

**NFHA**

National Fair Housing Alliance

**SPECIAL PURPOSE  
CREDIT PROGRAMS**

# NFHA

## WHO IS NFHA?



# NFHA

## MISSION STATEMENT

The National Fair Housing Alliance is the voice of fair housing. NFHA works to eliminate all forms of housing discrimination and to ensure equal housing opportunity for all people through leadership, education, outreach membership services, public policy initiatives, community development, advocacy, and enforcement

The National Fair Housing Alliance is committed to fulfilling all provisions of the **Federal Fair Housing Act**

**NFHA**

**OVERVIEW**

# **I. BACKGROUND & HISTORY**

## **II. SPECIAL PURPOSE CREDIT PROGRAMS**

# NFHA

## OUR NATION'S PUBLIC POLICIES ARE STEEPED IN STRUCTURAL INEQUALITY

- Headrights System
- Slave Codes
- Early U.S. Constitution
- Land Ordinances & Grants
- Fugitive Slave Act
- **Homestead Act**
- Indian Removal Act
- Freedman's Savings and Trust
- Company Act
- Black Codes
- **Jim Crow Laws**
- **Home Owners' Loan Corporation Act**
- National Housing Act
- Chinese Exclusion Act
- Sundown Town Ordinances
- **Racially Restrictive Covenants**
- Social Security Act
- Japanese Internment
- Urban Renewal
- Model Cities
- National Highway Act

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## OUR NATION'S PUBLIC POLICIES ARE STEEPED IN STRUCTURAL INEQUALITY

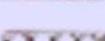
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## HOME OWNERS LOAN CORPORATION (HOLC)

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### RESIDENTIAL SECURITY MAP

#### LEGEND

	A FIRST GRADE
	B SECOND GRADE
	C THIRD GRADE
	D FOURTH GRADE
	SPARSELY BUILT UP (COLOR INDICATES GRADE)
	COMMERCIAL (IMPORTANT RETAIL AND WHOLESALE AREAS)
	UNDEVELOPED OR FARMLAND (UNLESS OTHERWISE INDICATED)

PREPARED BY  
DIVISION OF RESEARCH AND STATISTICS  
FEDERAL HOME LOAN BANK BOARD  
WITH THE CO-OPERATION OF THE  
APPRAISAL DEPARTMENT  
HOME OWNERS LOAN CORPORATION  
SEPTEMBER 30, 1933

- Established in 1933
- Created to prevent foreclosures in the wake of The Great Depression.
- Developed fully amortizing loan product.
- HOLC hired real estate professionals to complete Residential Security Surveys.
- Neighborhoods graded based on characteristics **including race.**

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**HOME OWNERS  
LOAN CORPORATION  
(HOLC)  
(CONTINUED)**

**Hoyt's Hierarchy  
1<sup>st</sup> Chief Economist of FHA**

- English, Germans, Scotch, Irish, Scandinavians
- North Italians
- Bohemians or Czechoslovakians
- Poles
- Lithuanians
- Greeks
- Russian Jews of the lower class
- South Italians
- Negroes
- Mexicans

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## FEDERAL HOUSING ADMINISTRATION

