



The State of Communities of Color in the U.S. Economy

A Snapshot as We Enter 2011

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Introduction

The Great Recession of 2007–2009 produced widespread employment losses for communities of color and white families alike—losses that have yet to be overcome amid the still tentative economic recovery. All U.S. households were severely hurt by the recession but communities of color experienced larger losses than whites. This also means that, as the economic recovery deepens and the labor market recovers, communities of color will have to climb out of a deeper hole to regain the same level of economic security as they had before the crisis.

The level of economic security enjoyed by communities of color before the housing and financial crises drove our economy into the ditch was far lower than that of white families (though better than their current circumstances). The last business cycle, which lasted from the beginning of the last economic recession in March 2001 to the beginning of the Great Recession in December 2007, did little to close the economic gap between communities of color and white families and in some cases even exacerbated the difference in economic security. The Great Recession thus made a bad situation worse.

Many communities of color, particularly African Americans and Latinos, experienced similar hardships during this recession even though their experience during the preceding business cycle varied substantially.¹ African Americans saw few economic gains during the last business cycle, with stagnant or declining homeownership and wages, high unemployment rates, and low employment rates even as the economy grew. Latinos, in comparison, saw comparatively strong jobs gains that were reflected in other gains, particularly in homeownership, during the

last business cycle. Those gains, though, were insufficient to provide a buffer for Latinos once the recession hit, leading Latinos to lose most of the ground gained during the previous business cycle.

The data show that Asian Americans' employment and earnings are generally on par with those of whites, but the data are dominated by Chinese and Indian Americans. Other Asian nationalities, among them Vietnamese Americans and Cambodian Americans, are struggling to recover from the Great Recession, but limited data disguise the diversity within the Asian-American community. Still, even the existing data for Asian Americans show substantial economic struggles in the worst recession, alongside economic hardships for white families.

The diverse consequences of the Great Recession and the ensuing tepid recovery for communities of color in our nation are evident in different sets of data. Specifically the data show:

- Substantial differences in economic security exist by race and ethnicity. The unemployment rate for African Americans, for instance, was 15.8 percent in the fourth quarter of 2010, compared to 12.9 percent for Latinos, 7.3 percent for Asian Americans, and 8.7 percent for whites.
- Homeownership rates tell a similar story. In the third quarter of 2010, the homeownership rate for African Americans was 45.0 percent. The homeownership rate for Latinos was 47.0 percent, and the homeownership rate for whites was 74.7 percent.
- Racial and ethnic differences have worsened or stayed the same during the recession and recovery. Unemployment rates rose faster for African Americans and Latinos than for whites while homeownership rates fell faster. Trends for poverty rates, health insurance coverage, and retirement savings also show widening gaps by race and ethnicity throughout the recession and recovery after 2007.
- Economic security losses during the recession and recovery exacerbated the already weak situation for African Americans. They experienced declining employment rates, rising poverty rates, falling homeownership rates, decreasing health insurance and retirement coverage during the last business cycle from 2001 to 2007. The recession that followed made a bad situation much worse.

- The recession and recovery quickly eliminated the modest gains that Latinos had seen during the last business cycle. Latino homeownership rates in 2010, for instance, were again close to their levels in 2001 even though Latino homeownership rates had risen from 2000 to 2007.

The main lessons from the data are threefold. First, all families struggled with the prolonged economic and labor market slumps, regardless of race or ethnicity. Second, economic differences by race and ethnicity remained intact during the crisis, meaning that communities of color went into a deeper economic hole than whites. Third, the most recent economic downturn quickly translated into a lot of economic pain for communities of color since they had seen few gains, either with respect to jobs, earnings, or both, during the preceding business cycle. The data suggest that communities of color face continued structural obstacles to gain the same economic opportunities as white families, even during good economic times.

This implies three policy lessons. First, policymakers need to pay continued attention to the weak labor market to ensure there is a rising tide that can lift all boats. Second, policies intended to create more jobs need to include provisions that particularly target communities of color. Third, policymakers need to put in place policies that go beyond the immediate need for job creation for everybody to help erase differences in economic security and opportunity by race and ethnicity.

