contribute to the high cost of homeownership. Finally, there is an epidemic of discrimination and undervaluing of Black homes during the appraisal process locks households in their current homes and hinders their ability to build wealth in the long term.

3

We must consider all options to close the wealth gap because a lack of wealth inevitably leads to unequal outcomes. One important solution is to support renters. Supporting renters could be extremely effective in closing the wealth gap because there is a [40x disparity in median net worth](#) between renters and homeowners.

Renter credit programs are initiatives that provide education and help renters build credit and savings for down payments and closing costs so that they can become homeowners. At the 2023 Equity Summit, panelist Chris Herrmann discussed the [Enterprise Renter Wealth Creation Fund](#). This program provides renters cash back when they pay their rent on time, helping “renters to gain new inroads toward upward mobility and closing the wealth gap.”

Questions to ask



- 1 What type of housing does your community allow to be built?
Are there different housing types to support different experiences?
- 2 Does your community have large populations of renters?
If so, where do they live? Are they concentrated in one area?
- 3 Do you know of any home-buying and financial support programs in your community?
Who is able to access these opportunities to become homeowners?

What to do next



- Financial Institutions:** Financial institutions should revisit their part in creating and maintaining barriers to homeownership and wealth building for Black and Brown Americans through redlining. Through the Community Reinvestment Act (CRA), banks and financial institutions are directed to meet the credit and financial needs of LMI households. Financial institutions must meet the mandate laid out in the CRA and go further to meet the credit needs of LMI communities – not just check a box.
- Community-based Organizations:** Community-based organizations can help renters by providing support services for renters who wish to enter the homeownership pipeline and help hold municipalities responsible for delivering city services to areas populated by renters.
- Advocates:** The drastic undersupply of housing across the country, due to restrictive zoning, constrains the housing market, making it difficult for Black and Brown communities to generate wealth through homeownership. As we've seen in Arlington, VA, Minneapolis, MN, and Gainesville, FL, advocates can effectively change the narrative and build momentum to allow for more and more diverse housing types through changes to zoning.

“There is an economic cost of the racial wealth gap, not just for impacted communities but the nation as a whole; \$16 trillion is lost in GDP each year because of these inequities.”

—Christopher Brown, SVP for U.S. Business Partnerships & Global Public Affairs at Citigroup

Recommended reading



Video | Inclusive Wealth Creation: Reimagining Real Estate to Profit Renters, Communities, and Investors explores more inclusive real estate investment models, including for renters. [Learn more>>](#)

Jenny Schuetz's, of the Brookings Institute, written testimony for hearing: Where Have All the Houses Gone: Private Equity, SingleFamily Rentals, and America's Neighborhoods. [Learn more>>](#)

The Housing Affordability Toolkit by National Multifamily Housing Council shows the relationship between costs and rents, how state and local policies impact affordability, and gives tips to facilitate conversations that result in effective local housing policies. [Learn more>>](#)

Citi's Action for Racial Equity Initiative shows what the company is doing to advance racial equity, including data and more information about advancements such as expanding banking in communities of color and investing in affordable housing, and promoting the growth of Black Homeownership. [Read more>>](#)

Shared Equity Models of Ownership explores three “shared equity” models of ownership in the U.S., including deed-restricted homeownership, limited equity cooperatives, and community land trusts. [Learn more>>](#)