Inequality in Housing, Financial Services and Retirement Security in the Chicago Region

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WoodstockInstitute
• **Mission**: Create a just financial system in which everyone can achieve economic security and community prosperity

• **Focus**: Fair lending, wealth creation & financial systems reform at local, state & national levels

• **Tools**: Research, policy, coalition building, and technical assistance
Some causes of inequality in housing, financial services, and retirement security

- Legacy of institutional racism (*Black Wealth/White Wealth*, Oliver and Shapiro) and sexism (*Shortchanged*, Mariko Chang)
- Targeting of high-cost/high-risk products to people of color
  - Toxic mortgage loans
  - Tax refund anticipation loans
  - Payday and deposit advance loans
- Poor/no regulation of high-cost/high-risk lenders and products
- Lack of access to retirement savings plans at work
- Outdated rules, inadequate data collection
Change in prime home purchase and refinance lending in communities of color vs. white areas, 2006 to 2008

<table>
<thead>
<tr>
<th>City</th>
<th>Census Tracts with 80% or More Residents of Color</th>
<th>Census Tracts with Less Than 10% Residents of Color</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston</td>
<td>-55.8%</td>
<td>-16.3%</td>
</tr>
<tr>
<td>Charlotte</td>
<td>-70.9%</td>
<td>-29.9%</td>
</tr>
<tr>
<td>Chicago</td>
<td>-68.5%</td>
<td>-20.3%</td>
</tr>
<tr>
<td>Cleveland</td>
<td>-64.5%</td>
<td>-42.7%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>-56.0%</td>
<td>-33.0%</td>
</tr>
<tr>
<td>New York</td>
<td>-52.5%</td>
<td>-31.2%</td>
</tr>
<tr>
<td>Rochester</td>
<td>-28.4%</td>
<td>-25.3%</td>
</tr>
<tr>
<td>Avg All Cities</td>
<td>-60.3%</td>
<td>-28.4%</td>
</tr>
</tbody>
</table>

Average home equity and outstanding mortgage debt per property in the Chicago six county region, 4Q11

Source: Proprietary data; 2010 Decennial Census; Struggling to Stay Afloat: Negative Equity in Communities of Color (2012)
Communities of color hardest hit by vacant properties

Vacant Properties and Foreclosure

Vacant Properties
- 18,320 properties identified as vacant or potentially vacant by the City of Chicago
- Nearly 70% of all vacant properties on the Chicago Vacant Buildings Index are associated with a foreclosure

Red Flag Properties
- 1,896 properties on the Index are “red flag” properties, many of which may be lender walkaways or “Zombie” properties
- 71% of red flag properties are located in highly African American communities, compared to only 6.5% in predominantly white communities

Impact
- Destabilize communities
- Burden to municipalities

Source: Left Behind: Troubled Foreclosed Properties and Servicer Accountability in Chicago (2011)
Access to mortgage loan purchase and refinance loans for women in the Chicago area

Differences in Origination, Female-headed Co-applicants vs. Male-headed Co-applicants

<table>
<thead>
<tr>
<th></th>
<th>White</th>
<th>African American</th>
<th>Asian</th>
<th>Other</th>
<th>Hispanic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase</td>
<td>-22.0%</td>
<td>-34.1%</td>
<td>-12.4%</td>
<td>-23.5%</td>
<td>-18.9%</td>
</tr>
<tr>
<td>Refinance</td>
<td>-37.4%</td>
<td>-43.8%</td>
<td>-29.9%</td>
<td>-31.7%</td>
<td>-28.9%</td>
</tr>
</tbody>
</table>

Retirement insecurity in Chicago

- Fewer workers have access to employment-based retirement plans now than in the past
- Over half of all private sector workers lack access to employment-based retirement plans
- Assets are a small and decreasing percentage of retirement income for most households
- Social Security benefits are replacing a smaller percentage of pre-retirement income

Source: Coming Up Short: The Scope of Retirement Insecurity Among Illinois Workers (2012)
Forging Solutions

- Enforce fair housing/fair lending laws and regulations
- Adequately fund housing counseling, foreclosure prevention and legal services programs
- Adopt a Qualified Residential Mortgage (QRM) rule without a minimum down payment requirement
- Enforce vacant property ordinances
Some policies to reduce inequalities in housing, financial services, and retirement security

- Implement new Cook County Land Bank Authority consistent with local priorities
- Enact and enforce strong consumer protection laws and regulations ([www.consumerfinance.gov](http://www.consumerfinance.gov))
- Revise tax policies, including the home mortgage deduction
- Expand opportunities for workers to save for retirement
- Protect students from excessive student loan debt, allow discharge in bankruptcy
- Modernize the Community Reinvestment Act (CRA)
Come to Woodstock Institute’s 40th anniversary Symposium & Bash at the Sheraton!


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