Black & Brown Lives Matter

SPECIAL EDITION NEWSLETTER

A$$ETcoin®

CRISIS

Over 10 million mortgage ready homebuyers are going underserved in America

CAN AMERICA SURVIVE WITHOUT CHANGING COURSE?

An Assetcoin Capital Fund LLC Publication

The issues surrounding mortgage discrimination can be dizzying. Studies have documented everything from the reluctance of Black homeowners to refinance mortgages to the behavior of loan officers, who prefer to approve White homeowners over Blacks. There is also an increased focus on the issue of appraisal & refinancing discrimination.

But experts say that beyond credit scores and appraisal/ refinancing bias three things stand out as the cause of the disparities during the refinancing boom:

1. The lack of Black Owned banks.
2. Bias lenders' algorithms & practices.
3. Policymakers failing to mandate streamlined refinancing programs.

The Lack of Black-Owned Banks

First, to get clarity into why we have so few black owned banks, we go back to the seven-year period between 1983 and 1989 when the number of Black owned banks declined 22%.

To worsen matters, banks began to leave urban communities. Since 2010, the number of banks in majority black-neighborhoods decreased 14.6%, with JPMorgan shrinking its branch footprint by 22.8% from 2010 to 2018, compared to a decline of just 0.2% in the rest of the U.S.

Despite the Board of Governors of the Federal Reserve efforts in 2008 to launch the Partnership for Progress program to help promote and preserve minority-owned banks, the number of Black-owned banks further declined, from 48 in 2001 to 18 in 2020.

This was one of many steps that help widen the wealth gap; as a whole, *black-owned banks played a crucial role in urban communities. For one, they made capital more accessible and approved a higher percentage of Black applicants.*

Today, low numbers limit their impact on communities; compared to white-owned banks, minority-owned financial institutions are more likely to rely more heavily on government deposits, and therefore hold fewer loans and more liquid assets.

As you can see, the solution to ending these disparities, bias, algorithms, and policies' is to create more black-owned banks. This is Assetcoin's main reason for existing, to end the many dissimilatory practices and disparities shutting out over 10 million mortgage ready Americans.

Helping to create more Black-Owned banks is good reason to invest in Assetcoin.

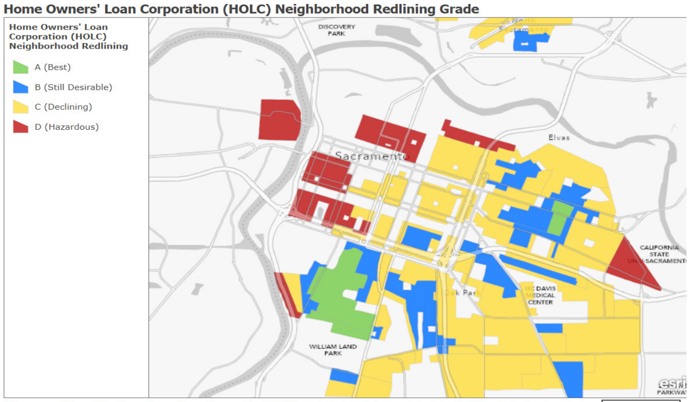
In the United States, homeownership is synonymous with building wealth; as a whole, homeowners are wealthier than those who rent.

Owning a home is often less expensive than renting and the wealth accumulated through a home is generational; meaning, children of homeowners are more likely to own a home than those of renters. But for people of color (particularly Black Americans) they remain shut out of homeownership.

Bias Lending Algorithms & Practices

To understand why, we go back to the 1930s when the federal government encouraged lending institutions to deny mortgages to prospective homebuyers living in neighborhoods with high populations of Black people or immigrants.

Home Owners' Loan Corporation (HOLC) Neighborhood Redlining Grade



This map contains of the Home Owners' Loan Corporation (HOLC)'s historical redlining grade includes 7,148 neighborhoods spanning 143 cities across the continental United States. Opens in Sacramento, CA.

This practice became known as "redlining", a process used by government-sponsored Homeowners' Loan Corporation who drew red lines around the neighborhood deeming them a hazardous credit risk.

