



The Racial Wealth Gap and The Legacy of Racially Restrictive Housing Covenants

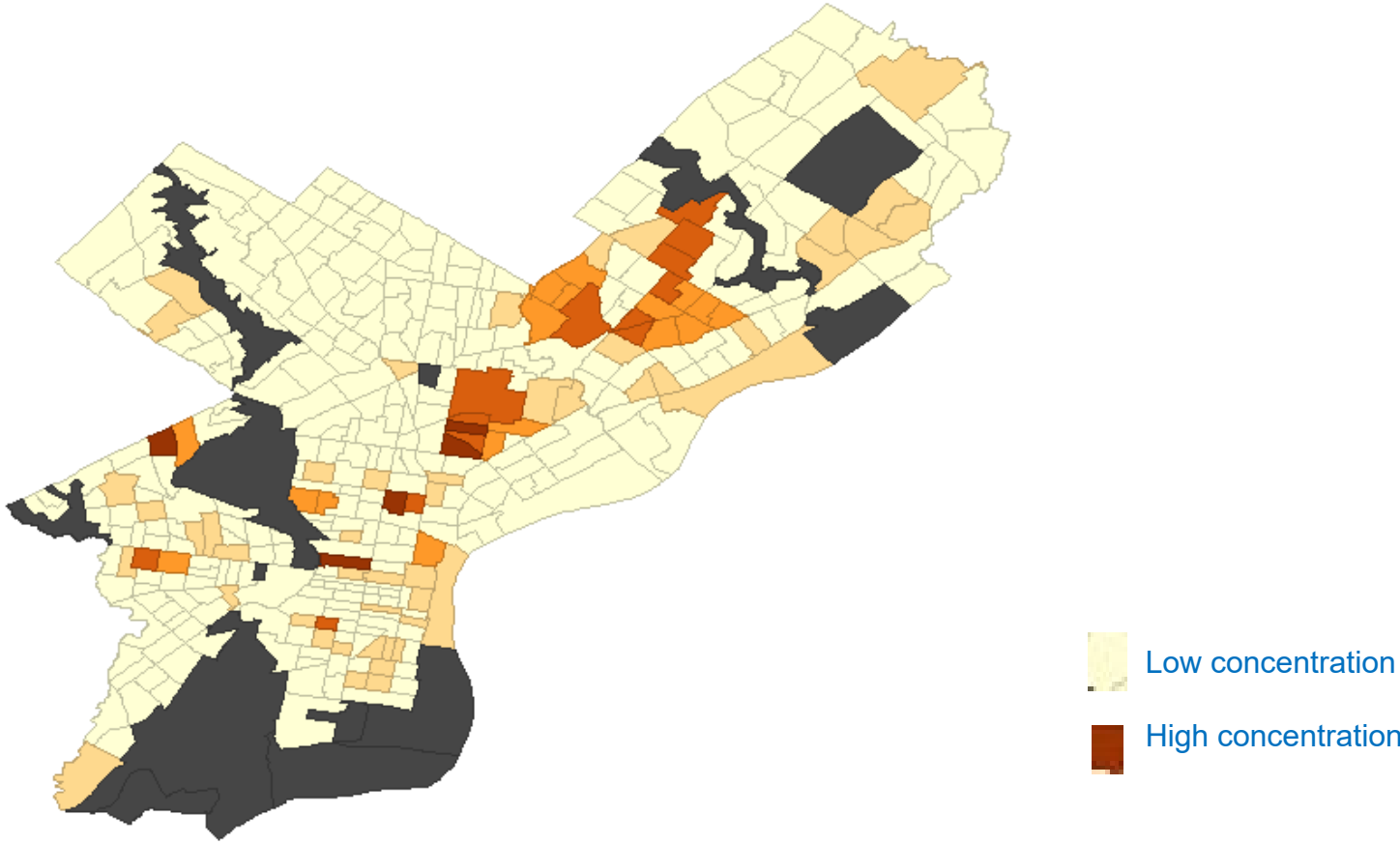
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Stylized Facts About The Racial Wealth Gap