### FEDERAL HOUSING ADMINISTRATION (FHA)

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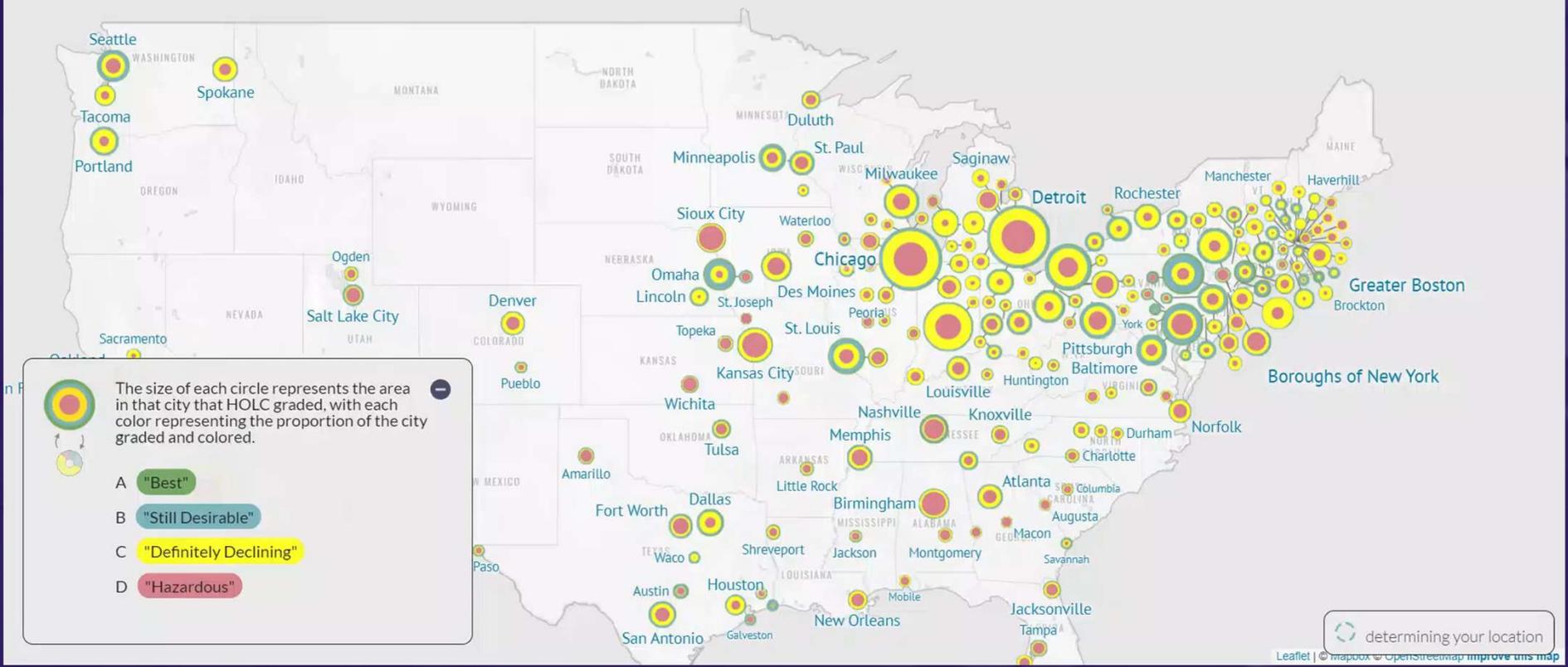
- Established in 1934.
- Contributed to the expansion of the middle class.
- Facilitated suburbanization of America.
- Less than 2% of loans went to People of Color.
- Federal Government demanded residential segregation as a core tenant of the program.

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**MAPPING  
INEQUALITY**

map options

Search for city



The size of each circle represents the area in that city that HOLC graded, with each color representing the proportion of the city graded and colored.

- A "Best"
- B "Still Desirable"
- C "Definitely Declining"
- D "Hazardous"