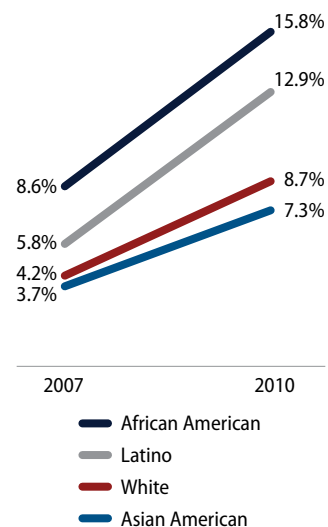
This policy brief on the state of communities of color as we enter 2011 includes a specific list of policy recommendations from our colleagues at [the Progress 2050 project](#) to address these three policy lessons. But first, let's delve more deeply into the data itself to demonstrate directly why our progressive policy prescriptions are the right way to go as our economy recovers and jobs growth resumes.

Unemployment

The unemployment rate is one of the most fundamental tools to understanding the overall health of the labor market. At the end of 2010, the unemployment rate for African Americans and Latinos remained considerably higher than that of white and Asian Americans. In the fourth quarter of 2010, the unemployment rate for white Americans was 8.7 percent, while the unemployment rate for Asian Americans was 7.3 percent. Comparably, the unemployment rates for African Americans and Latinos at the end of 2010 were 15.8 percent and 12.9 percent, respectively.

Unemployment is highest for African Americans and Latinos

Change in the unemployment rate, December 2007 to December 2010



In December 2007, the start of the last recession, the quarterly unemployment rate for whites was 4.2 percent, or 4.5 percentage points less than three years later. Similarly, the unemployment rate for Asian Americans was 3.7 percent, or 3.6 percentage points lower than at the end of 2010. The unemployment rate for African Americans was 8.6 percent in December 2007, or 7.2 percentage points lower than in December 2010. And the unemployment rate for Latinos had increased by 7.1 percentage points by December 2010 from a level of 5.8 percent in December 2007. The increases in the unemployment rate over the past three years started from higher levels for communities of color than for whites and they rose much faster for communities of color than for whites.

These numbers are troubling, especially because these trends perpetuated racial and ethnic differences from the last business cycle, which lasted from March 2001 to December 2007. The unemployment rate for African Americans was 8.1 percent in March 2001 and the unemployment rate for Latinos was 6.0 percent, compared to 3.4 percent for Asian Americans and 3.7 percent for whites. These gaps remained by December 2007, which meant that communities of color entered the most severe recession since the Great Depression from a position of relative economic weakness compared to that of whites and some parts of the Asian-American community.

These structural differences in unemployment rates by race and ethnicity meant that communities of color fell into a deeper hole in terms of economic security during the recession and that communities of color will need to see much stronger growth than is the case for whites to climb back out of this hole. Communities of color are in more desperate need of policy attention to jobs, wages, and benefits than whites to just recover the losses they suffered during the recession since they experienced sharper economic security losses.

Employment-to-population ratio

People typically don't want to be unemployed. They want to have a job. A reasonable indicator of the employment opportunities for each community is the employment-to-population ratio, which shows the share of people in a community who have a job. A higher number suggests more job opportunities and a lower number indicates fewer job opportunities. And a decline in the employment-to-population ratio means that job growth is not keeping up with population growth, while an increase in the employment-to-population ratio shows that job growth outpaces population growth.

The employment-to-population ratio measures how well employment gains and losses are keeping up with population changes. The employed share of the population for whites stood at 59.1 percent in the last quarter of 2010, compared to 58.4 percent for Latinos, 59.9 percent for Asian Americans, and 52.4 percent for African Americans. Employment opportunities were especially hard to come by for African Americans three years into the business cycle that started in December 2007.

Employment opportunities disappeared more quickly for communities of color than for whites over the past three years. The percent of whites with a job dropped 4.4 percentage points since the start of the recession, while the rate for Latinos declined 6.1 percentage points, for African Americans fell by 5.4 percentage points, and for Asian Americans decreased by 4.4 percentage points. The decline in the employment-to-population ratios for all population groups indicates that job growth has fallen well below population growth over the past three years, more so for African Americans and Latinos than for others.

