



The Racial Wealth Gap: Financial and Other Resources for Historically Black Colleges and Universities (HBCU)

April 19, 2022

LEADCenter

WIOA POLICY DEVELOPMENT

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Learning Objectives

Participants will learn more about the racial wealth gap and financial resources, including:

- Unique challenges to economic growth that many Black Americans encounter on their journey to financial well-being
- Review of effective, accessible, and inclusive financial education, resources, and tools found in DOL's "Secure Your Financial Future Toolkit" that may be helpful to HBCU students and adults with disabilities
- State-by-state scan of programs, policies, resources, and initiatives that support students with disabilities transitioning to employment during and after the COVID-19 pandemic
- DOL's Office of Apprenticeship HBCU apprenticeship initiatives

Poll 1

- Do you believe that inclusive policies of financial systems (banks, credit unions, etc.) can support your economic growth?



Consumer Financial Protection Bureau (CFPB)



Consumer Financial
Protection Bureau

Disclaimer

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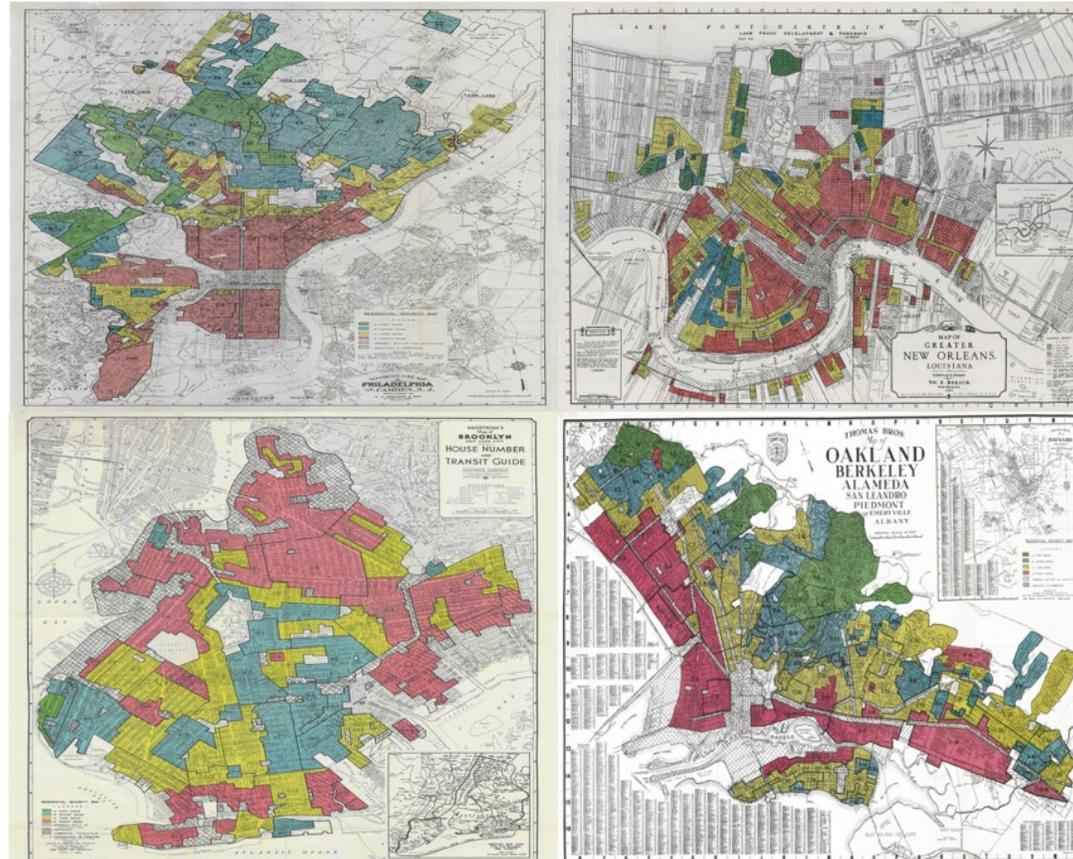
CFPB (1)

Charles Nier

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Unpacking the Black Wealth Gap

Historical Origins of Redlining and the Devaluation of Black Communities



Wealth in the United States

- Wealth is the total extent of an individual's accumulated assets less any debt.
- Wealth has an enormous impact upon a variety of life opportunities, including:
 - Education,
 - Housing,
 - Employment,
 - Social capital, and
 - Intergenerational transfers.
- Wealth is the single best indicator of racial inequality.

Racial Wealth Inequality

- The Federal Reserve released updated racial wealth data from 2019 Survey of Consumer Finance¹:
 - African-American households had a median net worth of \$24,100 and a mean net worth of \$142,500.
 - White households had a median net worth of \$188,200 and a mean net worth of \$983,400.