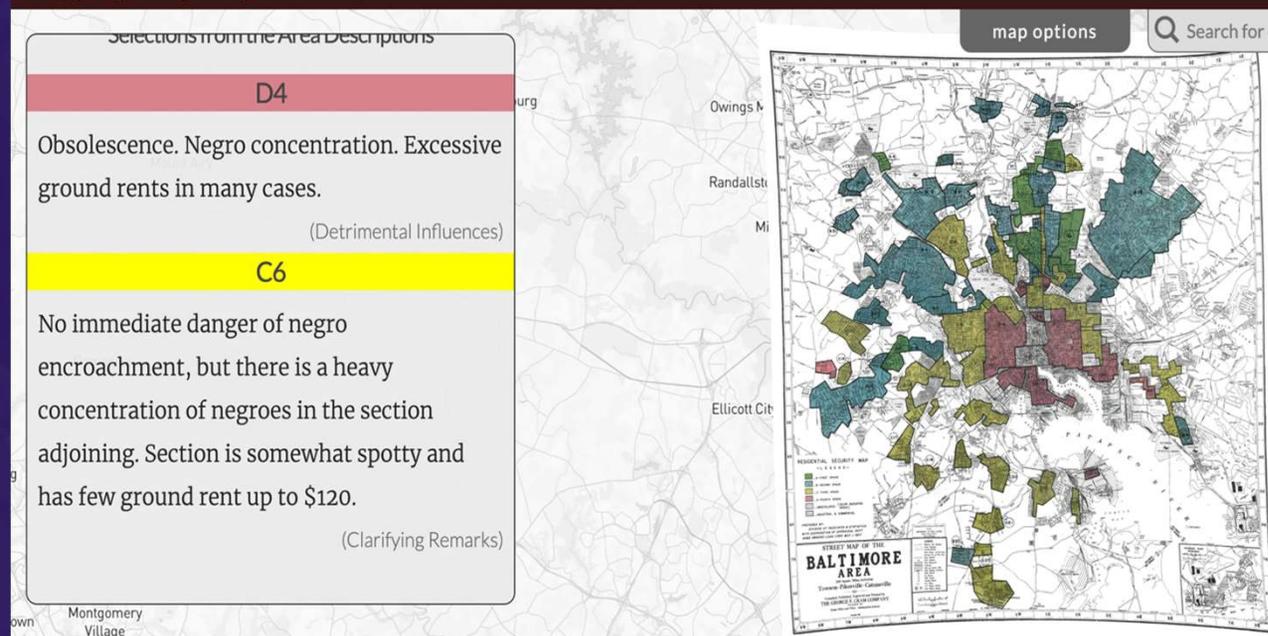
determining your location

Leaflet | © mapbox © openstreetmap improve this map

## ONE ROOT CAUSE: REDLINING

Mapping Inequality Redlining in New Deal America

Introduction Downloads & Data About Contact



HOLC's map of Baltimore: color coded the communities of color as red and "hazardous" based in part on "Negro concentration."

Source: [Mapping Inequality](#)



The Black Homeownership Rate in America today is at the same rate as when **redlining** was **legal**.

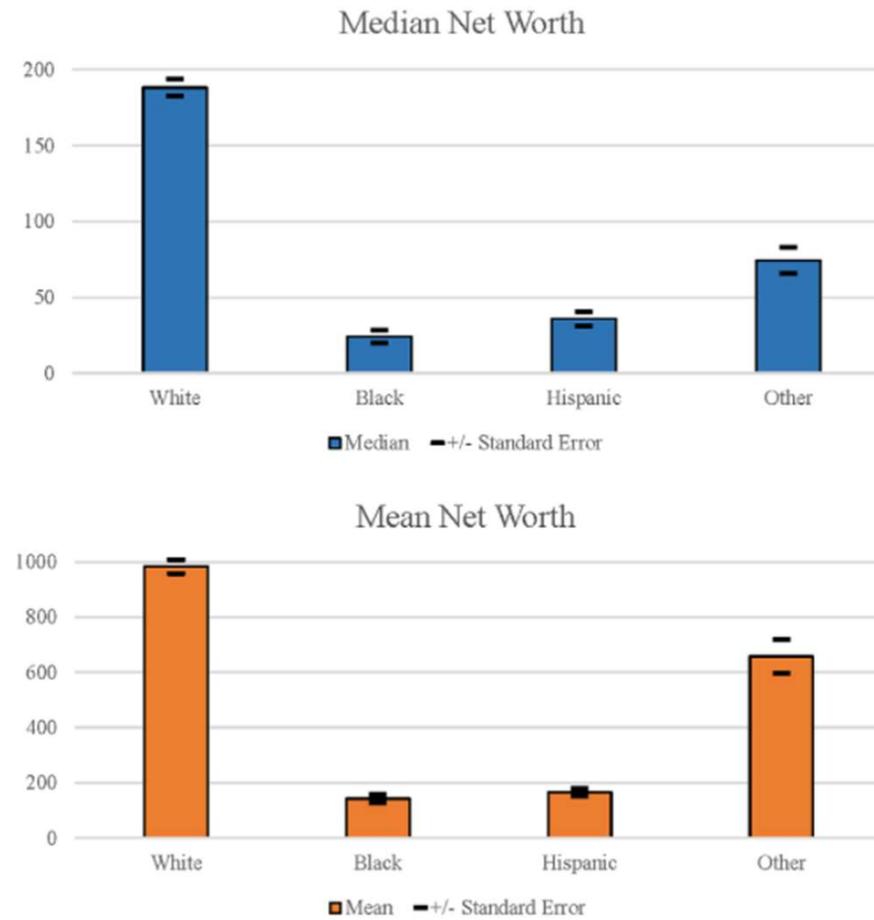
Our Nation is more segregated today than we were **100 years ago**.