- The racial wealth gap is large and persistent
 - Median White vs. Black family wealth: \$188,200 vs, \$24,100 (8:1)
- Wealth is transferred intergenerationally
 - About \$350 billion of wealth is transferred each year
 - Blacks less likely to have ever received an inheritance (10% vs. 30%)
 - Average white inheritance is 2x average Black inheritance (\$200k v. \$100k)
- There are massive differences in lifecycle wealth accumulation
 - Median young White family has 42x more wealth than median young Black family.
 - Median older White family has 6x more wealth than median older Black family.
- Housing is the largest part of nonfinancial wealth
 - 73% of White families own their home vs. 45% of Black families
 - \$216,000 net housing wealth vs. \$94,000

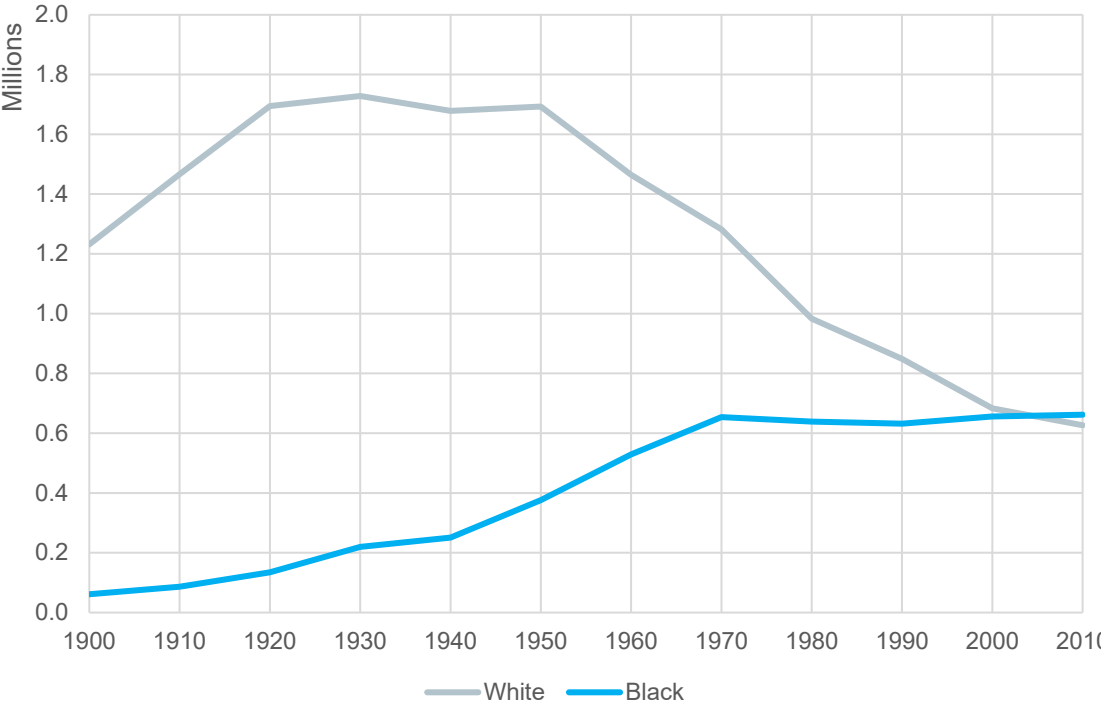


In the 1920s, Black Philadelphians Were Spatially Concentrated in A Handful of Neighborhoods