¹<https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>

Racial Homeownership and Wealth

- In the United States, the single most important means of accumulating wealth for most families is homeownership.
- As of Q4 2021, the homeownership rate gap between African Americans and whites stood at 31.3 percent.
- The racial homeownership gap has consistently exceeded 25 percent throughout the 20th century.

A Key Component

- One explanation for the racial wealth gap is the racial homeownership gap.
- Since few people have the financial resources to purchase a home without resorting to financing, a key component to achieving homeownership is access to fair and equitable credit.
- However, African Americans have historically faced widespread discrimination in the credit markets.
- One of the main areas of discrimination is redlining - defined as mortgage credit discrimination based on the racial and ethnic characteristics of the neighborhood surrounding the would-be borrower's dwelling.

The Great Migration

Intent on escaping the violence and discrimination of the South, between 1910 and 1970, over 5 million African Americans left the rural South for the urban cities of the North, Midwest, and West seeking economic and educational opportunities.

- It was the largest internal movement of any group in American history.
- Among the pieces of “cultural baggage” African American migrants brought North was the desire for homeownership.

African Americans and Mortgages

While the home financing system was a challenge to all consumers, African Americans faced additional barriers.

- Banks simply refused to lend African Americans.
- Even if a bank did make a mortgage loan to African Americans, the terms and conditions were onerous compared to whites.
- Typically, African-American borrowers were charged interest rates and fees at least double those offered to whites.

“[I]f a colored man owned City Hall he would be unable to get a first mortgage on it at this bank. They absolutely refuse to lend money, in any manner to Negroes”

-Raymond Pace Alexander,
African-American lawyer,
Philadelphia, PA (1928)

Federal Government and Homeownership (1)

- Prior to the 1930's, the United States had traditionally considered the selection, construction, and purchase of a residence an inherently individual decision. As a result, the federal government favored a "hands-off policy" regarding housing.
- On October 29, 1929, the stock market collapsed triggering the Great Depression.
- Between 1929 and 1933, over 5,000 banks closed, \$7 billion in depositor funds vanished, and housing construction fell by 95%.

Federal Government and Homeownership (2)

- By 1933, one-half of all mortgages were in default with over 1,000 foreclosures per day.
- In response to the crisis, the federal government revolutionized housing finance to rescue the market and to make homeownership more accessible to Americans.
- Unfortunately, the system the federal government introduced to support homeownership placed discriminatory barriers in the path of African Americans.

Home Owners' Loan Corporation (HOLC)

- In 1933, the Home Owners' Loan Corporation (HOLC) was established to assist families in danger of foreclosure by refinancing existing delinquent mortgages.
- Between 1933 and 1935, the HOLC supplied over three billion dollars for over one million mortgages.
- Since the HOLC was dealing with mortgages in default and potential foreclosure, it introduced standardized appraisals of properties and communities in order to assess possible risk.

HOLC City Survey Program

- The HOLC commenced a City Survey Program to appraise the level of real estate risk in 239 cities in the United States.
- HOLC distributed questionnaire forms to local real estate professionals and mortgage lenders to measure risk.
- In the process of rating neighborhoods, the risk assessments incorporated existing “notions of ethnic and racial worth.”
- No socioeconomic characteristic was deemed more important by the HOLC, for appraisal purposes, than race.
 - For example, the HOLC monitored the movement of African Americans and charted the density of African American neighborhoods.