Fast forward 30 years and the same federal government who encouraged the practice decides to outlaw redlining with the passing of the Fair Housing Act of 1968 making it illegal to deny someone housing based on race or other protected categories.

Despite the law, African Americans continue to be denied mortgages at higher rates than their white counterparts. The cases continue to pile up; in 1988, the Atlanta Journal Constitution found lenders in Atlanta made five times (5x) as many loans to people living in white neighborhoods compared to those living in black communities – even when the applicants made the same amount of money.

More than 50 years after the passage of the Fair Housing Act, the trend to shut out minorities continues. We only highlight a few in this article, but the cases have piled up so much, data researchers cannot keep up.

For instance, in 2018, one investigation uncovered that even with similar financial characteristics, Black applicants in the city of brotherly love (Philadelphia) were nearly 3 times (3x) as likely to be denied a mortgage compared to white borrowers.

Today, Banks like Wells Fargo cannot deny the fact that they have exited the business of serving African Americans. A recent Bloomberg News report just revealed that the biggest bank mortgage lender in America rejected half of its black applicants during the mortgage refinancing boom.

Take Mauise Ricard III, a customer with an elite credit score north of 800 had every reason to expect an easy ride when he decided to refinance his mortage on a four-bedroom brick colonial in Atlanta.

The loan officer at the bank even told him he was probably eligible for a fast-track appraisal.

It didn't take long for problems to appear. Ricard's house (an investment property) is in a predominantly Black neighborhood, and in April, the loan officer emailed to say that *"perhaps the area is not eligible"* for a rapid valuation.

By May, she was writing to say the underwriter had more questions; soon after, Ricard was told he would have to pay a higher 4.5% rate, even though the Federal Reserve had slashed rates to historic lows. Within weeks, Wells Fargo had denied his application. *"They kept moving the needle,"* Ricard says. *"They didn't want to move forward for whatever reason."*

Ricard wasn't alone. Nationwide, **only 47%** of Black homeowners who completed a refinance application with Wells Fargo in 2020 were approved, compared with 72% of White homeowners.

While Black applicants had lower approval rates than White ones at all major lenders, the data show, Wells Fargo had the biggest disparity and ***was alone in rejecting more Black homeowners than it accepted.***

The bank's 47% approval rate was its second lowest during the past decade; more importantly, the data also show that 27% of Black borrowers who began an application with Wells Fargo in 2020 withdrew it.

In other words, only one-third of the 17,702 Black homeowners who sought refinancing were successful. Like the industry as a whole, Wells Fargo approved a greater share of applications from low-income White homeowners than the highest-income Black applicants, all who had a similar approval rating.

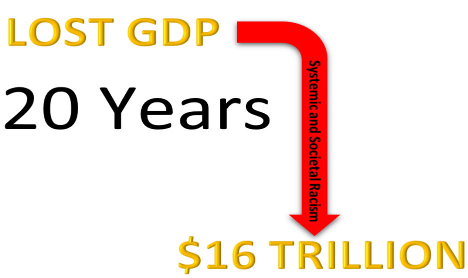
Helping to end bias lending practices is good reason to invest in Assetcoin.

No one sets out to fail and, in many cases, failure can be a stepping stone to success. Over the decades, many black folks have overcame the many barriers, biases and challenges holding them back from achieving their dream.

Unfortunately, many of the failures we as black people experience are by design, they are not stepping stones to success but brick walls stopping all efforts no matter where you turn. Simply put, systematic and systemic racism is embedded deeply rooted in education, finance, housing, and employment. This not only hurts minorities, but all Americans pay a price for inequality.

Citigroup Report

In 2020, Citi Global Perspectives & Solutions (GPS) released a report estimating the economic losses attributed to racial inequality in the U. S. over the last two decades. According to the report, the ***lost GDP of systemic and societal racism and discrimination faced by Blacks over the last 20 years is $16 trillion.***



This loss includes gaps in wages, access to housing and higher education and investment in Black-owned businesses.

"Racial inequality has always had an outsized cost, one that was thought to be paid only by underrepresented groups," said Raymond J. McGuire, Vice Chairman of Citigroup and Chairman of Banking, Capital Markets and Advisory at Citi. *"What this report underscores is that this tariff is levied on us all, and particularly in the U.S., that cost has a real and tangible impact on our country's economic output"*.