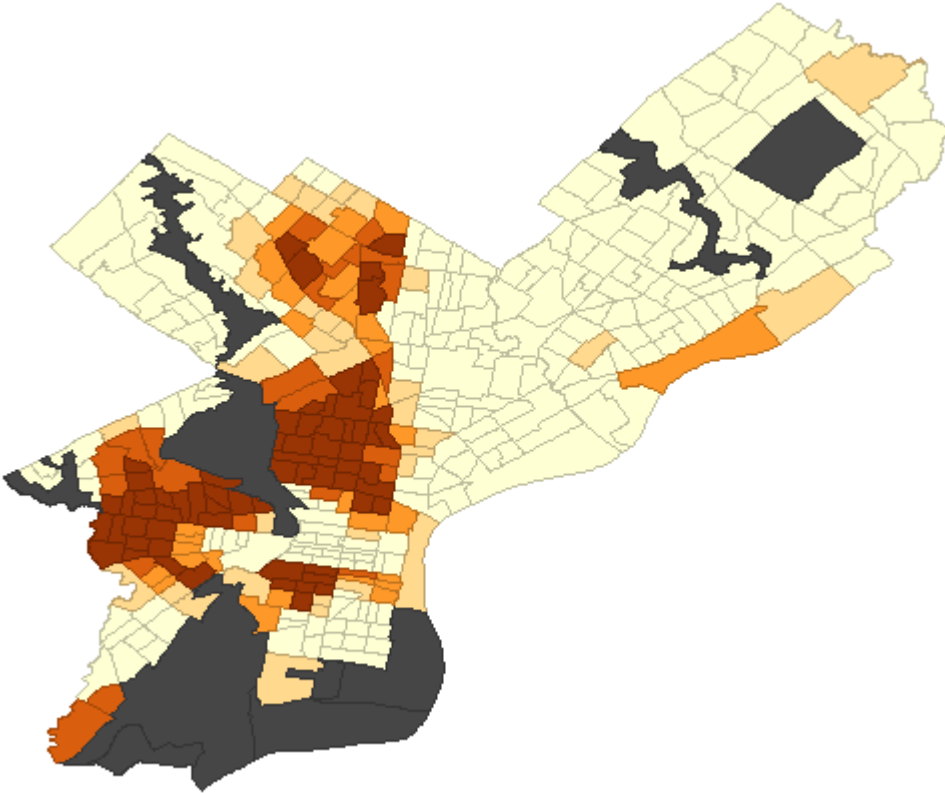
Percentage of Black Households By Census Tract, 1920