These current figures are a marked decline from where they were in March 2001 when the last business cycle began. At that point, 64.9 percent of white Americans and 65.9 percent of Latinos were employed, 65.3 percent of Asian Americans had jobs, and 60.5 percent of African Americans found work.

The struggles of communities of color are even more stark when examining how well actual employment levels live up to the employment levels, relative to the respective populations, at the end of 2007. This comparison gives a sense of how deep the jobs hole currently is for each population group. By comparing current employment to pre-recession employment we can gauge how much damage the recession did to employment prospects.

At the end of 2010, white Americans' actual employment level was 93.4 percent of their pre-recession employment level, meaning that employment was almost seven percent below where it needed to be to put whites just back to where they were at the start of the recession. For Asian Americans that number was 93.1 percent, for African Americans it was 90.7 percent, and for Latinos it was 90.8 percent. African Americans and Latinos were thus in a much deeper employment hole by the fourth quarter of 2010 compared to the start of the recession in December 2007.

The last business cycle, though, was already marked by weak employment growth. Job growth fell behind population growth for almost all groups, even before the Great Recession hit. The employment-to-population ratio for whites declined by an average annual rate of 0.2 percentage points per year between March 2001 and December 2007, while the ratio declined by an average annual rate of 0.4 percentage points for African Americans, 0.1 percentage points for Asian Americans, and 0.2 percentage points for Latinos.

These employment data show two crucial points. First, all population groups were in a weaker economic position at the end of the last business cycle (December 2007) than at the beginning of that business cycle (March 2001). So during an economic upturn they experienced an erosion of economic prosperity. Second, economic security declined more sharply for African Americans and Latinos, and possibly for some parts of the Asian-American community, than for whites.²

Part-time employment

As the economy struggles, increased part-time employment rates indicate the severity of economic hardships for families across the country. Employers are hiring few people, if any at all. Many job seekers thus turn to part-time employment to at least have a job. The important indicator for the weakness in the labor market is the change in the share of people working part time, since other social, cultural, and economic factors can determine the level of part-time employment.

In the fourth quarter of 2010, 15.5 percent of African Americans, 16.9 percent of Latinos, 15.6 percent of Asian Americans, and 18.6 percent of whites worked fewer than 35 hours each week. These levels mirrored much larger increases in part-time employment for communities of color than for whites. African Americans and Latinos have seen more significant increases in part-time employment compared to whites and Asian Americans.

The share of Asian Americans working part time has gone up by 2.1 percentage points over the past three years, while the share of part-time workers has increased 1.7 percentage points in the same period. The numbers again show faster increases in economic weaknesses for communities of color than for whites since their shares of part-time workers have risen faster than was the case for whites.

Weekly earnings

People not only need a job but also a job that pays well enough to make ends meet. Median weekly earnings—defined as half of all households with incomes that are above the median and the other half with incomes below the median—shed some light on the quality of jobs that Americans hold. The numbers indicate that Latinos and African Americans continue to hold lower-quality jobs relative to their white and Asian-American counterparts as they typically earn significantly less money per week. As of the third quarter of 2010, the last period for which we have data, African Americans' usual median weekly earnings were \$623 in 2009 dollars and Latinos earned \$532. In comparison, whites made \$774 each week, while Asians earned \$871.³

This earnings gap is nothing new. Throughout the decade, African Americans and Latinos have consistently brought home less money each week compared to whites. At the beginning of the last business cycle in March 2001, whites' median usual weekly earnings stood at \$731. African Americans earned \$582 weekly, or 79.7 percent of what whites did, while Latinos earned \$493 weekly, or 67.4 percent of what whites made on average.⁴ By the end of the last business cycle in December 2007, African Americans earned, on average, about 82.8 percent of what whites earned, and Latinos earned 73.1 percent of what whites did. This suggests that, despite a slight narrowing, large earnings gaps persisted at the start of the Great Recession.

