

A photograph of a large American flag hanging from a white porch of a house with beige horizontal siding. The flag is held up by a rope and pulley system. The sun is shining, creating shadows on the wall. The text 'THE AMERICAN WEALTH GAP' is overlaid on the left side of the image in white serif font on dark blue rectangular backgrounds.

THE

AMERICAN

WEALTH

GAP

GENERATIONAL WEALTH

noun (jenə'rāSH(ə)nəl welTH)

the wealth or assets passed down
from one generation to the next



Throughout history, laws and regulations were implemented that discriminated against and hindered opportunities for minorities to own and invest in real estate.

1934

FHA deems Black neighborhoods “hazardous” & too risky for federally-backed mortgages. Redlines them out of approved neighborhoods

1948

Significant portion of post-WWII suburban housing restricted by deed to white people only

1956

The Southern Manifesto was signed by southern congressional members to uphold existing and add new Jim Crow Laws

1974

Equal Credit Opportunity Act of 1974 prohibits discrimination on the basis of race, color, religion, national origin, sex, marital status, or age in credit transactions

1944

GI Bill extended subsidized mortgage benefits to all veterans but other existing regulations prevented them from using it

PRIOR TO 1950

Realtor code of ethics prohibited sale of homes to non-white families or risk having license revoked

1968

FHA Act sought to end discriminatory practices, but didn't completely end redlining

1993-2001

Public housing funding cut by \$17 billion, jobs moved to areas where minority families couldn't live

WEALTH GAP

CONTRIBUTERS

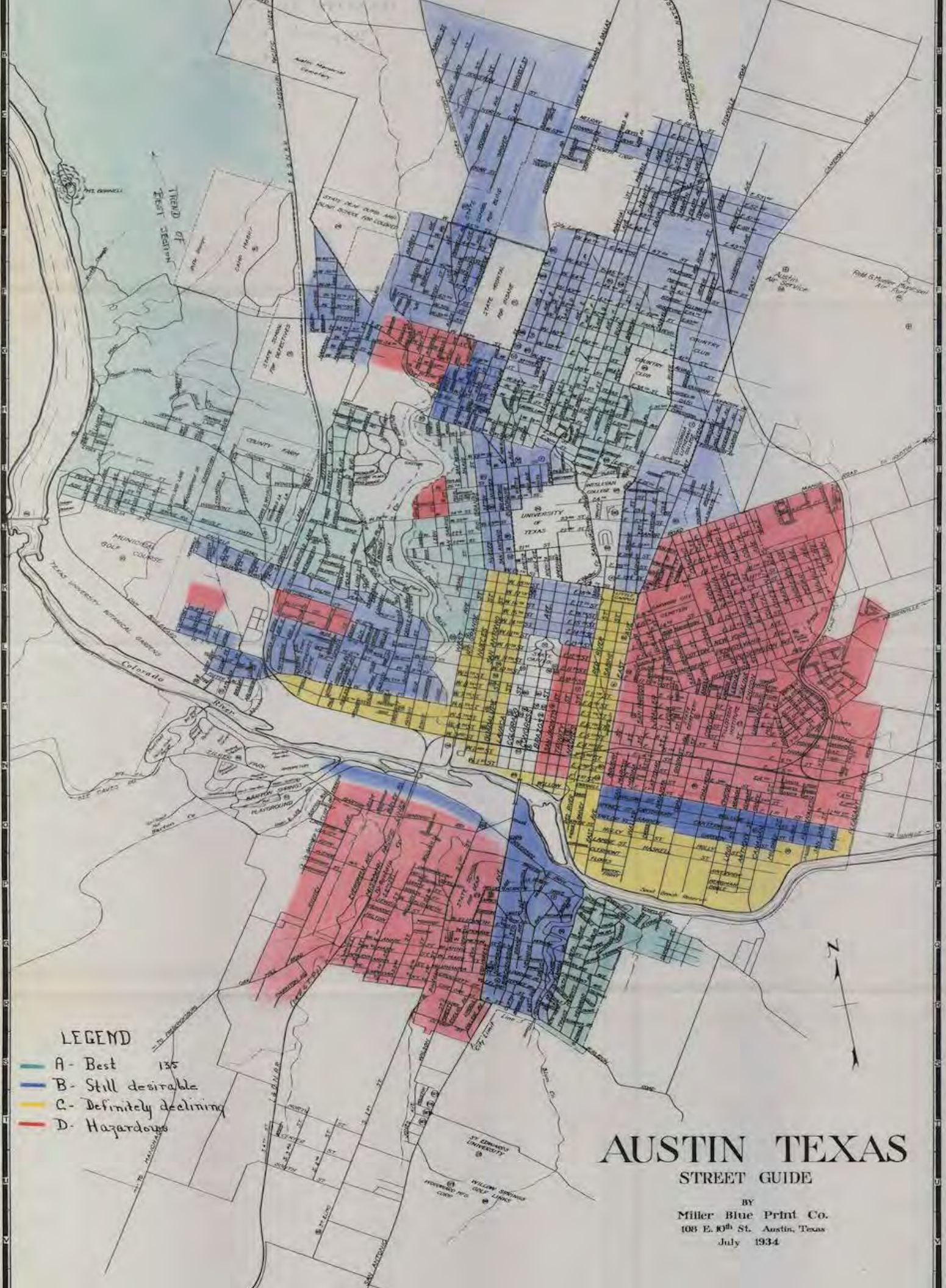
There are a number of factors that contribute to the overall racial wealth gap and its perpetuation from generation to generation for minority families.