**HOMEOWNERSHIP RATES** for People of Color are **far below** that of Whites (**74%**)

- Latinos (**48%**)
- Native American (**48%**)
- Asian/Pacific Islander (**56%**)
- Black (**44%**)

Figure 1. White families have more wealth than Black, Hispanic, and other or multiple race families in the 2019 SCF.



Source: Federal Reserve Board, 2019 Survey of Consumer Finances.

Notes: Figures displays median (top panel) and mean (bottom panel) wealth by race and ethnicity, expressed in thousands of 2019 dollars.

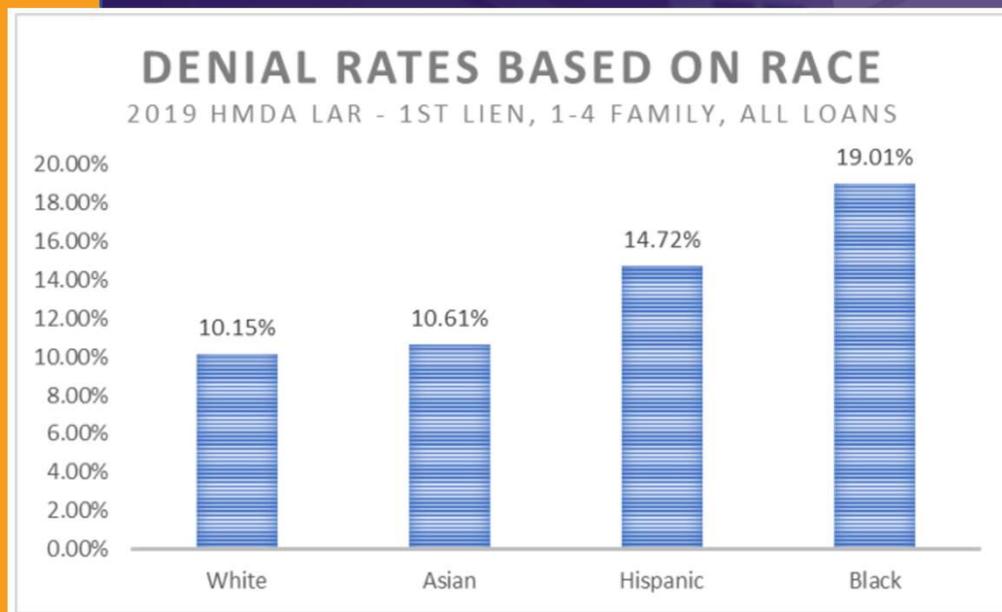
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## U.S. FINANCIAL AND HOUSING MARKETS ARE STRUCTURALLY UNFAIR

Because the U.S. lending and housing markets are so exclusionary, a disproportionate percentage of Black, Latino, and Native American borrowers are turned down for mortgage credit each year.

NFHA's analysis of 2019 HMDA data reveals that Black applicants are denied for mortgage loans at almost twice the rate of White applicants. Latino consumers are denied at almost 1.5 times the rate of White applicants.



These trends have persisted over decades.

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# Where You Live Matters

## Education

Where you live impacts your child's ability to attend a **well-resourced school** with expanded learning opportunities. Across the nation, schools spend \$334 more on White students than students of Color and predominately White school districts receive \$23B more than non-White districts. Moreover, schools in predominately White communities have higher instances of veteran, highly-qualified educators who are teaching in their field of expertise. The COVID-19 pandemic has exacerbated the racial education gap.

## Transportation

**Transportation** points, like highways, toll roads, and train lines have been used to isolate communities of color cutting them off from access to job centers and important amenities and services. Since People of Color are less likely than their White counterparts to own a car, access to reliable public transportation is imperative. Moreover, NFHA's investigative work shows even when People of Color have better credit, they are often charged more for auto loans than their White counterparts.

## Wealth

In 2016, the **median wealth** of White families was 10 times that of Black families and 8 times that of Latino families. According to Prosperity Now, if White wealth were to remain constant, it would take Latinos 84 years and Blacks 228 years to reach parity. This **wealth gap** is tied to disparities in H/O rates – 72% for Whites, 47% for Latinos and 42% for Blacks.

