

Racism and the Economy

focus on Housing



The Federal Reserve Banks of
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POLICY BRIEF

Where you live, both your neighborhood and your housing itself, forms the foundation for your quality of life and future opportunities. Affordable, healthy, and stable housing is critical for economic participation and mobility. Past legal discrimination and persistent racist practices make housing an area ripe for transformation to ensure that all U.S. families can thrive and participate in the economy.

In the United States, structural racism, expressed through a history of devaluation of and disinvestment in communities of color, has limited and continues to limit the housing choices of Black, Indigenous, and people of color (BIPOC) and their families. Brookings Institution senior fellow [Andre Perry found](#) that homes in majority-Black neighborhoods are undervalued by \$48,000 on average compared with similar homes in majority-White neighborhoods; in the aggregate, this equates to \$156 billion in lost value. Keeanga-Yamahatta Taylor of Princeton University argues that even after the passage of landmark civil rights legislation that provided fair access to housing, the housing sector remained tied to its racist past. Though redlining is now illegal, BIPOC home buyers and homeowners continue to face exclusionary land use policy and predatory and extractive loan products.

Solutions in policy and practice

The 12 District Banks of the Federal Reserve System are partnering on a [Racism and the Economy](#) virtual event series to highlight the implications of structural racism and potential solutions. A [housing-focused event](#) took place March 1, 2021. Given how our racist past permeates the housing ecosystem even today, only transformative policies will dismantle structural barriers and repair past harms.

- **Increase the supply of housing and inclusion by eliminating single-family only zoning.** Inadequate housing supply limits opportunity by constraining affordable housing near schools, jobs, and transportation. Restrictive single-family zoning disproportionately benefits wealthy households by inflating their housing value at the expense of households with fewer means, particularly lower-income and BIPOC families. A bill introduced in California by state Sen. Scott Weiner to eliminate single-family zoning would allow for increased density and promote more-inclusive neighborhoods. This approach has been enacted in Oregon and some cities.
- **Reform the appraisal process to reduce bias in home valuation.** Both individual and systemic bias exist in the standard practices and underlying data used by the appraisal profession. As a result, homes in majority-Black and Latinx ZIP codes are appraised at lower values than homes in majority-White ZIP codes, and the gap has increased over time. According to a proposal by Junia Howell of the University of Pittsburgh, reforms that automate the way homes are valued and alter the method for determining comparable sales would result in a more racially just system and generate wealth for BIPOC homeowners.
- **Provide reparations.** Evanston, Ill., became the first city in the United States to fund and implement a housing reparations program in response to the long history of local governments' actions related to housing that harmed their Black residents. Alderman Robin Rue Simmons helped design and enact the legislation. Funded with cannabis taxes, the reparations program will provide resources for a down payment, financing, or home improvements for any Black resident who lives in or is a descendent of a resident of Evanston during the period when rampant discrimination in housing occurred.

Parts of these proposals are explored in papers written for the event. These papers are hosted alongside Fed research in the event's resource library.

For more information

If you have additional questions or would like to be connected with Federal Reserve staff in your area, contact: [Ann Carpenter](#) at the Atlanta Fed or [Libby Starling](#) at the Minneapolis Fed.