

# Losing the American Dream

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As many Americans struggle to pay their bills, keeping up with mortgage payments can be daunting with the risk of losing one's home. The challenges to retain a home are stratified along racial differences. Black homeowners are twice as likely to lose their homes and transition back to renting than white homeowners, according to a recent Dartmouth-led study published in *Demography*. African American owners exit their homes at a rate of 10 percent compared with whites' exit rate of five percent. These racial disparities in the loss of homeownership are due in part to Black homeowners having less access to wealth from extended family and higher rates of poverty across family networks.

Due to longstanding structural racism in the housing market, Black individuals have not had the same opportunities to buy into the ownership market as white individuals. Yet, after the Fair Housing Act of 1968 and policies prohibiting discrimination in lending were implemented, Blacks started buying more homes and their likelihood of returning to renting was similar to that of white homeowners. Between the 1970s and early 1990s, homeownership rates among Blacks improved. However, with the onset of the subprime [housing market](#) came a surge in predatory lending practices from the mid-1990s to 2008, which disproportionately impacted African Americans and deepened the [racial gap](#) in homeownership exits.

This is the first study of its kind to explore how resources among homeowners' extended family networks affect minority households' chances of sustaining homeownership. Using longitudinal data from the Panel Study of Income Dynamics, 1984—2017, which tracks families

across multiple generations, the researchers examined the wealth of a homeowner's family (kin) and extended family members (extra-household kin) who live in another household, including whether the relatives live at or below poverty level. The team also looked at the impact of trigger events such as becoming unemployed, losing a substantial portion of income, and developing a disability.

"Owning your own home in the U.S. has long been associated with achieving the American dream. Historically however, African American households have been excluded not only from the homeownership market but also from neighborhoods due to persistent racial segregation and discrimination," explains Gregory Sharp, an assistant professor of sociology at Dartmouth. "White owners have accrued more wealth from their homes than Black owners, whose neighborhoods are often subjected to systemic racist practices that restrict the potential benefits of homeownership for Black owners. Our study shows that Black homeowners are much more vulnerable to losing their homes than similar white homeowners, in part because they have less kin wealth to draw upon while being much more likely to have impoverished relatives to aid in their housing situations," he added.

The study found that Black homeowners' relatives living outside the home had an average net worth of approximately \$133,000 as compared to white homeowners' kin, who had an average net worth of nearly \$442,000. White owners' extra-household kin were three times wealthier than that of Blacks. In addition, 24 percent of Black owners' extended relatives living outside the [home](#) live in poverty as compared to six percent of that of whites. "Our homeownership exit data show that having extended family who are at the poverty level can be a burden, just as wealthy extended [family](#) can be a resource," added Sharp.

Of the five percent Black-white gap in homeownership exit, kin network wealth and poverty account for roughly 20 percent of the gap with

roughly half due to wealth and the other half due to poverty. Fifty percent of the homeownership exit gap can be attributed to personal [wealth](#), income and employment status (one's own household economic resources), and trigger events, which can create financial hardship for homeowners.

"To help reduce racial inequalities in transitions out of homeownership, policies designed to reduce racial discrimination in lending practices and programs targeted to sustaining ownership should be implemented," said Sharp. "We know that these types of housing policies have major impacts on peoples' lives and can benefit underserved and [vulnerable populations](#), including African Americans, Latinos and immigrants."

**More information:** Gregory Sharp et al. Tapped Out? Racial Disparities in Extrahousehold Kin Resources and the Loss of Homeownership, *Demography* (2020). [DOI: 10.1007/s13524-020-00913-4](#)

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