## Healthy Environments

People of Color are more likely to be impacted by **environmental injustice** and are twice as likely to live in areas without potable water or proper sanitation. Race is the most significant predictor of whether a person will live in a neighborhood with contaminated air, land or water. More than half of the people who live within 2 miles of a waste facility are People of Color.

## Healthy Food

People of Color are more likely to live in a **food desert**. Latinos are a third less likely and Blacks half less likely to have access to a grocery store than their White counterparts. 8% of Blacks live in a census tract with a grocery store compared to 31% of Whites.

## Living Wage Jobs

There are large **income disparities** based on race. Higher paying jobs are not located in Communities of Color. These jobs are located either in core downtown areas or suburban hubs. In addition, People of Color face direct discrimination when trying to get a job. One study found that people with "White" sounding names are contacted 20% more than those with "Black" sounding names.

## Healthcare

Blacks and Latinos are more likely to live in **health deserts** with fewer healthcare facilities and primary care physicians. As Melody Goodman, Assistant Professor of Washington University put it, when it comes to your well-being, "Your zip code is a better predictor of your health than your genetic code." The COVID-19 pandemic has exacerbated racial health disparities. Due to discrimination, segregation, and other structural inequities, people of color are dying from the coronavirus at more than twice the rate of Whites.

## Digital Access and Tech Equity

Communities of Color have less access to **high-speed Internet**. Most people who benefit from federal investments on rural broadband subsidies are non-Hispanic White. Moreover, people who lack residential broadband service for reasons other than network availability are disproportionately people of color. Black and Brown communities are also disproportionately impacted by **tech bias**, like automated underwriting, credit scoring, tenant screening, and risk-based pricing systems that often manifest discrimination.

## Access to Credit

People of Color are more likely to be affected by America's **dual credit market**. 46% of Blacks, 40% of Latinos, and 38% of American Indian/Alaska Natives use non-traditional credit compared to 18% of Whites. Subprime and fringe lenders are hyper-concentrated in Communities of Color. Alternatively, White communities have an average of 41 bank branches while Communities of Color have an average of 27 bank branches for every 100,000 people.



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**APPRAISAL BIAS  
& THE WEALTH  
DIVIDE**

After controlling for socio-economic characteristics like crime rates, educational rankings, and structural features, homes in **Black neighborhoods are undervalued by 23%** – about \$48,000 per home. That equates to about \$156 billion in lost equity.



Dr. Andre Perry,  
Brookings Institution

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## HOW DID WE GET HERE?

- People of color are twice as likely to live in areas without potable water or proper sanitation.
- Race is the most significant predictor of whether a person will live in a neighborhood with contaminated land, air, or water.
- Blacks, Latinos, and Native Americans are more likely to live in health deserts with far fewer healthcare facilities and primary care physicians. Higher COVID-related impacts.
- Only 8% of Blacks live in a census tract with a grocery store.
- People of color are less likely to own a car or have access to reliable public transportation.

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## HOW DID WE GET HERE?

- Predominately White school districts receive \$23 billion more than predominately non-White districts. Districts spend \$334 more per student on White students than students of color.
- Predominately Black school districts are much more likely to have novice teachers as well as educators teaching outside of their field of expertise.
- Communities of color have less broadband access.
- People of color are also disproportionately impacted by algorithmic and tech bias.

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## HOW DID WE GET HERE?

- Banks are closing branches at higher rates in high-income Black neighborhoods
- Payday lenders, check cashers, and other non-traditional credit providers are concentrated in communities of color