The report identifies the underlying causes of the racial and economic gaps exacerbated by the COVID-19 pandemic and discusses the value of closing gaps. Report authors prognosticate that if racial inequity gaps were closed today, the equivalent add to the U.S. economy over the next five years could be $5 trillion of additional GDP, or an average add of 0.35 percentage points to U.S. GDP growth per year and 0.09 percentage points to global GDP growth per year.

The report also shines the light on the costs of racial inequality through objective analysis and address complex societal questions instead of shying away from difficult subject.

Overall, Citi GPS believes we all have a responsibility to address current events and frame them with an economic lens that highlights the real costs of longstanding discrimination against minority groups, especially against Black people and particularly in the U.S.

We at ASSETcoin agree with the Citi GPS Report, **Black and brown lives do matter,** and it is time for all of us to tally up the economic loss and commit to bringing greater equity to those urban communities waiting in distress. ***we see ourselves as a catalyst for change, as a bridge and vehicle to the future.***

We believe that education, homeownership, asset acquisition, capital infusion, community renewal, and job development are necessary components to create generational wealth for black and brown families, which ultimately benefit the communities in which black and brown folks live and work, and the GDP.

A Generational Challenge
Eliminating the Black-White Wealth Gap

During the COVID-19 pandemic, the importance of household wealth became abundantly clear. Black households have a fraction of the wealth of white households, leaving them in a much more precarious financial situation when a crisis strikes and with fewer economic opportunities.

Because it allows households to weather a financial emergency such as a layoff or a family member's illness, wealth was used to sustain many white families. Unfortunately, the lack of financial security combined with disproportionate exposure to the deadly coronavirus had disastrous results for the Black community.

Jonathan Eta (an auto dealer in Southern California), like many Black Americans struggled to keep his head above water, but after his emergency unemployment benefits ran out was now facing homelessness.

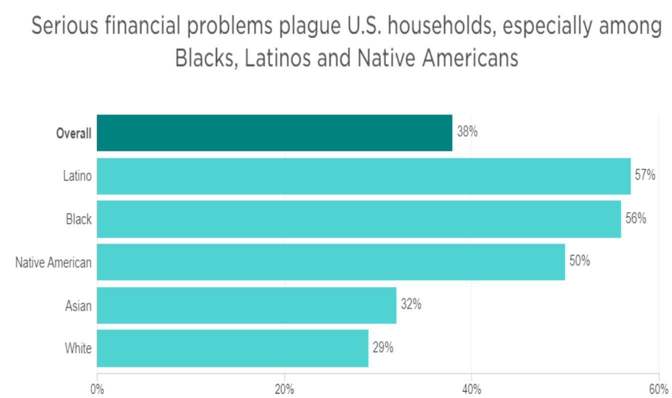
Eta (who was born in Honduras), lives in the San Fernando Valley, where he's a single father of three school-aged children. The financial strain he was encountering lasted more than 17 months; he's now three months behind on rent for the one-bedroom apartment where the four of them live.

For Eta, the financial strain made it hard for him to sleep; more importantly, crushed all hopes of moving his family into a bigger place.

"I had some kind of progress going on. Now that's pretty much over with, so I've got to start all over. And it's just been pretty rough, you know, to not have any kind of surety of where we're going or when this is going to be over," he says.

The little savings he had is now gone and this is true for many Black Americans - the lack of savings is a major factor in the unequal financial toll of the pandemic.

He's not alone, in a survey conducted by NPR, where respondents were asked whether anyone in their household had been having serious problems paying mortgage/rent, paying for utilities, medical care, credit cards and food. Finding reveal 57% of Latino households and 56% of Black households reported having serious financial problems compared to the 29% from White households.



Wealth provides families the means to invest in their children's education, to start a business, relocate for new and better opportunities, buy a house, and have greater participation in the democratic process.

Many households in Black communities cannot afford to pay for reliable internet or electronic devices to facilitate remote learning.

White workers have been more likely to work remotely during the pandemic and have resources to devote to their children's remote learning environment, while Black workers are more likely to still be going to work in person.

The pandemic has created the perfect storm of factors that will drive wealth for African Americans and white households even further apart.

