Oral Testimony For Diversity and Inclusion Hearing 9/24

Good afternoon, thank you for inviting me here as Chief of Race, Wealth and Community of the National Community Reinvestment Coalition to speak about the racial wealth divide and what must be done to address this critical issue.

NCRC was formed in 1990 and has grown into an association of more than 600 community-based organizations that promote access to essential banking services, affordable housing, entrepreneurship, job creation and vibrant communities for America's working families.

Thanks to the groundbreaking work of colleagues like Dr. Kilolo Kijakazi and Dr. Mariko Chang, there is growing recognition of the ongoing challenge of a deep and too often growing racial wealth divide. As I often state: the foundation of racial inequality is racial economic inequality, and the foundation of racial economic inequality is racial wealth inequality.

As the country's demographics continue to change, the racial wealth divide is no longer primarily a challenge of disenfranchised minorities but rather a threat to the American middle class. As the report "Dreams Deferred" notes, since the early 1980s, median wealth among Black and Latino families have been stuck at less than $10,000 while white household median wealth grew from $105,300 to $140,500. In spite of the growth of white wealth, national median wealth has slightly declined from $84,111 to $81,704, showing how the racial wealth divide is weakening the American middle class as a whole.

Similar to the racial wealth divide, there has been ongoing racial inequality for the two largest assets in Americans wealth portfolio: business ownership and homeownership. For the last 40 years, Black and Latino homeownership rates have stayed below 50% while white homeownership has remained at about 70%. In the 2nd quarter of 2019, whites had a homeownership rate of 73.1%, with Latino homeownership at 46.6% and Black homeownership at a low 40.6%. In regards to business ownership, although 12.6% of the U.S. population is Black, only 9.5% of African Americans are business owners, and only 2.1% of business with employees are Black-owned. Hispanics are 16.9% of the population but only own 5.6% of small businesses with employees. [White businesses are 81.6% of the total, with 62.8% of the total population.]

As was done to jump-start the white American middle class, significant investment capital must be invested to build African American, Latino, and Native American wealth. As Mehrsa Baradaran writes in her important A Homestead Act for the 21st Century,

Starting with the New Deal's mortgage programs, the federal government invested in white homeownership. That initial investment has compounded exponentially over four generations and continues to affect racial disparities in home values. In turn, this affected the quality of public schools and infrastructure, access to credit, and lifetime health and earnings.

The report "Ten Solutions to Bridge the Racial Wealth Divide" reviews bold proposals to bridge racial economic inequality as a whole and the racial wealth divide in particular. This report was a collaboration between NCRC, the Kirwan Institute for the Study of Race and Ethnicity of Ohio State University, and the Inequality Project of the Institute for Policy Studies.

These proposals include Baby Bonds similar to those in Senator Cory Bookers 2018 bill titled the American Opportunity Accounts Act. We also propose a significant investment into affordable housing and homeownership exemplified in Senator Elizabeth Warren's "American Housing and Economic Mobility Act" and Senator Bernie Sander's "Housing for All" Plan. Our paper also promotes the passage of H.R. 40 to establish the Commission to Study and Develop Reparation Proposals for African-Americans. Finally, improving data collection on race and wealth is another proposed solution.

NCRC strongly advocates for improving data collection in regards to the racial wealth divide such as the full implementation of Section 1071 of the Dodd-Frank Act, which would require lending institutions to submit data on small business loans made to minority and women-owned business. Similarly, NCRC advocates for the provisions of the previously mentioned American Housing and Economic Mobility Act that adds assessment areas beyond the geographical areas of bank branches and requiring non-bank mortgage companies that are affiliates or subsidiaries of banks to be automatically included in CRA exams.

Bold policy proposals are needed to address the national crisis of racial wealth inequality, and we thank the House Finance Subcommittee on Diversity and Inclusion to discuss these necessary reforms.