# Who is Using Alternative Financial Services?

African American  
**46%**

Latino  
**40%**

American Indian/  
Alaska Native  
**38%**

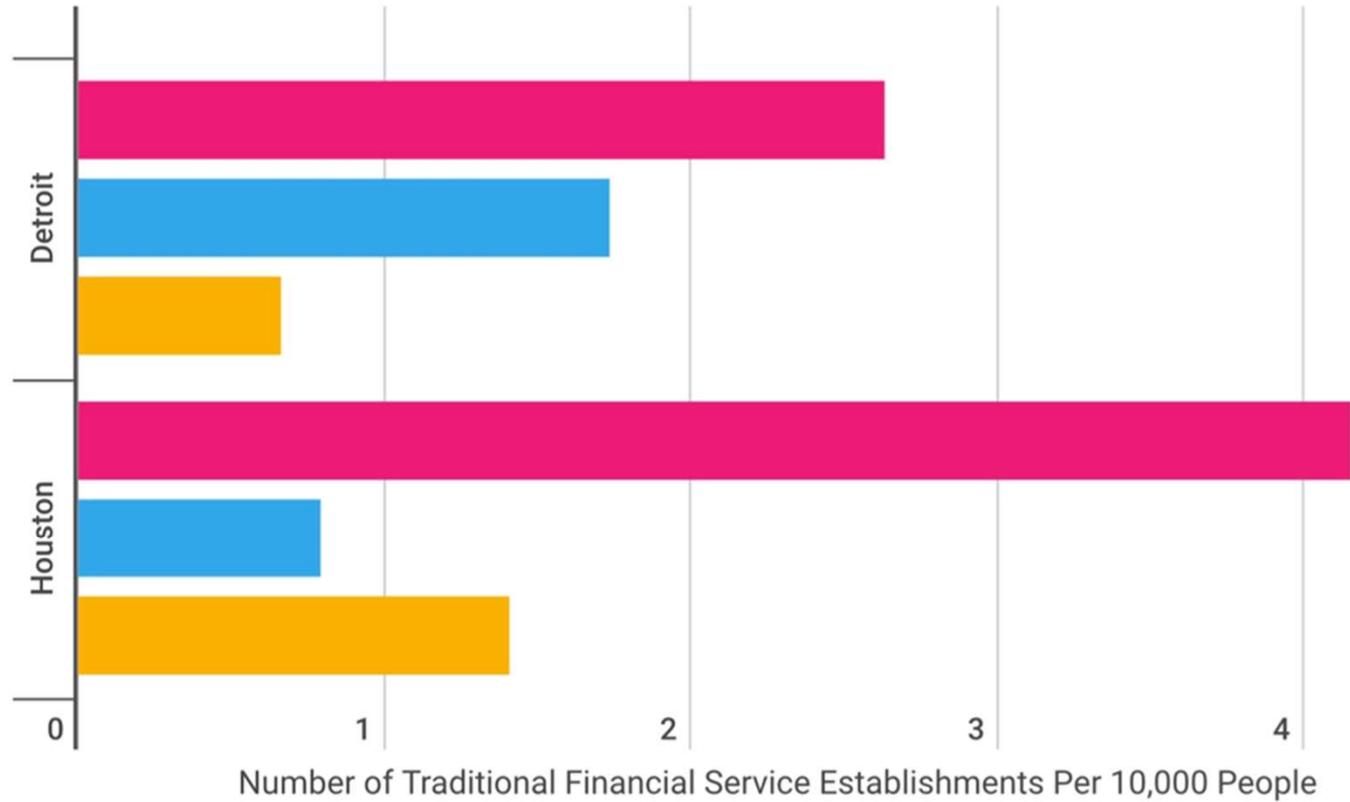
Hawaiian/Pacific  
Islander  
**27%**

Asian  
**19%**

White  
**18%**



# Black and Hispanic Areas Have Less Access to Traditional Financial Services



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**OVERVIEW**

**I. BACKGROUND & HISTORY**

**II. SPECIAL PURPOSE CREDIT  
PROGRAMS**

We have a unique opportunity to correct the homeownership disparities using one of our nation's most promising civil rights laws – **the Equal Credit Opportunity Act (ECOA)**.

The statute allows institutions to develop **Special Purpose Credit Programs (SPCPs)**, which provide a tailored way to meet special social needs and benefit economically disadvantaged groups, including groups that share a common characteristic such as race, national origin, or gender.

Properly designed, **SPCPs** can play a critical role in promoting equity and inclusion, building wealth, and removing stubborn barriers that have contributed to financial inequities, housing instability, and residential segregation.

**SPCPs** are also consistent with and provide a targeted and effective way to further the purposes of other civil rights laws, including the Fair Housing Act's twin goals of overcoming discrimination and segregation.