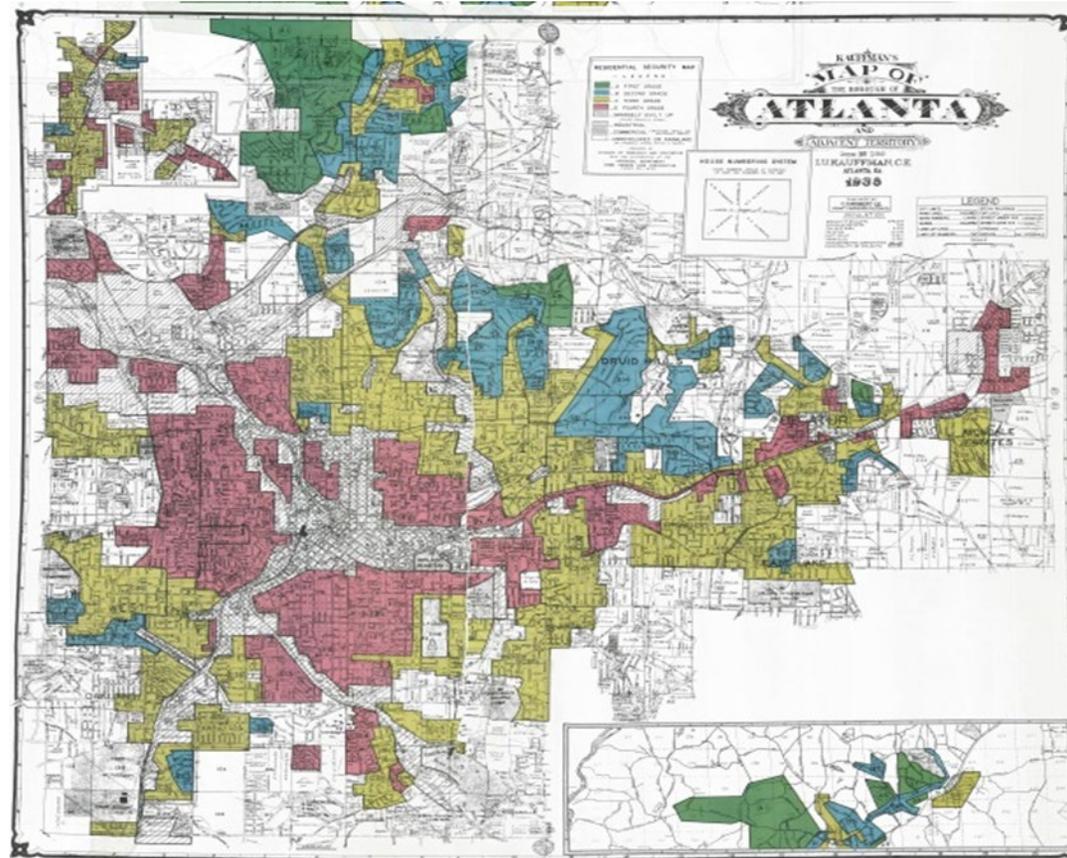
HOLC Risk Assessment

- Based upon the Survey Program, the HOLC developed four color-coded categories of risk.
 - A – Coded Green representing the “best” areas that were “new homogenous, and in demand as residential locations in good times and bad.”
 - B – Coded Blue representing areas that had reached their peak but were “still desirable.”
 - C – Coded Yellow representing areas that were “definitely declining.”
 - D – Coded Red representing “hazardous” areas in “which the things taking place in C areas have already happened...characterized by detrimental influences of a pronounced degree, undesirable populations or an infiltration of it.”

HOLC and Redlining

- African-American neighborhoods were almost always rated fourth by the HOLC and “redlined.”
- For example, in Detroit, every neighborhood with any degree of African American population was rated “D” or “hazardous” by federal appraisers.
- Following completion of the rating system, HOLC prepared color-coded residential security maps that detailed the various real estate risk grades.

HOLC City Survey Map – Atlanta



Impact of the HOLC

- While the HOLC had a mixed record of mortgage lending in neighborhoods coded C-yellow and D-red, African Americans were still subject to discriminatory practices.
 - D-rated areas were charged higher interest rates.
 - Reinforced segregation by refusing to sell and make loans to African Americans for properties in white areas.
 - Under-appraised the value of African American areas.
- The major damage the HOLC caused was adopting, elaborating, and implicitly placing the federal government's seal of approval upon notions of real estate value and race.
- The rating system developed by HOLC was adopted by private financial institutions, thereby institutionalizing the practice of racial redlining.

Federal Housing Administration (FHA)

- The FHA was established in 1937 to facilitate sound home financing on reasonable terms and conditions.
- While the FHA did not directly lend money to borrowers, it provided financial incentives to private lenders by insuring up to 90% percent on any loss incurred with an FHA-approved mortgage.
- By the end of 1972, the FHA had assisted 11 million families in achieving homeownership.
- This remarkable success came at a price, as it largely provided FHA-financing in whites areas in the suburbs to the detriment of African Americans residing in urban areas.

The FHA and Redlining

- The FHA required an “unbiased professional estimate” as a prerequisite to any loan guarantee in order to ensure that the value of the property would exceed the outstanding mortgage debt.
- Acting on the HOLC’s rating system, the FHA developed even more elaborate advice on race and real estate value for its appraisers in its Underwriting Manual.



The FHA's Underwriting Manual

Part II
233-235

UNDERWRITING MANUAL

social groups are present, to the end that an intelligent prediction may be made regarding the possibility or probability of the location being invaded by such groups. If a neighborhood is to retain stability it is necessary that properties shall continue to be occupied by the same social and racial classes. A change in social or racial occupancy generally leads to instability and a reduction in values. The pro-

- The Manual warned of the dangers of “infiltration of inharmonious racial groups and nationality groups.”
- To prevent such “infiltration”, the Manual recommended “subdivisions regulations and suitable restrictive covenants as an excellent method to maintain neighborhood stability.”
- In short, the entire FHA appraisal process was based upon the premise that racial segregation was necessary to ensure property values.

The FHA and Private Financial Institutions (1)

- One of the most significant aspects of the FHA was that its actions were adopted by private financial institutions that institutionalized the discriminatory appraisal process and the practice of redlining.
- In Chicago, a survey of 241 savings and loan institutions found that 19 were willing to make loans to African Americans purchasing homes in African-American areas and 1 was willing to grant a mortgage to African Americans moving to a white neighborhood.