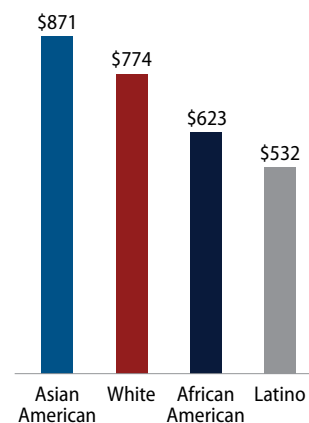
These gaps widened as the economy began to recover from the recession. In the third quarter of 2010, African-American and Latino families earned 80.5 percent and 68.8 percent of what whites made, respectively. Communities of color thus not only saw job opportunities disappear more quickly than was the case for whites, but the quality of their jobs also fell more during the recession than was the case for whites.

Household income

Household income statistics provide the most comprehensive measure of the current economic resources that households have available. In addition to wages, household income incorporates other forms of revenue received, such as unemployment insurance, child support payments, social security, and rental income. The data report the median household income, which is the income level that

Earnings gaps persist

Weekly wages in the third quarter of 2010



splits all households into two equal groups—half of all households have incomes that are above the median and the other half have incomes below the median.

In 2009, the last year with available data, median household incomes were substantially lower for communities of color than for whites. The median household income of African Americans was \$32,584 in 2009 dollars, more than 40 percent less than that of whites, who earned \$54,461. And Latinos had a median income of \$34,088, or about 30 percent below that of whites in 2009. Asian Americans had a median income of \$65,469 in 2009, which was about 20 percent higher than that of whites.

All groups saw sharp income decreases during the Great Recession. The median income of whites fell by \$2,353 from 2007 to 2009 in 2009 dollars; the median income of Asian Americans dropped by \$2,913; the median income of African Americans decreased by \$2,502; and the median income of Latinos dropped by \$1,974. In relative terms, this meant a decrease of 4.1 percent for whites, 4.3 percent for Asian Americans, 4.9 percent for Latinos, and 7.1 percent for African Americans. Once again, the data show a sharper erosion of economic security for communities of color than for whites.

The decreases during the recession continued the trend from the last business cycle, when median incomes also declined. On the whole, incomes have declined across the board this decade. African Americans and Latinos were hit the hardest. Since 2000, African Americans' household incomes decreased 1.4 percent per year, while the median income for Latinos declined 0.9 percent annually. These rates are significantly higher than that of whites, whose incomes declined 0.5 percent per year, and for Asian Americans, whose median income dropped by 0.7 percent each year between 2000 and 2009.

Combined with the fact that African-American and Latino household incomes started the decade lagging behind those of whites, the steady decrease in household income at accelerated rates only serves to widen the earnings gap.

Poverty

The percentage of the U.S. population living below the poverty line increased for all racial groups in the recession, more so for communities of color than for whites.

In 2009, more than one in four Latino (25.3 percent) and African-American families (25.8 percent) lived below the poverty line. Conversely, poverty

rates among white Americans and Asian Americans were 9.4 percent and 12.5 percent, respectively.

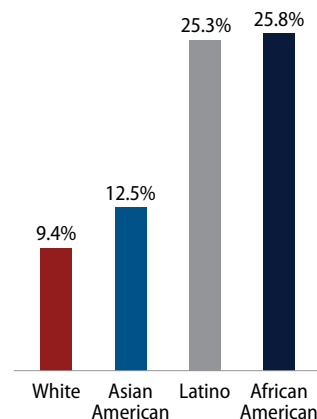
These figures show more pronounced increases in the poverty rates for communities of color than for whites during the recession. The poverty rate increased by 1.3 percentage points for African Americans, by 3.8 percentage points for Latinos, and by 2.3 percentage points for Asian Americans from 2007 to 2009. The comparable increase for whites was 1.2 percentage points during that period.

These increases in the poverty rate followed a worsening or unchanged poverty situation for all groups. In 2000, the poverty rate among African Americans was 22.5 percent, rising to 24.5 percent in 2007. For Latinos the poverty rate in 2000 was 21.5 percent, the same as in 2007. The poverty rate for Asian Americans in 2007 was 10.2 percent, rising from 9.9 percent in 2000, and the poverty rate for whites increased from 7.4 percent in 2000 to 8.2 percent in 2007.