WEALTH INEQUALITY PRECEDING COVID-19

A deeper dive into the data from the past three decades show large and persistent disparities in wealth, assets, and debt between Black and white households.

Wealth is the difference between what households own—their assets—and what they owe—their debt. For most households, assets are larger than debt, meaning they own at least some wealth.

Assets include people's houses, their retirement accounts, their checking and savings accounts, and their cars, for example.

The expected future income from an employer's pension is a somewhat unique asset. On the one hand, it provides households with a secure stream of income in the future; on the other hand, it is not an asset that households can borrow against or pass on to their heirs.

The tables below show wealth inequality between Black and white households both with and without defined-benefit pension wealth and highlight some key points:

- Black households have a fraction of the wealth of white households.
- Defined-benefit pensions have a slightly equalizing effect. The Black-white wealth gap shrinks somewhat when the imputed value of defined-benefit pensions is counted as an asset.
- There is no long-term trend toward a smaller Black-white wealth gap.
- The wealth gap persists even when the data account for income differences.
- Black households' wealth declined more after the Great Recession than was the case for white households.

First, in 2019 the median white household held $188,200 in wealth—7.8 times that of the typical Black household.

Although levels of average wealth are heavily skewed by households with the greatest amounts of wealth. White households reported average wealth of $983,400, which is 6.9 times that of Black households ($142,500; SCF).

While median wealth is more reflective of the typical household, the scale of average wealth is indicative of the outsized levels of wealth held by the richest households.

The Black-white wealth gap today is a continuation of decades-long trends in wealth inequality, as shown in *figure 1 below*.

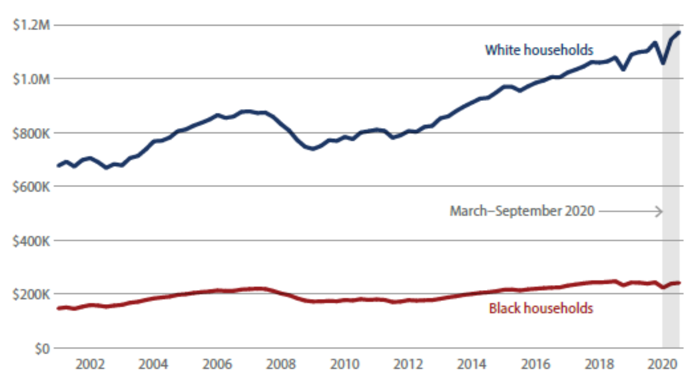
Over the past 30 years, the median wealth of white households has consistently dwarfed that of Black households—ranging from a gap of $106,900 in 1992 to $185,400 in 2007 (both adjusted for inflation to 2019 dollars). Furthermore:

- In the second quarter of 2020, white households—who account for 60 percent of the U.S. population—held 84 percent ($94 trillion) of total household wealth in the U.S.
- Comparatively, Black households—who account for 13.4 percent of the U.S. population—held just 4 percent ($4.6 trillion) of total household wealth.

Figure 1

The U.S. Black-white wealth gap widened again during the pandemic

Average household wealth for Black and white households, 1989 to 2020



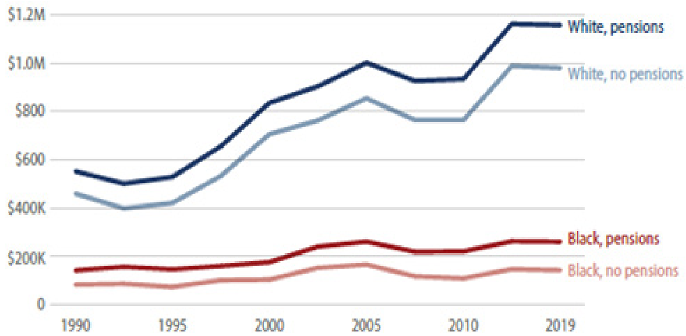
Second, defined-benefit pensions have a slightly equalizing effect. The Black-white wealth gap shrinks somewhat when the imputed value of defined-benefit pensions is counted as an asset.