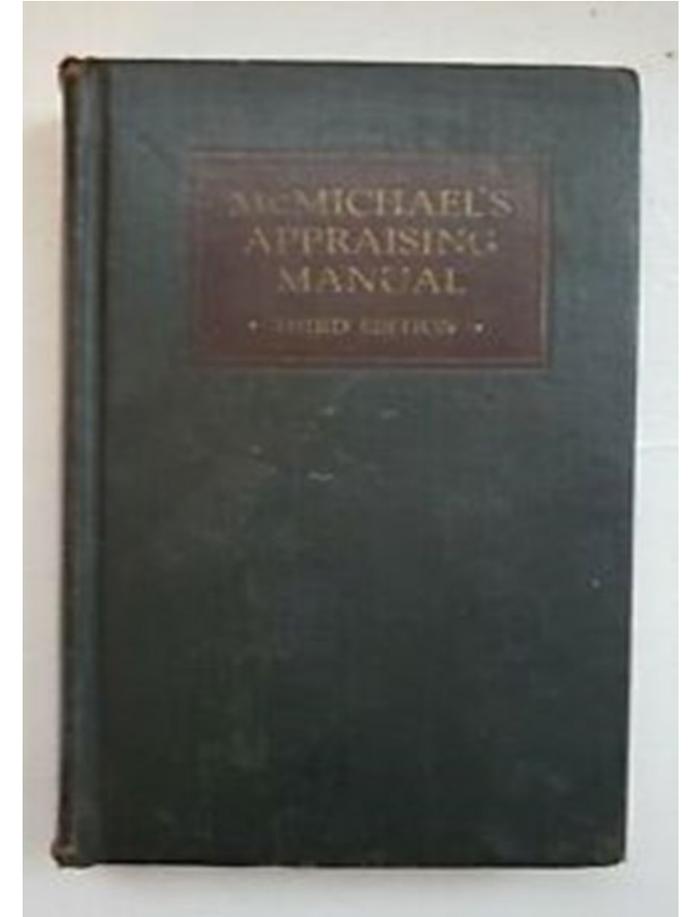
“Today, however, a very decided bias exists on the part of mortgage lending agencies...Upon learning the racial identity of the applicant or on finding that the property is occupied by colored people the loan is often immediately rejected without further investigation.”

-I. Maximillian Martin, African-American real estate expert (1936)

The FHA and Private Financial Institutions (2)

As late as 1951, the McMichael's Appraising Manual, the “bible” of appraising, included the following ranking of ethnic groups in order of most desirable to those with the most adverse impact on property values:

- (1) English, Germans, Scotch, Irish, Scandinavians
- (2) North Italians
- (3) Bohemians or Czechs
- (4) Poles
- (5) Lithuanians
- (6) Greeks
- (7) Russians, Jews (lower class)
- (8) South Italians
- (9) Negroes
- (10) Mexicans.



The Impact of the FHA

- While exact figures are not available, an analysis of the data on a county basis reveals a clear pattern of redlining in center city areas and abundant loan activity in suburban counties.
- For example, between 1946 and 1960 over 350,000 homes were constructed with FHA-insured financing in Northern California of which less than 100 were for African Americans.
- Overall, during the time period from 1930 to 1960, scholars have demonstrated that “fewer than one percent of all mortgages in the nation were issued to African Americans.”

Conclusion

- Overall, one of the primary explanations for the large racial wealth gap is historical and structural discrimination in credit markets.
- Such historical and structural discrimination has limited African-American wealth accumulation in at least two significant ways:
 - It has limited African-American homeownership due lack of access to traditional sources of mortgage credit.
 - It has increased the cost of achieving homeownership for African Americans due to increased reliance on non-traditional sources of credit.



CFPB (2)