## Lenders Can Use Special Purpose Credit Programs to Expand Opportunity

The **Equal Credit Opportunity Act (ECOA)** allows both non-profit and for-profit organizations to utilize SPCPs to meet borrowers' unique credit needs that meet qualifications to include:

1. The program is established and administered pursuant to a written plan that identifies the class of persons that the program is designed to benefit and sets forth the procedures and standards for extending credit pursuant to the program; and
2. The program is established and administered to extend credit to a class of persons who, under the organization's customary standards of creditworthiness, probably would not receive such credit or would receive it on less favorable terms than are ordinarily available to other applicants applying to the organization for a similar type and amount of credit.

SPCPs are essential to help further our nation's commitment to fair housing/lending and justice:

- Fight to end discrimination and segregation.
- Dismantle racial wealth and homeownership gaps.
- Ensure fair, open housing for ALL people

They are a great way for **lenders to display their commitment** to dismantling unfair systems and building programs and structures for advancing justice, fairness, and equality.

They are a way for **the financial services industry to step up** and be a part of a long-needed solution to our nation's history of structural racism and systemic bias.



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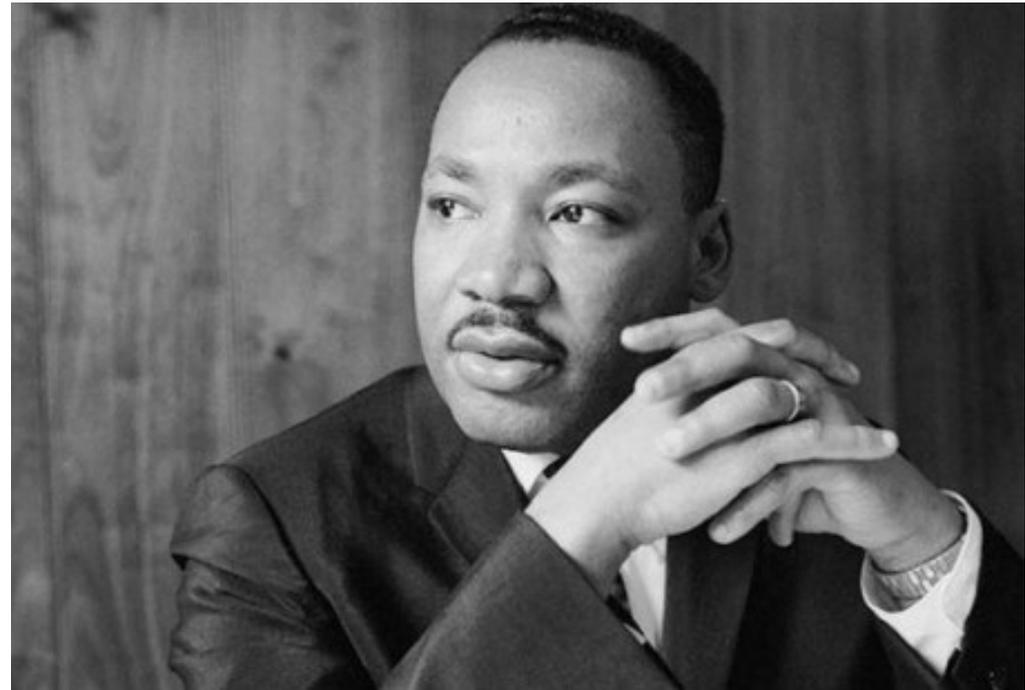
## SPCPs: INTRODUCTION

KEYS UNLOCK  
DREAMS

The Civil Rights Act of 1866, the Fair Housing Act of 1968, the Equal Credit Opportunity Act of 1974, the Community Reinvestment Act of 1977, and other fair housing laws, executive orders, and regulations are all designed to work together to advance equal and fair opportunities.

**The Fair Housing Act**, a partial catalyst for Special Purpose Credit Programs, was passed just 7 days after the assassination of **Dr. Martin Luther King, Jr.**

President Johnson worked to pass the Civil Rights Act of 1968 to acknowledge the legacy of Dr. King for his valiant efforts to create a just and equitable society, his great sacrifice for this nation, and his vehement commitment to fair and open housing.





