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Racial Disparities in Homeownership in Tennessee Cities

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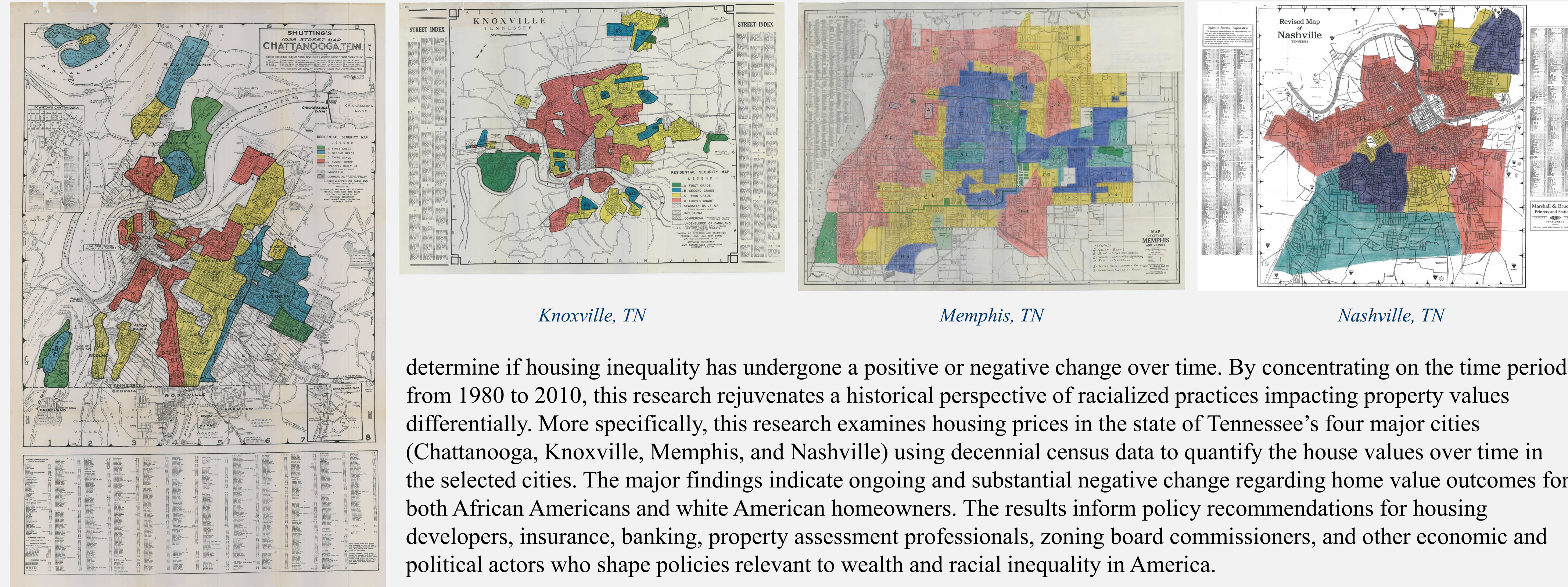
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Background

This research comparatively examines the differential value of homes between African American homeowners and white American homeowners. The racial composition of geographical space within the housing market impacts the most significant form of wealth accumulation for most Americans. Because the correlation between wealth and racial inequality remains significantly high in the United States, continued scholarship on this topic is warranted to examine patterns and



Chattanooga, TN

Knoxville, TN

Memphis, TN

Nashville, TN

determine if housing inequality has undergone a positive or negative change over time. By concentrating on the time period from 1980 to 2010, this research rejuvenates a historical perspective of racialized practices impacting property values differentially. More specifically, this research examines housing prices in the state of Tennessee's four major cities (Chattanooga, Knoxville, Memphis, and Nashville) using decennial census data to quantify the house values over time in the selected cities. The major findings indicate ongoing and substantial negative change regarding home value outcomes for both African Americans and white American homeowners. The results inform policy recommendations for housing developers, insurance, banking, property assessment professionals, zoning board commissioners, and other economic and political actors who shape policies relevant to wealth and racial inequality in America.