All groups saw rising poverty throughout the past nine years. These increases, though, occurred from much higher levels of poverty for minorities than for whites, exacerbating severe economic security in communities of color.

Poverty is up, especially for communities of color

Poverty rates in 2009



Health care

Health insurance provides access to medical care. The cost of coverage is often prohibitive, and coverage rates reflect the economic well-being of families across the country. In 2009 (the last year with available data), 12.0 percent of white Americans lacked health insurance. The number of uninsured African Americans was 9.0 percent higher than white Americans in 2009, with 21.0 percent. Latinos had the largest share of uninsured people with 32.4 percent in 2009. And 17.2 percent of Asian Americans lacked health insurance in 2009. Communities of color were clearly a lot more economically insecure than whites.

The share of people without health insurance increased in all groups during the recession. The share rose by 1.6 percentage points from 10.4 percent in 2007 for whites, by 1.5 percentage points from 19.5 percent for African Americans, by 0.3 percentage points from 32.1 percent for Latinos, and by 0.7 percentage points from 16.8 percent for Asian Americans.

These increases reversed the improvements of health insurance coverage for some groups while exacerbating the losses during the last business cycle for

others. The share of whites without health insurance rose from 9.1 percent to 10.4 percent between 2000 and 2007, and from 18.3 percent to 19.5 percent for African Americans. The shares, though, fell from 32.6 percent to 32.1 percent for Latinos, and from 17.5 percent to 16.8 percent for Asian Americans. Most of these meager gains were erased in the recession that followed.

Homeownership

The gap between white and nonwhite homeownership rates remains significant at the end of the decade. As of the third quarter of 2010, the homeownership rate was 74.7 percent for whites, while only 47.0 percent of Latinos were homeowners. The homeownership rate for African Americans was 45.0 percent.

These data show declining homeownership rates for communities of color and rising rates for whites during the recession. The white homeownership rate fell by 0.2 percentage points from 2007 to the third quarter of 2010. The African-American homeownership rate fell by 2.7 percentage points from 47.7 percent to 45.0 percent, and the Latino homeownership rate decreased by 1.5 percentage points from 48.5 percent in December 2007 to 47.0 percent in the third quarter of 2010.

In the previous business cycle, whites and Latinos saw increased homeownership rates while African Americans did not. From 2001 to 2007, the homeownership rate for whites increased 1.2 percent, from 74.3 percent in 2001 to 75.2 percent in 2007.⁵ The homeownership rate for Latinos rose a whopping 5.1 percent in the last business cycle. Their overall homeownership rose to 49.7 percent in 2007 from 47.3 percent in 2001. African-American homeownership rates declined in the same time period, dropping 1.1 percent from 2001 to 2007. The African-American homeownership rate was 47.7 percent in 2001 and 46.2 percent in 2007. The decline in the African-American homeownership rate from 2001 to 2007 only exacerbated their struggles in the recession.

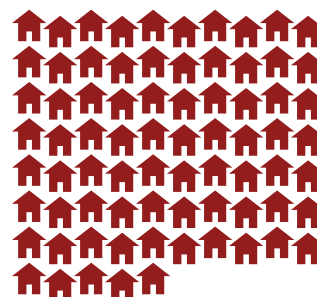
Foreclosures

Similarly, foreclosure rates provide some insight as to how well communities of color are faring in the financial and economic crisis. The current foreclosure rate

Still a significant gap in homeownership

Homeownership in the third quarter of 2010

White 74.7%



Latino 47.0%



African American 45.0%



on loans issued between 2005 and 2008 was 4.52 percent for whites. For Asian Americans, the rate was 4.60 percent. Latinos and African Americans had significantly higher foreclosure rates, at 7.69 percent for Latinos and 7.90 percent for African Americans.