## WE NEED INTENTIONALITY IN OUR HOUSING POLICIES AND PROGRAMS

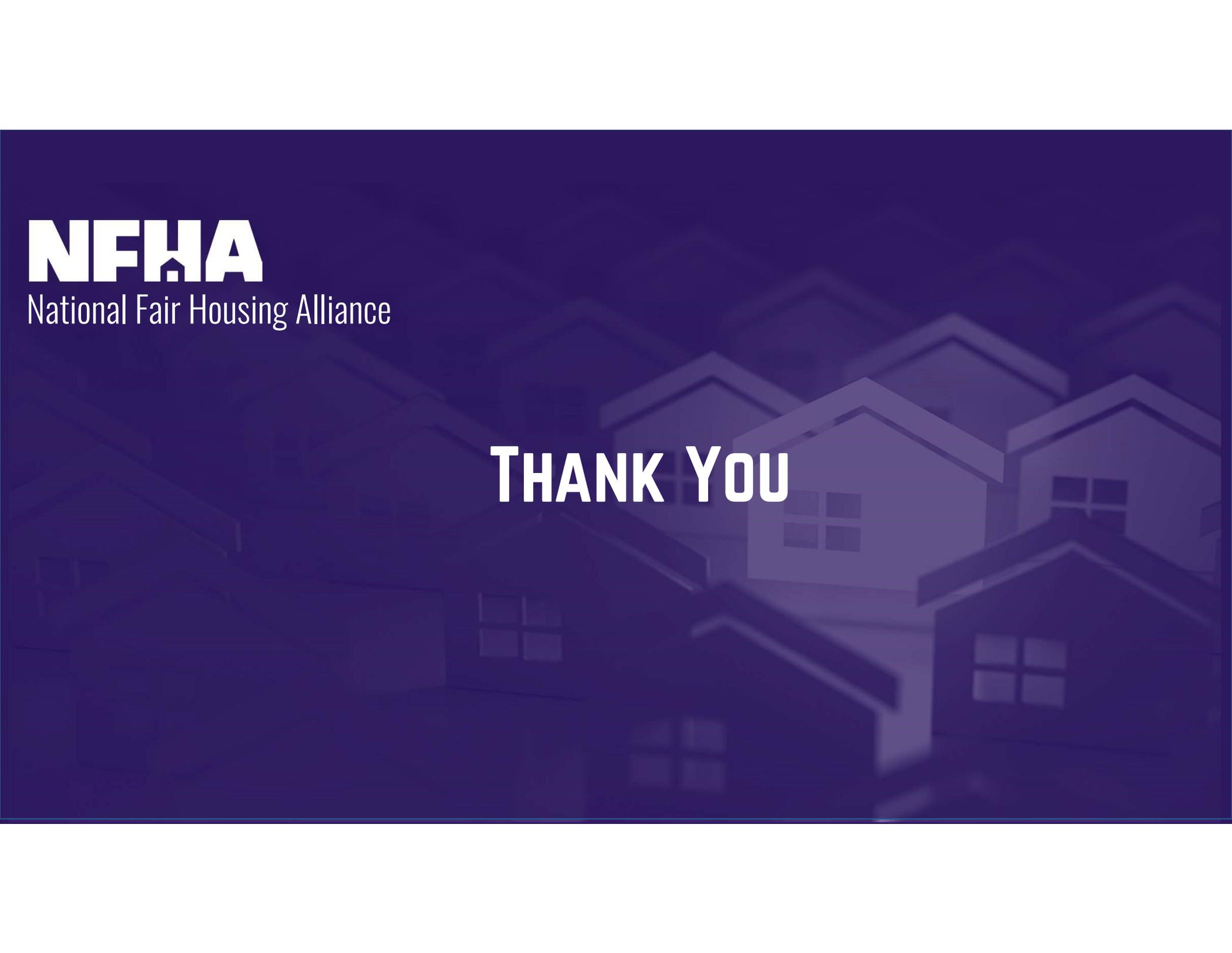


Our survival as a society depends on our planned and deliberate efforts to expand opportunities.

Expanding fair access to credit would have added homeownership opportunities for almost 800,000 Black households, **adding \$218 billion in sales to the housing market.**

Providing equal lending opportunities to Black entrepreneurs would have **added \$13 trillion in business revenue** and 6.1 million jobs per year.

Closing these racial gaps today **would add \$5 trillion in GDP** to the U.S. economy over a 5-year period.



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**THANK YOU**