CREDIT ACCESS & COST

Many minority consumers lack a credit score and face discrimination in gaining credit based on where they live. Known as “credit redlining”, consumers living in predominantly white neighborhoods are more likely to be approved for credit cards than those living in predominantly Black neighborhoods. Additionally, the cost of credit is typically greater for minority consumers who pay higher interest rates – on both personal and business credit obligations.

HOME OWNERSHIP

The home ownership landscape has been particularly challenging for minority consumers throughout America’s history. Federally endorsed redlining policies dating back to the 1930s, FHA-funded white-only suburban housing developments, uneven distribution of GI Bill home-buying subsidies to minority veterans, and redlining policies that limited home ownership by minority consumers in white neighborhoods have all stripped away access to a fundamental key to wealth generation. As a result, fewer minority consumers own homes than white consumers. 47% of Black consumers and 51% of Hispanic consumers own a home, compared to 76% of white consumers. The rate of approval to buy a home is also lower for minority consumers, with Black mortgage applicants twice as likely to be rejected as white borrowers. Those minority consumers who do get approved to buy a home pay hundreds of dollars more per year in mortgage interest and mortgage insurance premiums, making it impossible to build housing wealth at the same rate as white households.



LEGEND

- A - Best 135
- B - Still desirable
- C - Definitely declining
- D - Hazardous

AUSTIN TEXAS

STREET GUIDE

BY
Miller Blue Print Co.
106 E. 10th St. Austin, Texas
July 1934

LACK OF OR LOWER AMOUNTS OF INHERITANCE

The rate of and amount of inheritance among minority families is lower than white families. For example, only 8% of Black families receive inheritance, compared to 26% of white families. And typical inheritance amounts of Black families are just 35% of those of white families.

ACCESS TO HIGHER EDUCATION

Limited access to educational opportunities for minority individuals can be traced back through American history, notably in relation to the GI Bill in the 1950s. As written, the GI Bill was to extend benefits to veterans regardless of gender or race. Yet many Black veterans either did not receive the bill's higher education benefit or were steered toward menial jobs instead of college. When a Black veteran did receive higher education tuition assistance, college choices were slim since many colleges were segregated. The result was far fewer Black veterans receiving a college degree than their white counterparts. As white borrowers. Those minority consumers who do get approved to buy a home pay hundreds of dollars more per year in mortgage interest and mortgage insurance premiums, making it impossible to build housing wealth at the same rate as white households.