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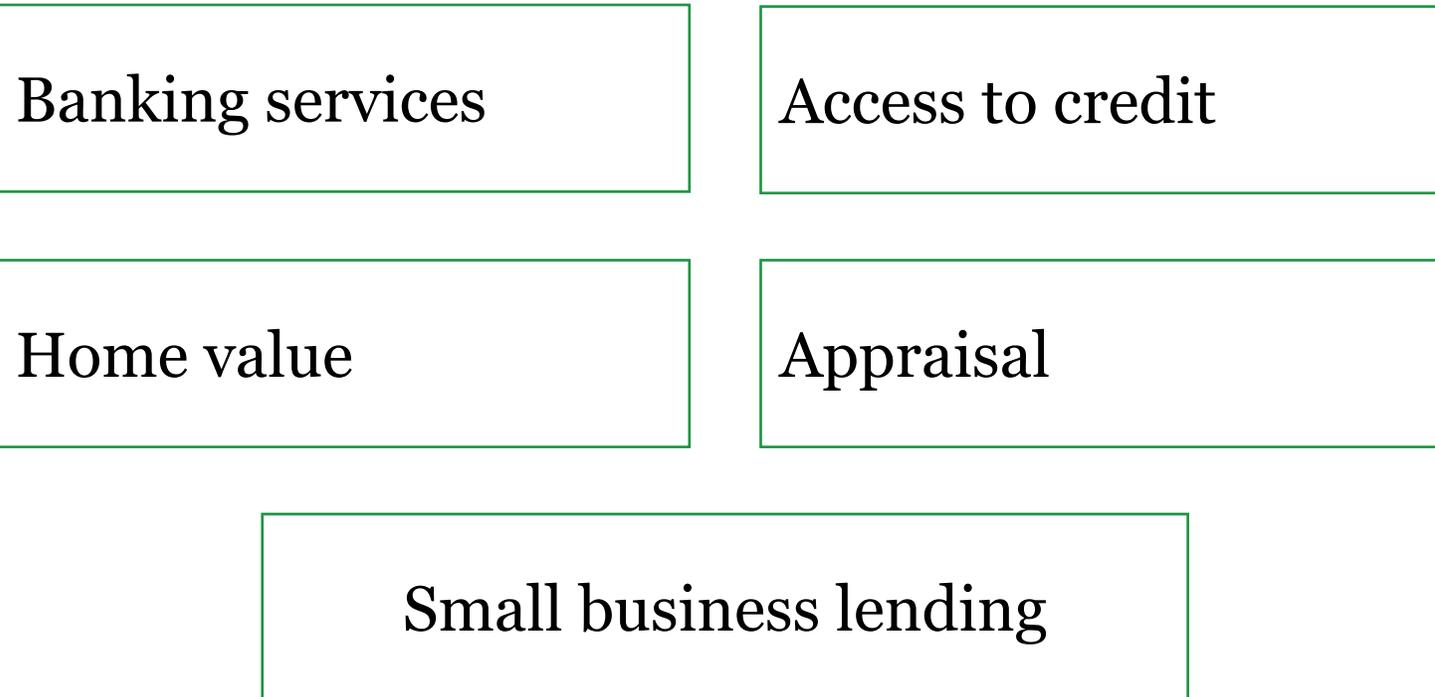
Continued Discrimination and Exclusion Practices



- Limited assets: business and home ownership
- Poorer credit health
- Higher levels of unbanked or underbanked
- Greater use of high-cost financial services
- Limited access to capital

Inequitable Practices in Wealth Building

- Practices that limit wealth building continue in many areas



Resources and Reforms

The Consumer Financial Protection Bureau (CFPB) and other agencies are on the job, creating resources and implementing reform to limit the impact of unfair practices and expand inclusion in the financial marketplace

- Junk fees
 - Banking fees
- Credit accuracy
 - Medical billing
- Competition
 - Repeat offenders
- Home appraisal



Consumer Actions

- Check your credit record frequently
 - Through the end of 2022, everyone is eligible for free weekly online credit reports from the three major national credit reporting agencies.
 - Go to annualcreditreport.com to request your credit reports.
- Submit a complaint
 - If you have a complaint, tell us about your issue – we'll forward it to the company and work to get you a response
 - Go to consumerfinance.gov/complaint
- Know your rights
- Tell us your story

Where do we go from here?



Search

Submit a Complaint

Consumer Education

Rules & Policy

Enforcement

Compliance

Data & Research

News

On your side through life's financial moments.

We're the Consumer Financial Protection Bureau, a U.S. government agency dedicated to making sure you are treated fairly by banks, lenders and other financial institutions.



Help with finances during the COVID-19 pandemic

[Get help](#)



Talk with an expert about your housing needs for free

[Find a housing counselor](#)



Submit a complaint about a financial product or service

[Start a complaint](#)

Word Cloud

- What is preventing you from making decisions that benefit your financial future?

Navigate to www.menti.com and enter the following code:

9169 2883



A Toolkit for Individuals with Disabilities

Serge King

Workforce Systems Policy Team

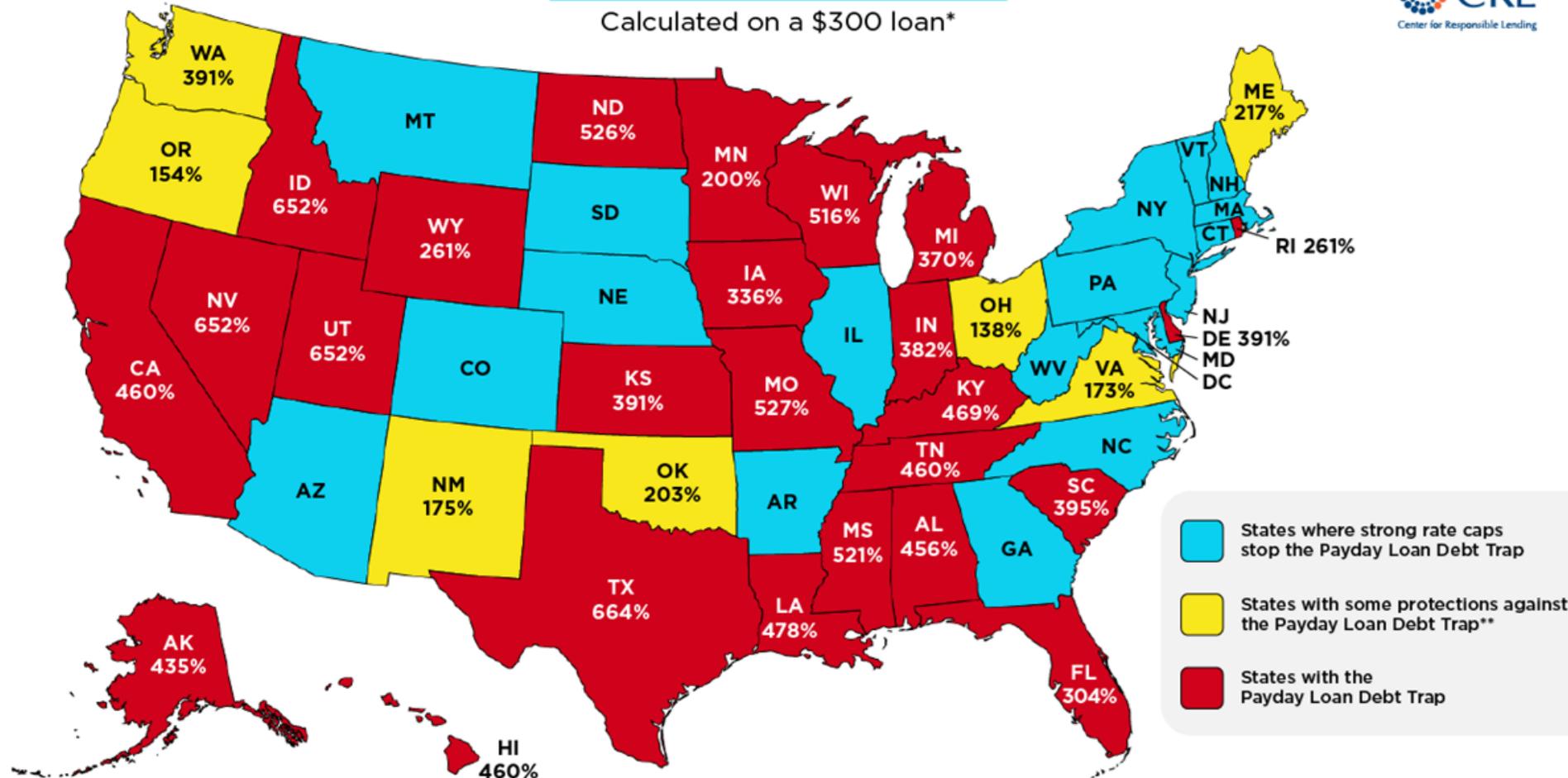
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Map of U.S. Payday Interest Rates

U.S. Payday Interest Rates

Calculated on a \$300 loan*



© 2021 Center for Responsible Lending

*Typical APR based on rate for a 14-day loan as advertised by largest payday chains or state regulator, except where otherwise noted.
 **States with some protections include term limits longer than 14 days (NM, OH, OK, OR, VA), limits on fees (OR, ME), and/or number of loans per borrower (WA).

Financial Toolkit



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FOR A JOB**
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A JOB**
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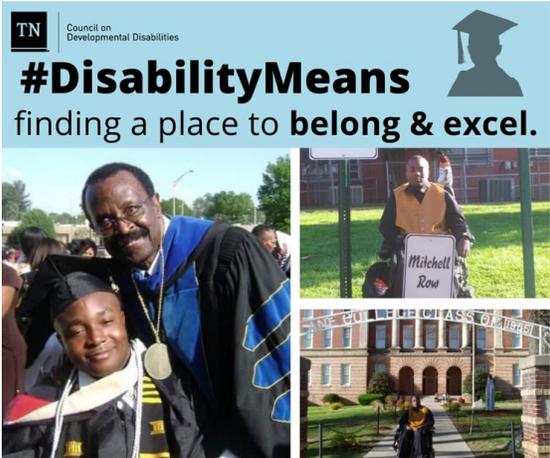


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Voice From the Field



Poll 2

- Do you believe that the COVID-19 pandemic negatively impacted your mental health?