Philadelphia's Racial Composition Changed Dramatically During The 20th Century

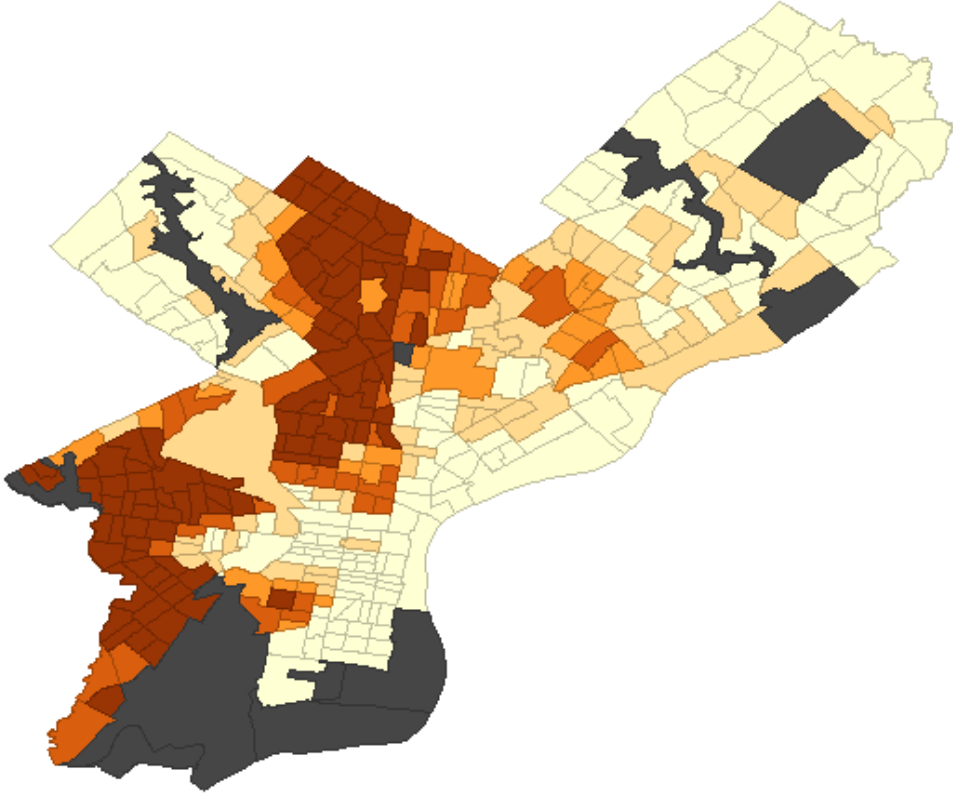


Population Counts

But Residential Segregation Patterns Remained Entrenched...How?

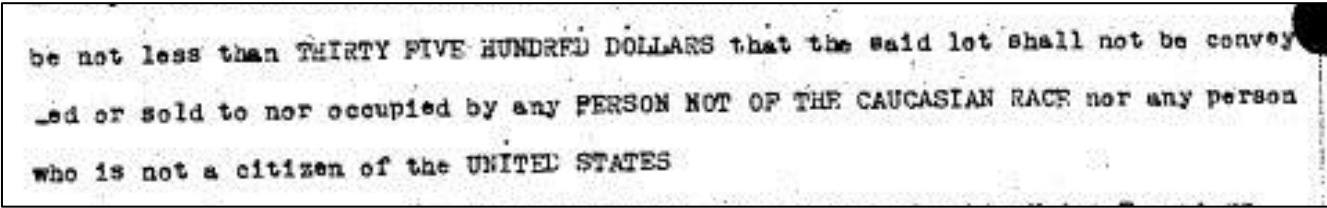


1970



2019

What Are Racial Covenants?