STUDENT LOAN DEBT & FINANCIAL SUPPORT OF PARENTS

Even after receiving a college degree to try to increase financial stability and wealth, many minority individuals find their wealth after college declines due to providing financial support to parents, which is less common among white individuals. Additionally, minority students assume student loan debt at a greater rate than white students, and borrow more. Black families are 1.3 times more likely than white families to have student debt, and they have balances that are 1.7 times higher than those of white families.

ACCESS TO SECURITIES

With less wealth to invest and often a distrust of the stock market, minority individuals are less likely to invest in securities. As of 2016, 67% of Black Americans making at least \$50,000 were invested in the stock market or mutual funds, compared to 86% of white Americans.



RACIAL INCOME & WEALTH DISPARITIES PERSIST

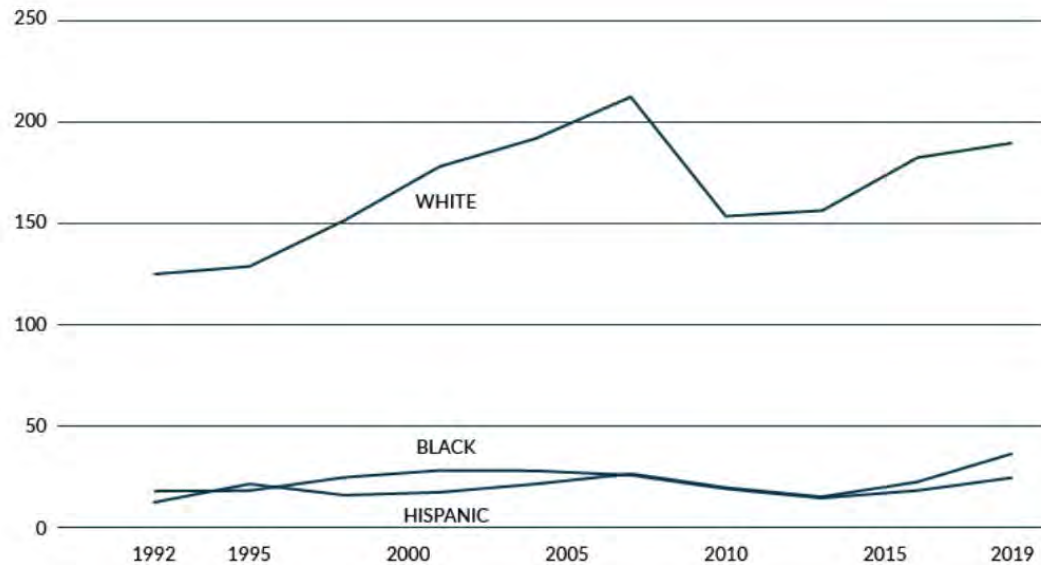
INCOME & POVERTY

Despite efforts to close the gap, there are still significant disparities in income based on race. While lower-salary minority workers earning less than white workers is the crux of the issue, the income discrepancy is rooted in a lifetime of differing experiences, circumstances, and policies. Whereas a white family can potentially rely on a resource-rich community or education to increase income, Black and Hispanic families often have fewer community assets to rely upon and face greater obstacles in both navigating the educational system and converting education into stable employment and higher incomes. Such obstacles that reduce lifetime earning potential include poor school quality, differential treatment in the criminal-justice system, workplace discrimination, career selection, and a lack of professional role models.

Unfortunately, the disparity in poverty rates is equally as stark, with Black families experiencing the highest poverty rate in 2019 at 18.7%, followed by Hispanic families at 15.7%.