When controlling for income, disparities still exist, especially for African Americans. Among low-income Americans of all groups, African Americans received 14.8 percent of loans but made up 21.0 percent of the foreclosures. Among middle-income Americans, African Americans received 12.3 percent of all loans but are 18.0 percent of the foreclosures. Even among those with high incomes, African Americans constituted a disproportionate share of all foreclosures.⁶

The picture is similar for Latinos. In all income categories, the share of Latino homeowners in foreclosures outnumber their share of total loans, although the differences to whites are not quite as stark as for African Americans.

Retirement⁷

Similarly, planning and saving for retirement can place financial burdens on families. The percentage of individuals with employer-based retirement plans from the private sector declined across the board in 2008. Less than half of African Americans—45.6 percent—had access to employer-based retirement savings, down 1.5 percentage points from 2007. Less than a third of Hispanics—30.3 percent—had employer-based retirement plans, down 0.3 percentage points from 2007. Whites also saw a decline, with only 56.6 percent having employer-based retirement plans, down one percentage point from the year before.

Access to employer-based retirement plans has slowly declined since 2002, the earliest this data is available. The percentage of African Americans with these plans has declined 0.3 percentage points annually, while the percentage of whites with these plans has declined 0.2 percent annually. Hispanics have the lowest of access to such plans, but their decline since 2002 has been slower—0.1 percentage points a year.

Conclusion

Communities of color face ongoing systematic economic inequalities in the 21st century. Though many have been remedied by progressive policymaking and community-conscientious practices, much is left to do to equalize the economic tide for communities of color. The following are key policy recommendations from the Center's Progress 2050 project that would help alleviate these inequalities.

Long-term extension of unemployment insurance

Unemployment benefits provide much-needed assistance to unemployed individuals and their families while they work to find a new job. Unemployment insurance is especially important for communities of color because they face higher levels of unemployment and significantly lack wealth.

The source and reasons for these disparities are well-documented but the bottom line is that unemployment insurance would provide critical assistance to unemployed individuals and their families while they find a new job and would enable those out of work to keep putting food on the table and pay their bills.

Moreover, there's a strong economic case for continuing these benefits. Unemployment benefits are one of the most effective and efficient ways to boost demand, which is what our economy needs. Economists estimate that the economy grows by \$1.61 for every dollar spent on unemployment benefits because recipients typically spend all of their benefit payments quickly.

A return to a noncontroversial, nonexpendable perception of unemployment insurance is critical for communities we know are vulnerable to the racial wealth gap and long-term job seeking. If we do not ensure the long-term viability of unemployment benefits, conscripted economic inequalities will continue to flourish in the forms of chronic debt, lower asset holdings, and patterned economic deficits for communities of color, detrimentally impacting our economy overall.

Comprehensive immigration reform

Many immigrant workers, particularly those who are unauthorized, tend to be concentrated in the lowest-wage occupations, enduring very low wages in order

to avoid being fired or, worse yet, deported. When immigrant labor is exploited, all workers suffer.

Immigration reform would build real economic security for workers, both U.S.- and foreign-born, as it would protect all workers' rights to fair working conditions, protection from discrimination, and the right to organize for fair pay and benefits. Equitable immigration reform ensures that unscrupulous employer practices are not encouraged by lowered standards industrywide or unethical occupational demands made of immigrant employees. Operational practices that undermine all workers' rights would be prohibited by comprehensive reform.

Comprehensive immigration reform would also lead to increasing economic stability at the national level. According to a recent CAP study, legalization would generate an estimated \$1.5 trillion in cumulative gross domestic product over 10 years after its implementation—such that the number and quality of good jobs for all workers would increase.

In addition, immigration reform provides better jobs for all workers by improving industry standards in wages, safety, and benefits. Absent a body of exploitable workers subject to the most dangerous, low-paid, and physically demanding of jobs, all employees can experience a raised economic floor that ensures competitive wages and benefits for job seekers.

Just jobs are quality jobs

Quality jobs are, at a minimum, defined as paying a wage that can support a family, provide health insurance, and assure retirement benefits. This is employment we at CAP define as “just jobs.” As recovery from the national economic crisis calls often and loudly for jobs, often times the necessary impetus on quality jobs falls by the wayside.