COVID-19 State Scan

STATE COVID-19 RESPONSE: YOUTH WITH DISABILITIES

[View by State](#)

[View by Topic](#)



COVID-19 Scans

Jennifer G Thomas

Policy Advisor, Youth Policy

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U.S. Department of Labor (DOL)

CAPE-Youth 50 State Scans (1)

Overview

- State-by-state scans of programs, policies, resources, and initiatives that support youth and young adults in their transitions:
 - COVID-19 Scan (Released April 2021),
 - Program Scan (Will be released in April of 2022), and
 - Policy Scan (Will be released in April of 2022).
- Help users identify promising practices and opportunities for collaboration.

CAPE-Youth 50 State Scans (2)

Delaware State University (DSU) + USAID

- In October 2021, U.S. Agency for International Development (USAID) signed the first-ever Memorandum of Understanding (MOU) between that agency and DSU.
- Shaped research and technology agenda.
- DSU collaborating on special projects such as workshops, conferences, forums, and other community outreach initiatives.

CAPE-Youth COVID-19 Policy Scans (1)

Tuskegee University

- In February 2022, Tuskegee University and USAID signed a Memorandum of Understanding (MOU) to promote diversity, equity, and inclusion in the international development workforce.

Department of Energy and Various HBCUs

- In March 2017, the U.S. Department of Energy has signed a MOU with a coalition of historically black colleges, with the aim of developing clean energy initiatives, greater energy efficiency and awareness, and a clean energy economy—specifically jobs and workforce training.

CAPE-Youth COVID-19 Policy Scans (2)

Defense Logistics Energy and Benedict College

- In November 2021, a first-of-its-kind memorandum of understanding (MOU).
- Foster employment opportunities for Benedict students under the DLA Pathways to Career Excellence Program, Pathways Intern Programs, or other DLA employment programs.

Savannah River Nuclear Solutions and various HBCUs

- MOUs feature internship opportunities for SCSU and CU students in a wide range of potential careers involving business administration, operations and STEM-based (Science, Technology, Engineering & Math) professions.

Professional Experiential Learning Experiences

HBCU's Professional Apprenticeship Initiative



HBCU Apprenticeship Initiatives

Angela McDaniel

Diversity, Equity, Inclusion & Accessibility (DEIA) Lead
for Apprenticeship

Employment and Training Administration (ETA)

U.S. Department of Labor (DOL)

A Proven Workforce Solution

Registered Apprenticeship is an **industry-driven, high-quality** career **pathway** where employers can **develop** and prepare their **future workforce**, and individuals can obtain **paid work** experience, **classroom instruction**, and a portable, **nationally-recognized credential**.