WIDE & PERSISTENT RACIAL GAP IN WEALTH

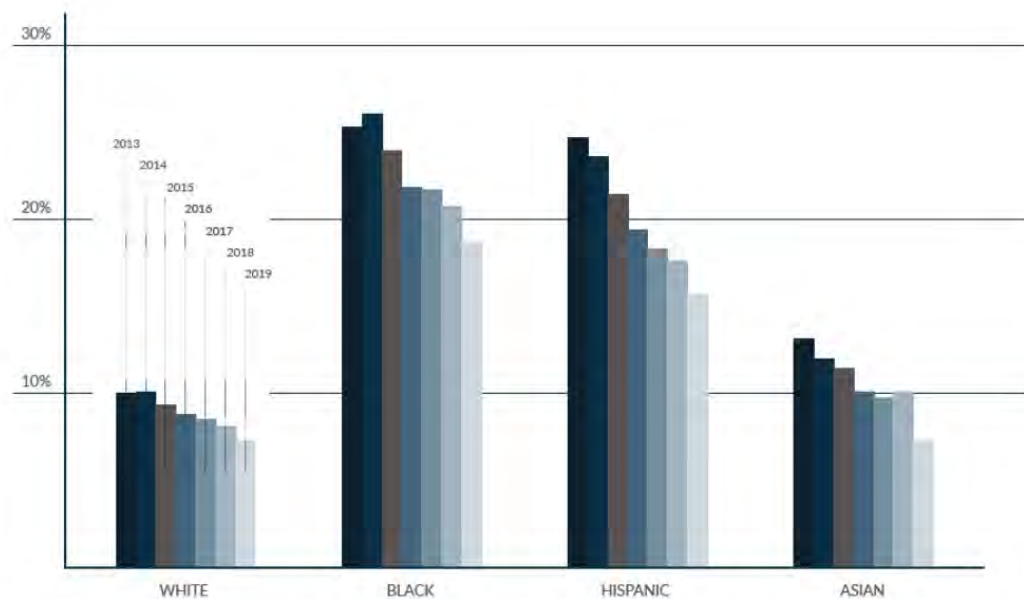
Median family wealth 1992-2016 by ethnicity/race \$ Thousands



Source: "2016 Survey of Consumer Finances," Federal Reserve Board, September 2017. In 2016 dollars.

POVERTY RATES BY RACE & ETHNICITY

2019



Source: "An Economy That Works: Job Creation and America's Future," McKinsey Global Institute, June 2011. Job growth for the first six sectors listed come from MGI job growth scenarios. For all other sectors, job growth is taken from Moody's Analytics. Other includes mining, utilities, wholesale trade, transportation and warehousing, information, self-employed and agriculture.

WEALTH GENERATION

While closing the racial income gap is critical and well past due, it alone will not elevate the financial stability of minority households. Wealth generation is also important. White households in the middle-income quintile own nearly eight times as much wealth as middle-income Black earners and ten times as much wealth as middle-income Latino earners. Should these disparities remain where they are today, it would take the average Black family 228 years and the average Latino family 84 years to reach the level of wealth white families own.

NET WEALTH DISPARITIES

More than

1 in 4

black households have
zero or negative net worth

VS.

Less than

1 in 10

white households with zero
or negative net worth





EDUCATION: THE GREAT EQUALIZER

Pioneer of American public schools in the 19th century, Horace Mann, called education the “great equalizer of the conditions of men,” yet there are still gaps in education – particularly in relation to the commercial real estate industry – that need to be filled to create a path for success for minority individuals. Simply hiring minority people for the sake of diversity, with no background or education in commercial real estate is problematic if they are not paired with mentors who can guide them.

Educational programs focused on the specific job knowledge needs of commercial real estate positions will provide access points and a strong foundation for minority individuals to enter the industry. Educational opportunities can also help them move away from labor-based jobs to more secure knowledge-based jobs where positions are insulated from the negative effects of automation and AI advancements.

With improved job prospects and career guidance, minority individuals will find themselves on firmer footing in terms of employment stability and economic growth opportunities, which in turn contributes to closing racial income and wealth gaps, as well as reducing poverty.

CASORO

GROUP

EDUCATION

FOUNDATION

CLOSING THE GENERATIONAL
WEALTH GAP AND INCREASING
DIVERSITY IN THE COMMERCIAL
REAL ESTATE INDUSTRY THROUGH
EDUCATION, EXPERIENCE,
AND OPPORTUNITIES.



CASORO GROUP EDUCATION FOUNDATION

CGEF is a charitable organization funded by generous individual and corporate donors. This 501(c)(3) helps students in underserved and underrepresented communities close the generational wealth gap through education, experience, and opportunities in the commercial real estate industry.

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