A 2008 analysis from the Economic Policy Institute indicated that 31.5 percent of white American workers had good jobs that could support a family, provided health insurance, and assured retirement benefits. Latinos had less than half of that percentage with only 14.4 percent occupying good jobs, while 21.8 percent of all black workers and 28.1 percent of Asian workers lagged behind, with quality jobs that made enough wages to support a family and received essential benefits. These stats are evidence that it is essential to bring the focus to quality jobs amid the current economic recovery.

Quality jobs can be promoted by increasing incentives for employers in the food and service industry to offer employees living wages and benefits above the minimum standard; mandating publicly subsidized development projects; and employers that receive broadly defined business assistance to provide living wages that will create stable employment opportunities and increased access to benefits for lower-wage workers.

With these quality employment standards in place, the economic floor can realistically be raised for all employees and employers. The case for good jobs is unequivocal.

Paycheck fairness for payroll equality

Recent analysis of the American Community Survey shows that unmarried women of color make the least in comparison to all other groups of people. Gendered pay inequalities create a great deal of women of color's economic vulnerabilities. On average, women earn 77 cents for every dollar men make. White women earn roughly 79 cents per white male dollar. In 2009, Latinas earned only 76 percent of white women's median weekly full-time employment earnings, or roughly 60 cents for every dollar earned by a white man.

Paycheck fairness matters greatly for communities of color as gendered disparities in pay reduce the overall assets of families and communities with less accumulated wealth and substantial dependence upon women's wage earnings. A comprehensive paycheck fairness bill that legislates away the gender pay gap will dramatically improve the economic well-being for economically marginalized communities that largely depend upon the financial contributions of women. A legislative sweep for women's equal pay will give women of color an immediate economic boost.

Fair taxes for low-wage workers

The continued implementation of tax credits that extend economic support for the country's lowest-earning households was welcomed news. Yet the Making Work Pay credit, a \$400 flat credit for tax filers written into the American Recovery and Reinvestment Act, was allowed to expire at the end of 2010. As a result, 25 million low-wage workers face a tax hike.

The Tax Relief bill switched Making Work Pay out for a 2 percent cut on the Social Security payroll tax, which means each taxpayer pockets 2 percent more of their paycheck for the next two years. But for single people earning less than \$20,000 a year, the lowest-income earners of all, they will actually see less tax return than had the Making Work Pay credit remained in place, resulting in a tax increase.

As an alternative, CAP recommends that a federally implemented stop-gap credit could easily remedy this new tax burden. The stop-gap credit would make up the difference between the expired \$400 Making Work Pay credit and the 2 percent Social Security payroll tax cut. This step would provide tax equality for all taxpayers, both low income and rich. This stop-gap credit could be implemented for even less than one-tenth of the cost of extending bonus Bush tax cuts for the wealthiest Americans—those that need the least economic intervention.

Sustainable pathways to homeownership

Homeownership continues to represent an important wealth-building lever for low-income households and homebuyers of color. For low-income and communities of color, the loss of wealth to foreclosure is particularly devastating. The Center for Responsible Lending analyzed the demographics of the foreclosure crisis in 2010 to find that nearly 8 percent of both African Americans and Latinos have lost their homes to foreclosures, compared to 4.5 percent of whites. Furthermore, a home owned by a black family was found to be 76 percent more likely to go through foreclosure than a home owned by a white family.

Easing constraints to homeownership in a way that protects against the risk of default through malicious nonbank lending practices is particularly critical to addressing the concurrent racial homeownership and wealth gaps. Knowing that homebuyers of color are more likely to receive high-interest loans than white homebuyers—even when controlling for legitimate risk factors such as credit worthiness—consumer protection practices in the mortgage market are imperative.

These include state-endorsed consumer protection practices that ensure brokers act in the interest of borrowers, circumscribing the practice of steering subprime loans to buyers who qualify for prime loans. Consumer-oriented practices that would support homebuyers of color safely entering the market also include the promotion of homebuyer education, loan counseling, and direct grants to offset

cash-at-closing costs. To help them stay in the market, the state regulation of both loan refinancing and mandatory mediation before foreclosure are recommended best practices for fair lending.