Five Components



Apprenticeships are Jobs



On-the-job learning in a work setting



Job-related classroom training



Learning with the help of a mentor



Industry-recognized credential

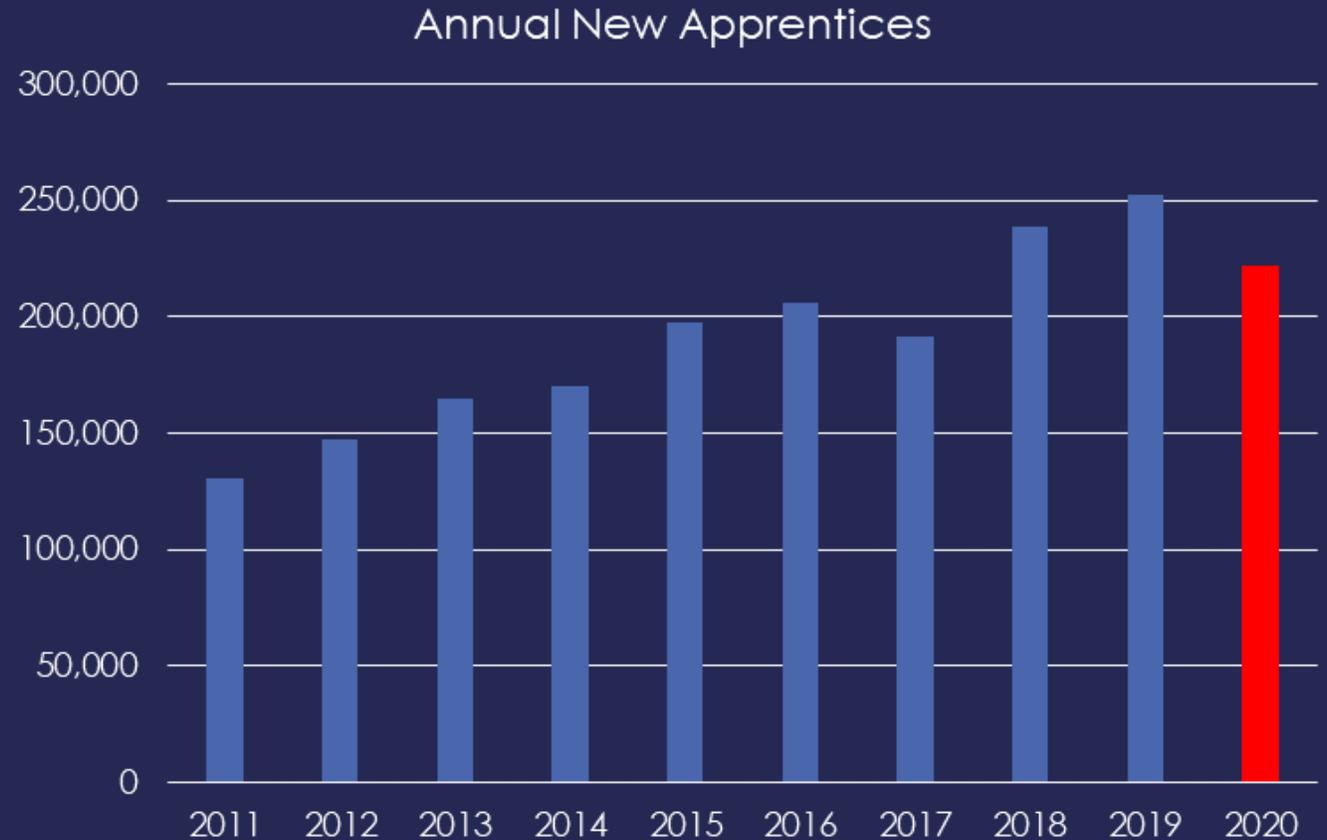
APPRENTICESHIP CONTINUES TO DEMONSTRATE STRONG GROWTH

70%

Growth in New Apprentices Since 2011

Key Facts

- 1.9 million+ new apprentices since FY11
- 38% more active apprentices than the previous 10-year average (636,000 vs. 459,000)
- 349,000+ participants completed an apprenticeship in the last five years
- 13,500+ new apprenticeship programs created in last five years



A Diverse Range of Industries



Healthcare



Cybersecurity



Information
Technology



Biotechnology



Transportation



Construction



Financial
Services



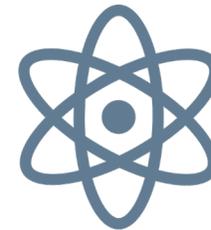
Advanced
Manufacturing



Hospitality



Engineering



Energy



Telecommunications



Benefits for Educators

- Creates a revenue stream
- Fulfill mission
- Increase enrollment and number of completers
- Provide students hands-on learning opportunities
- Stronger connection to employers
- State and tax credits may apply via WIOA and, possibly, FASFA

Options for HBCU Initiative

- Business Management Associate Pathway
- On the Job Training during Spring, Summer and Christmas (Holiday) Breaks
- Virtual or In-person
- Project Based Experience
- 2 Mentors
- Current Seniors, Juniors, Grad Students
- Recent Alumni

Students must remain in school and graduate from college!

HBCU Initiative

- Alabama A&M University – First Master’s Degree Apprenticeship Program
- Bowie State University
- Alcorn State University
- Tennessee State University

Questions and Answers





Financial Literacy Resources

Secure Your Financial Future: A Toolkit for Individuals with Disabilities

This toolkit provides a path forward, based on where you are in your employment journey. Just click on any of the topic areas for answers to important questions, including tools and resources to help you meet your financial goals.

Website: <https://www.dol.gov/agencies/ebsa/secure-your-financial-future>

Map of U.S. Payday Interest Rates

Center for Responsible Lending

Website: <https://www.responsiblelending.org/research-publication/map-us-payday-interest-rates>

CAPE – Youth Resources

State COVID-19 Response: Youth with Disabilities

States have supported the needs of students with disabilities during the COVID-19 outbreak through:

- Assistive Technology
 - Distance Learning
 - Family Engagement
 - Individualized Education Plan
 - Mental Health
 - Telehealth
 - Transition
-
- Website: <https://capeyouth.org/covid-19/>

DOL's Office of Apprenticeship Resources

Data and Statistics

The Registered Apprenticeship data displayed on this page is derived from several different sources with differing abilities to provide disaggregated data.

Website: <https://www.dol.gov/agencies/eta/apprenticeship/about/statistics/2020>

Apprenticeship.gov

Apprenticeship.gov is the one-stop source to connect career seekers, employers, and education partners with apprenticeship resources. Discover apprenticeships across industries, how programs are started by employers, and how to become an apprentice.

Website: <https://www.apprenticeship.gov/>

LEAD Center Website

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WIOA POLICY DEVELOPMENT

<http://leadcenter.org/>

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YouTube: <https://www.youtube.com/user/LEADCtr>

CAPE – Youth Website

CAPE - Youth

CENTER FOR ADVANCING POLICY
ON EMPLOYMENT FOR YOUTH

<https://capeyouth.org/get-involved/>

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Thank You!