



# The Stability of Residential Segregation and Black Home Devaluation

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- Contemporary residential segregation rates are essentially the same as they were in 1968.<sup>2</sup>
- Blacks are the most segregated among ethnic-racial groups.<sup>13,16</sup>
- The highest levels of segregation are found in the Northeast states.<sup>3</sup>
- Black homeownership is the lowest among ethnic-racial groups.<sup>1</sup>
- Homes owned by Black people are valued 23% lower than similar homes owned by Whites.<sup>15</sup>

The United States' racial caste is preserved by interacting systems that maintain poorer economic, health, and social outcomes for people of color. One such example is racial residential segregation, a system that distributes wealth to White people and, at the same time, restricts Black people's wealth-building ability.<sup>20</sup> Homeownership is the primary means through which Americans build wealth.<sup>20</sup> Yet, wide-ranging, evolving, residential segregation mechanisms create separate living spaces for Blacks and Whites, so that Blacks are easy targets for economic predation, exploitation, and home devaluation, which impairs Black people's ability to recover from historic wrongs. For example, the median wealth of White people's households is 13 times greater than that of the median wealth of Black people's households.<sup>20</sup> Moreover, according to the Brookings Institute, homes in predominantly Black neighborhoods are valued, on average, \$48,000 lower than comparable homes in predominantly White neighborhoods, accounting for \$156 billion in cumulative losses for Black people.<sup>15</sup> Indeed, these disparities can be attributed to a system that established and currently maintains racial segregation as a mechanism for the devaluation of Black people.<sup>5,13</sup> This existential devaluation is key to the maintenance of America's racial caste. In this



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article, we provide an overview of residential segregation mechanisms and discuss their evolution from overt to covert means of Black people's wealth restriction.

The dissimilarity index, the most common method used by sociologists to measure residential segregation,<sup>3</sup> suggests that a majority of metropolitan areas in the U.S. are racially segregated. Using a Black-White dissimilarity index, where "0" represents full integration and "1" represents full segregation, the national median index is 0.526,<sup>3</sup> meaning that nationally, about 50% of Whites would need to move to achieve full racial integration.<sup>6</sup> Some metropolitan areas in the Midwest and Northeast regions report the highest levels of racial residential segregation, with dissimilarity indices as high as 0.789 in areas of Milwaukee-Waukesha, Wisconsin; 0.768 in New York-Newark-Jersey City; 0.670 in Camden - Philadelphia, and 0.624 in the Trenton-Princeton area.<sup>3</sup> Regions of the South report comparatively lower dissimilarity indices, however, southern metropolitan regions with high numbers of Black people tend to be highly segregated.<sup>2</sup> For example, Florida's Miami-Fort Lauderdale-Pompano Beach area has an index of 0.639; Texas' Houston-The Woodlands-Sugarland region has an index of 0.603, and Georgia's Atlanta-Sandy Springs-Alpharetta region has an index of 0.588.<sup>3</sup> In each U.S. region, Black-White residential segregation declined much slower than the poverty rates of Black people.<sup>5</sup> This suggests that systems other than lowered income are responsible for the maintenance of racial residential segregation.<sup>5,13</sup>

### *Historical Mechanisms*

Residential segregation was historically enabled using overt legal tactics through the enactment of successive policies. After the abolition of slavery, policies such as Black Codes, Jim Crow laws, racial covenants, and New Deal-era laws established racial segregation.<sup>7,8,9</sup> The enactment of Black Codes, oppressive laws restricting Black people's freedom and exploiting their labor, immediately followed the abolition of slavery. These laws controlled the employment, earning power, voting abilities, literacy, and type of property that Black people could purchase.<sup>8</sup> For example, Black people were prevented from



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owning or renting farmland.<sup>8</sup> After Black Codes were repealed, Jim Crow laws were enacted that enforced racial segregation from the 1880s through the 1960s, using the false narrative, “separate but equal”.<sup>18</sup> The following language exemplifies language used to exclude Black people from White neighborhoods:

“Any person...who shall rent any part of any such building to a negro person or a negro family when such building is already in whole or in part in occupancy by a white person or white family, or vice versa when the building is in occupancy by a negro person or negro family, shall be guilty of a misdemeanor and on conviction thereof shall be punished by a fine...or be imprisoned...” <sup>18</sup>

Example of Jim Crow law, Louisiana, 1960

The early twentieth century also saw the enactment of federal legislation that would cement racial residential segregation in major metropolitan areas. In his book, *The Color of Law*, Richard Rothstein describes two “New Deal” housing policies that originated the urbanization of Black people and the suburbanization of White people.<sup>7</sup> The first was a public works program that directed the building of public housing for White middle-class families and separate housing projects for Black people. The second was the Federal Housing Administration (FHA) established in 1934, which subsidized builders who mass-produced suburban homes, on the conditions that 1) they do not sell homes to Blacks, and 2) the deeds included racial restrictive covenants preventing homeowners from re-selling to Black people.<sup>7</sup> Restrictive covenants refer to language embedded in real estate deeds prohibiting people from selling, leasing, or renting their properties to Black families.<sup>10</sup> This tactic began early in the 20th century and remained popular for several decades.<sup>19</sup> For example:

"That the said land or buildings thereon shall never be rented, leased or sold, transferred or conveyed to, nor shall same be occupied exclusively by a person or persons other than of the Caucasian race." <sup>19</sup>

Sample racial covenant in a deed, Hennepin County, Minnesota.