Methodology

This research project examined home ownership property values in the largest cities in Tennessee over time. The study is designed to address the gap in the literature on homeownership, house values, and race in the United States over time, focusing on the Tennessee geographical area. The purpose of the study was to examine the homeownership house values over time between African Americans and white American homeowners in the large cities in the state of Tennessee. Historical data was analyzed chronicling the house values of African Americans and white homeowners correlating the relationship to age, household income, education, marital status. This analysis focuses on Memphis, Nashville, Knoxville, and Chattanooga in 1980, 1990, 2000, and 2010. Analysis of these variables above contributed empirical evidence of the racialized wealth disparity between white American and African American homeowners. This project will provide a sociological and historical dimension in addressing the racial home value inequality in America's housing industry. In addressing property value inequity between African American and White Americans, this project will employ a three-part methodology for examining the African American exclusion in the pursuit of homeownership, as part of the "American Dream."

A longitudinal quantitative analysis of the existing data can also serve to support the goal of establishing findings that may be generalizable to a larger population outside of the sample population.

The decennial census addresses each and every unit of the population. The U.S. census conducts the periodic collection of housing information about the populace from the entire population. The census method refers to the complete enumeration of the housing units in the United States. The census is the procedure of systematically acquiring and recording information about the household members. Results obtained by Census are quite reliable. Sampling criteria was based on an assessment of the historical 1980, 1990, 2000, and 2010 decennial censuses extracting variables addressing the research questions of this study. Because the purpose was to assess the difference in property house values between African American and white American homeowners in the state of Tennessee, the four cities were selected based on their large populations.

As discussed previously, the self-reported property house value was tracked through the decennial periodic housing surveys. The data analysis assessed the home values between African American and white American homeowners as reported by the 1980, 1990, 2000, and 2010 U.S. Census Bureau surveys. The selected cities included Memphis, Nashville, Knoxville, and Chattanooga.

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Introduction

U.S. housing policies in much of the 20th century explicitly supported white homeownership and actively placed barriers on African American homeownership. The result of these housing policies was lower home property values for African Americans, which has significantly and negatively impacted their overall wealth. U.S. housing policies at all levels have contributed to the significantly adverse outcomes on African American home values. These policies were racially biased and excluded African Americans from accumulating wealth through home values. Limited research exists that has specifically examined house value patterns over time, particularly with respect to comparing African American and white homeowners' house values with and without a mortgage.

Historically, federal policies prohibited financial and insurance institutions from lending and insuring African Americans seeking homeownership. Mortgage opportunities were not accessible for African American citizens, while government-secured federal programs were devised to generate economic rewards for white American homeowners.

Data suggest that residential communities in the U.S. are racially segregated. For example, U.S. cities' dissimilarity indexes are high.

The U.S. government, in conjunction with the U.S. housing industry, has differentially distributed resources to promote homeownership for white Americans over African Americans. U.S. Census data shows significant differences in the property values of white American-owned and African American-owned homes.

The evidence indicated that racial inequality is still pervasive within residential communities with respect to homeownership outcomes for non-white citizens.

The Federal Housing Administration's (FHA) policies coupled with racially biased real estate practices generated differential homeownership value outcomes (Bradford, 1979; Massey & Denton, 1993; Hoff & Sen, 2005). Home value differences between African American and white homeowners prevail because of past legal limits constructed to impede non-white wealth accumulation (Krivo & Kaufman, 2004). In 1930, the Home Owner's Loan Corporation (HOLC) established to allocate financial relief to homeowners faced with foreclosure-default status excluded African Americans from the government-sponsored program. Unlike white American homeowners, African American homeowners did not receive low-interest loans designed to recoup forfeited property. Furthermore, the Federal Housing Administration (FHA) excluded the families of African American military personnel from the government entitlement of mortgage loans specifically designated for the families of white American military personnel (Crossney & Bartelt, 2005; Sykes, 2008). The FHA condoned racially biased covenants intended to preserve segregated neighborhoods. Despite the 1948 Shelly versus Kramer judicial ruling restricting race-based covenants, the FHA upheld the race-based covenants until the 1968 Fair Housing Law, which instituted official forbiddance of any housing discrimination (Bobo & Zubrinsky, 1996; Bostic & Martin, 2005; Rothstein, 2017).