Without these practices, communities most devastated by subprime loans and foreclosure will remain at the greatest risk for credit deprivation, inherited debt, and economic stagnation.

Sources

Unemployment: “Current Population Survey,” available at <http://www.census.gov/cps/>. African American refers to African Americans and African Americans, and Latino refers to Latinos and Latinos. All data are quarterly.

Employment growth: “Current Population Survey,” available at <http://www.census.gov/cps/>. African American refers to African Americans and African Americans, and Latino refers to Latinos and Latinos. All data are quarterly.

Employment to population level: “Current Population Survey,” available at <http://www.census.gov/cps/>. African American refers to African Americans and African Americans, and Latino refers to Latinos and Latinos. All data are quarterly.

Part time work: “Current Population Survey,” available at <http://www.census.gov/cps/>. African American refers to African Americans and African Americans, and Latino refers to Latinos and Latinos. All data is quarterly.

Usual median weekly earnings: “Current Population Survey,” available at <http://www.census.gov/cps/>. African American refers to African Americans and African Americans, and Latino refers to Latinos and Latinos. Usual median weekly earnings refer to the median weekly earnings of a full-time, non-self-employed wage and salary earner before taxes, including overtime pay, commissions, and tips earned from a primary job. All data are quarterly.

Household income: “Historical Income Tables,” available at <http://www.census.gov/hhes/www/income/data/historical/index.html>. White refers to white non-Latino. Beginning with 2002, data represent white non-Latino alone, which includes people who reported white alone or in combination. Beginning with 2005, data represent black alone or in combination. People of Latino origin may be of any race.

Poverty: Bureau of the Census, *Income, Poverty, and Health Insurance Coverage in the United States: 2009* (Department of Commerce, 2009). White refers to white non-Latino. Beginning with 2002, data represent white non-Latino alone, which includes people who reported white alone or in combination. Beginning with 2005, data represent black alone or in combination. People of Latino origin may be of any race.

Health care: Bureau of the Census, *Income, Poverty, and Health Insurance Coverage in the United States: 2009* (Department of Commerce, 2009). White refers to white non-Latino. Beginning with 2002, data represent white non-Latino alone, which includes people who reported white alone or in combination. Beginning with 2005, data represent black alone or in combination. People of Latino origin may be of any race.

Homeownership rate: “Housing Vacancies and Homeownership,” available at <http://www.census.gov/hhes/www/housing/hvs/hvs.html>. White refers to white non-Latino. Beginning with 2002, data represent white non-Latino alone, which includes people who reported white alone or in combination. African American refers to African American only. People of Latino origin may be of any race.

Foreclosures: Debbie Gruenstein Bocian, Wei Li, and Keith S. Ernst, “Foreclosures by Race and Ethnicity: The Demographics of a Crisis” (Washington: Center for Responsible Lending, 2010).

Endnotes

- 1 Native Americans are also included in communities of color. Data for Native Americans do not exist on a consistent and comprehensive basis that would allow us to compare their economic fate with that of other groups.
- 2 The aggregate data show that Asian Americans fared about as poorly as whites on average. There are, however, substantial differences across subgroups within the Asian-American population. That is, some subgroups fared worse than whites, while others fared better on average.
- 3 Data for Asian Americans are not directly comparable since they are not seasonally adjusted, while data for all other groups are seasonally adjusted.
- 4 We do not calculate the same ratio for Asian Americans since the numbers are not directly comparable due to differences in seasonal adjustments.
- 5 Only annual data are broken down by race prior to 2007.
- 6 According to the Center for Responsible Lending, income groups are defined as follows: low income is less than 50 percent of the area median income, or AMI; moderate income is 50 percent to 80 percent of AMI; middle income is 80 percent to 120 percent of AMI; high income is greater than 120 percent of AMI.
- 7 Retirement data are only available through 2008.

About the authors

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About Progress 2050

Progress 2050 is a project of the Center for American Progress that develops new ideas for an increasingly diverse America. The United States will become a nation with no clear racial or ethnic majority by the year 2050. This expected transition provides the progressive movement with an exciting opportunity to help America live up to its ideals of equality and justice for all.