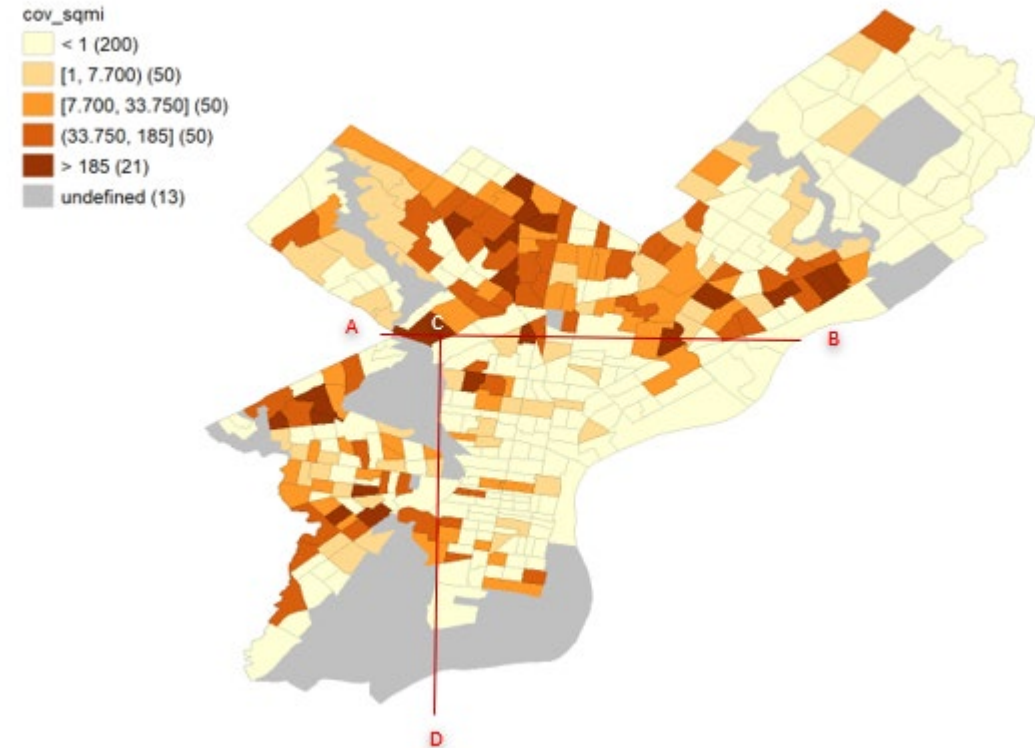


be not less than THIRTY FIVE HUNDRED DOLLARS that the said lot shall not be conveyed or sold to nor occupied by any PERSON NOT OF THE CAUCASIAN RACE nor any person who is not a citizen of the UNITED STATES

- Racial covenants prohibited the purchase, lease, or occupancy of property by a particular group of people.
- Came about just prior to the 20th century
- Long lasting
 - Courts could order Black families to vacate homes in White neighborhoods until Shelley v. Kraemer (1948).
 - Federal Housing Administration (FHA) continued to refuse mortgage insurance to racially inclusive housing projects until 1950, and continued to finance racially exclusive housing developments until 1962.

Hemmed In By Covenants

- Spatial database of racially restrictive covenants between 1919 and 1932.
- From ~900k deeds, we found 4,000 racial covenants
- Covenanted properties formed an invisible barrier to more desirable neighborhoods



Covenants per square mile, 1920-1932

Effects of Racial Covenants?

- Not an easy question to answer
 - Lack of data
 - Hard to isolate the specific effect
 - Results are mixed, and may vary by location
 - In Philadelphia, race and place remain correlated with adverse economic conditions
- Kucheva and Sander, 2014
 - After Shelley v. Kraemer, in Chicago and St. Louis, neighborhoods with restrictive covenants rapidly transitioned from White to Black.
- Sood and Ehrman-Solberg, 2022
 - In Minneapolis, houses that were covenanted have 3.4% higher present-day house values compared w/ non-covenanted properties.
 - Census blocks with covenanted houses today have fewer Black residents and less Black home ownership.

Future Research

- Expand the covenants search back to 1910 and forward to 1965
 - Update and enhance the Federal Reserve Bank of Philadelphia data visualization
- Establish a new data digitization initiative within the Bank
 - More granular data: block level statistics and high frequency sales transactions
- Study the relationship between racial covenants and
 - Residential segregation patterns
 - Returns to homeownership

Harmonized Census Block Data

- Block-level population and housing data, 1900 to 2020
- We are digitizing data locked up in printed reports
 - Tabular data (1940-1960) and printed maps (1940-1980)
- For 1900-1940, we hope to roll up individual census records to block level
- The final dataset will be at a constant areal unit
- Why?
 - Many spatial features / effects can only be accurately measured over small areas

Philadelphia Realty Directory & Service (PRDS)

- PRDS published directories and sales transaction logs from the mid-1920s through the mid-2000s
- Partnership with Athenaeum of Philadelphia to scan books from 1935 – 1945
- Why?
 - *Much* more frequent than census data
 - Includes information on transacted prices (not just recalled/estimated), sometimes with mortgage information
 - Includes information on ownership for rental properties

Key Takeaways

- One of the ways Black Americans were prevented from accumulating housing wealth during much of the 20th century was through racially restrictive covenants.
- The current wealth distribution is influenced by historical inequalities in the opportunities to create wealth — including in home ownership.
- In Philadelphia and elsewhere, racial covenants and other barriers made it difficult for Black Americans to acquire homes, affected the prices they paid for them, and negatively affected the returns to home ownership.
- The geography of historical barriers to Black homeownership correlate with adverse economic conditions today.
- We are working to understand the long-run consequences of these barriers on the acquisition and intergenerational transmission of wealth.

Thank You

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