This equalizing effect is larger for average wealth than for median wealth. For example, average Black household wealth increases from 14.5 percent of average white household wealth without defined-benefit pensions to 22.5 percent with defined-benefit pensions; the Black-white wealth gap shrinks by 8 percentage points *(figure 2 below)*.

Figure 2

The racial wealth gap has remained large and often widened over past three decades

Average wealth with and without defined-benefit pensions for Black and white households, 1989 to 2019



Note: All dollar values are in 2019 dollars.

Source: Authors' calculations based on Board of Governors of the Federal Reserve System, "Survey of Consumer Finances (SCF): 1989, 1992, 1995, 1998, 2001, 2004, 2007, 2010, 2013, 2016, and 2019," available at https://www.federalreserve.gov/econres/scfindex.htm (last accessed February 2021); John Sabelhaus and Alice Henriques Volz, "Are Disappearing Employer Pensions Contributing to Rising Wealth Inequality?", Board of Governors of the Federal Reserve System, February 1, 2019, available at https://www.federalreserve.gov/econres/notes/feds-notes/are-disappearing-employer-pensions-contributing-to-rising-wealth-inequality-20190201.htm.

At the median, the effect is only a 1.8 percentage-point decrease. That is, the effect of a little more wealth equality thanks to defined-benefit pensions matters mainly for higher-income earners with stable jobs. Since such opportunities are often rare for Black workers in the private sector, the effect is much smaller at the median.

Third, there is no long-term trend toward a smaller Black-white wealth gap. In fact, the relative difference between Black households' wealth and that of white households was generally smaller from 1992 to 2007 than in the years after the Great Recession.

For instance, the median wealth with defined-benefit pensions of Black households amounted to 20.1 percent of white households in 1998 and 19.8 percent in 2004.

Since the Great Recession, this ratio of Black households' median wealth to white households' median wealth reached its highest point of 15.5 percent in 2019. Black households' wealth has always been far below that of white households in the past three decades.

Conclusion

The work we have embarked on at Assetcoin has just begun and narrowing the black-white wealth gap is necessary for America long-term future. In this newsletter we point out the disparities between black and white wealth and the effect it has had on America's GDP.

The estimated economic loss of $16 trillion dollars in GDP over the last 20 years attributed to racial inequality, systematic and societal racism and discrimination is unacceptable.

The question we pose again is ***"Can America Survive Without Changing Course?"*** This is a question for this generation and the next generation that must be answered.

At Assetcoin we believe it is necessary we change course to effectively address racial inequities, systematic and societal racism to shrink America's wealth disparity. We understand the substantial black-white wealth gap will remain—at least between average wealth for black families and average wealth for white families for years to come.

However, we believe that the journey of a thousand miles begins with a single step, so join us at Assetcoin as we begin this journey together.

"You see, the challenges we face will not be solved with one meeting in one night. It will not be resolved on even a Super Duper Tuesday. Change will not come if we wait for some other person or if we wait for some other time. We are the ones we've been waiting for. We are the change that we seek. We are the hope of those boys who have so little, who've been told that they cannot have what they dream, that they cannot be what they imagine. Yes, they can".

— President Barack Obama

Sources

Broady, K., McComas, M. & Ouazad, A. (2021). An Analysis of Financial Institutions in Black-majority communities: Black borrowers and depositors face considerable challenge in accessing banking services. *Brookings*. An analysis of financial institutions in Black-majority communities: Black borrowers and depositors face considerable challenges in accessing banking services (brookings.edu)

Donnan, S., Choi, A., Levitt, H. & Cannon, C. (2022). Wells Fargo Rejected Half Its Black Applicants in Mortgage Refinancing Boom. *Bloomberg*. Wells Fargo Rejected Half Its Black Applicants in Mortgage Refinancing Boom (bloomberg.com)

Peterson, D.M. & Mann, C. L. (2020). Closing the Racial Inequality Gaps: The Economic Cost of Black Inequality in the U.S. Citi Global Perspective & Solutions. Closing the Racial Inequality Gaps - CitiGPS (citivelocity.com)

Weller, C. E. & Roberts, L. (2021). Eliminating the Black-White Wealth Gap Is a Generational Challenge. Center for American Progress. BlackWhiteWealthGap-report11.pdf (americanprogress.org)