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Moreover, the FHA would not insure any mortgage that was sold to a redlined home.<sup>7</sup> Redlining, which began in 1934, involved the practice of bankers drawing red lines on maps to delineate areas with significant Black populations to deem them high risk, and thus, unfit for housing loans, regardless of an applicant's eligibility.<sup>11</sup> As a result, of these policies, Whites were able to move out of public housing and secure mortgages to purchase suburban homes in well-financed locations.<sup>7</sup> Black people were deprived of financial services and investments leading to the depreciation of housing values that undermined their wealth-building.<sup>11</sup> Jim Crow laws, discrimination in private home sales, and redlining were outlawed with a series of civil rights legislation culminating with the passage of the 1968 Fair Housing Act, yet, residential integration and fair valuation of Black people's homes have been elusive.<sup>7</sup>

### *Contemporary Mechanisms*

With America's racial caste firmly in place for over 350 years, racist myths and policies gave way to covert systemic policies and practices that currently maintain racism's goal of distributing resources according to a racial hierarchy. The covert nature of these policies and practices means that they are harder to uncover, challenge, and therefore, eradicate. These are institutionalized and interpersonal actions that coalesce to either exclude Black people from homeownership or devalue their existing homes.

Institutional practices are comprised of actions by mortgage lenders, appraisers, and realtors who engage in exploitation, predation, devaluation, and steering practices responsible for losses amounting to billions of dollars for Black people and the U.S. economy.<sup>15,23</sup> For example:

- Black people with similar incomes, credit scores, and liens, as White people are charged higher mortgage interest rates and fees.<sup>20</sup>
- Mortgage lenders seek out and engage Black people in subprime mortgages that put them at high risk of home mortgage foreclosure.<sup>20</sup>
- Homes owned by Black people are appraised at significantly lower values than similar homes owned by White people.<sup>21</sup>



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- Realtors covertly steer Black people away from buying homes in predominantly White neighborhoods.<sup>7,17</sup>

White people engage in an array of interpersonal actions that stigmatize Black people and which become systemic when accumulated. For example, although there are some exceptions, in general, White people do not purchase homes in neighborhoods with more than a “token” number of Black people, <sup>4, 16</sup> but are more likely to purchase homes in neighborhoods with high numbers of Asian and Latinx people.<sup>13,16</sup> Therefore, Blacks are much more segregated from Whites in their living spaces when compared to Asian and Latinx people.<sup>13,16</sup>

“In one survey, whites reported that they would be unlikely to purchase a home that met their requirements in terms of price, number of rooms, and other housing characteristics in a neighborhood with good schools and low crime rates if there was a substantial representation of African Americans.”<sup>4</sup>

Moreover, when Blacks move to predominantly White neighborhoods, they can experience hostile interpersonal interactions with White people that can force them to move to neighborhoods with higher numbers of Black people.<sup>13</sup> Another well-documented segregation tactic is “White flight”, whereby large numbers of White people move out when Blacks move into predominantly White neighborhoods.<sup>7,14</sup> In combination, these racist practices ensure that homes in predominantly Black neighborhoods are valued lower than they otherwise would be.<sup>13,15</sup> Notwithstanding the overlap between race and class, middle-class Black people tend to live in neighborhoods with higher rates of poverty compared to middle-class White people.<sup>13</sup>

### *Societal Consequences*

The consequences of residential segregation go far beyond the accumulation of wealth for Black people. It impacts every aspect of their lives, and, counterintuitive to prevailing assumptions, segregation also adversely impacts White people. Residential segregation is linked to poorer educational systems for



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Black children,<sup>13</sup> harsher treatment by the criminal justice system,<sup>6,15</sup> higher levels of environmental pollutants,<sup>7</sup> and thus, overall poorer health for Black people.<sup>13</sup> The physical isolation of Black neighborhoods from areas with high employment opportunities not only impacts the ability of Black people to find employment but also, to engage in the social and professional networking needed to find work or improve their employment prospects.<sup>16</sup> Indeed, racial segregation also reinforces racist attitudes as it perpetuates the myth that Black people are the inferior “other” who can be devalued, exploited, and stigmatized. In this regard, studies show that intergroup contact between Black and White people who are of equal economic status can reduce Whites’ biases.<sup>22</sup> Racially integrated living spaces provide opportunities for the development of close relationships and common goals that have been shown to reduce prejudice.<sup>22</sup> Finally, the economic fabric of U.S. society is harmed by residential segregation. That is, Morgan Stanley suggests that housing discrimination prevents about 5 million Black families from homeownership which results in the loss of approximately 800,000 jobs and \$400 billion in tax revenue.<sup>12</sup> This social consequence is illustrative of the adage, “a rising tide lifts all boats” such that fair housing policies and practices improve the economic status and lives of all peoples.



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