Sociological literature has tracked the relationship between race and the differential outcomes related to residents' geographical space. The past and present racial composition of residential space have been linked to discriminatory housing policies. These race-based policies manifested through discriminatory practices such as restrictive covenants, redlining, residential steering, subprime loans, and different mortgage interest rates have all contributed to the differential outcomes between white American families and non-white American families (Peterson and Krivo 2010; Rugh, Albright, and Massey 2015).

Findings

This research project followed the well-documented analysis of covariance (ANCOVA) statistical procedure. It was applied for synthesizing covariate characteristics with the between-subject analysis of variance (ANOVA) design. The ANCOVA was employed because of the precision and power in adjusting and detecting treatment effects by the underlying influence of covariates (Kirk, 2013; Maxwell and Delaney 2004). Log value means, transformation mean values, standard deviation, analysis of covariance and pair-wise multiple regression analysis using SAS comprised the principal statistical applications for the study. An analysis of covariance (ANCOVA) using complex sampling techniques was used to analyze the U.S. housing data in the study investigating the difference in property home values between African American and white American homeowners across four cities in the state of Tennessee. The empirical analysis uses the US data for the decennial years from 1980 to 2010 (Census 1980, 1990, 2000, 2010).

Results of the study indicated a statistically significant difference in African American and white American homeowners. Among important findings, African American home values experienced statistically significantly lower increases over time. Additionally, across selected cities in Tennessee, African American home values witnessed statistically significant (p value .0001) lesser value compared to white American homeowners. Consistently over the four time periods, African American homeowner's homes were valued at 47% less than white Americans.

TABLE 7. DESCRIPTIVE STATISTICS. TENNESSEE HOME VALUES BY RACE (1980-2010)		
HOME VALUE - DESCRIPTIVE STATISTICS	Black	White
NUMBER OF OBSERVATIONS	19491	49316
MEAN OF LOGARITHMIC HOME VALUE	4.79	5.01
MEAN OF HOME VALUE	\$81,790	\$154,348
MINIMUM	1000	1100
MAXIMUM	2093000	2388000
STANDARD DEVIATION	\$86,105	\$187,230
DIFFERENCE OF AVERAGE		\$72,558.28
% DIFFERENCE OF HOME VALUE FROM WHITE	-47.01%	

Discussion

Historically, political and economic actors in the U.S. real estate, banking, and construction industries have instituted explicitly racialized practices for the exclusion of African American homeownership seekers. Because of these practices, white Americans had access to the American Dream that African Americans did not: owning a piece of property with value (i.e., homeownership). Historically, U.S. banks have differentially treated prospective white Americans and African American homebuyers, opting to only lend to white homebuyers. The result of this racialized policy has been that African American homebuyers have not been able to secure mortgages coupled with these exclusionary guidelines that have blocked African American homebuyers from participating in the American wealth-building dream. From its inception until presently, the housing industry coupled with the financial and insurance industries has attempted to create and maintain strategies to exclude African American homeowners, concentrating African American homeowners into geographical spaces enclosed by undervalued residential homes.

Conclusion

At the outset of the U.S. housing initiatives, governments at all levels executed housing construction codifications that inspired financial lenders to support projects devoted only for white American citizens while explicitly prohibiting housing construction projects for African American citizens. Correspondingly, the past and present homeowners' property value disparity results from racialized practices. By concentrating on a 1980-2010 time period, this study rejuvenates a historical perspective of racialized policies and practices impacting property values differentially. The State of Tennessee's four major cities were examined. Over four decennial time periods, the Tennessee home values between African American and White American homeowners showed significant (>45%) differences. Over the 40-year period, White American home values have consistently exceeded African American home values. In Chattanooga, White American homes were valued higher by \$10,715 (1980), \$19,007 (1990), \$36,193 (2000), and \$73,590 (2010), respectively. In Knoxville, White American homes were valued higher by \$10,234 (1980), \$25,199 (1990), \$50,338 (2000), and \$90,335 (2010), respectively. In Memphis, White American homes were valued higher by \$20,002 (1980), \$37,021 (1990), \$67,323 (2000), and \$103,259 (2010), respectively. In Nashville, White American homes were valued higher by \$38,815 (1990), \$74,682 (2000), and \$107,535 (2010), respectively. These results are relevant to economic and housing policy makers working on housing-related issues in Tennessee.