



# The State of Opportunity in America

## Housing, Neighborhoods and Opportunity

*Because homes are often a family's strongest financial asset, opportunities for homeownership—which have historically been limited for some racial and ethnic minority groups and low-income families—are strongly linked to wealth creation and financial security. Similarly, the quality of neighborhoods can have a profound impact on opportunity. Neighborhood residential segregation on the basis of race, ethnicity, or socioeconomic status is associated with the quality of children's schools and instruction; the likelihood of finding good-paying, safe employment; whether high-quality health care services are available and accessible; the likelihood of facing environmental health hazards; and the degree of personal security from violence.*

### Residential Segregation

Historically, the United States has been characterized by high levels of residential segregation on the basis of race, ethnicity, income, and nativity. Encouragingly, levels of racial, ethnic, and income segregation declined in many U.S. communities in the 1990s.<sup>i</sup> These trends are not consistent across all demographic groups, however.

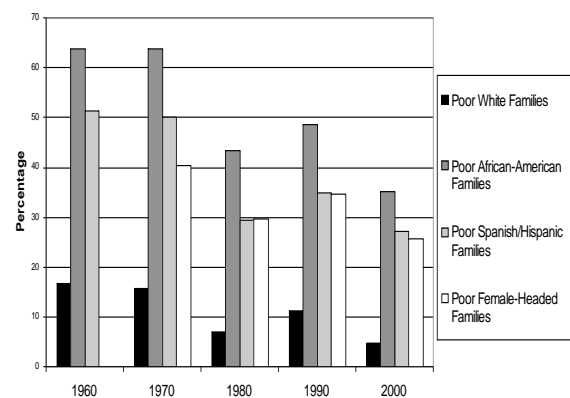
- A 2002 study by the U.S. Census Bureau, for example, found that while levels of African-American segregation declined across many dimensions between 1980 and 2000, residential segregation is still higher for African Americans than for any other group.<sup>ii</sup>
- On some measures of segregation, such as the degree of isolation from other groups, Hispanics and Asian and Pacific Islander Americans experienced increases in segregation over the last two decades.<sup>iii</sup>

Residential segregation is particularly problematic when race, ethnicity, and poverty converge. The percentage of poor whites, African Americans, Hispanics, and female-headed households living in high-

poverty neighborhoods generally declined between 1960 and 2000. But the rate of decline for poor white families was much sharper than for poor families of color.<sup>iv</sup>

- While poor African-American families were 3.8 times more likely than poor white families to live in high-poverty neighborhoods in metropolitan areas in 1960, they were 7.3 times more likely than poor whites to live in high-poverty neighborhoods in 2000 (see Figure 1).<sup>v</sup>

Figure 1. Percentage of Poor Families Living in High Poverty (30 Percent or More in Poverty) Neighborhoods, 1960-2000  
Source: Poverty and Race Research Action Council, 2005



Note: Analyses restricted to census tracts within metropolitan areas defined in 1960. \*Spanish\* refers to U.S. Census designations used prior to 1970. No data are available for poor female-headed households prior to 1970.

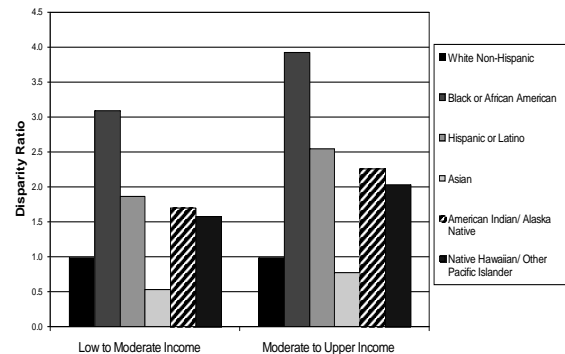


- Poor Hispanic families were 3.0 times as likely as poor white families to live in such communities in 1960. By 2000, that number had risen to 5.7.<sup>vi</sup>
- While poor female-headed households were 2.5 times more likely than poor whites to live in high-poverty neighborhoods in 1970, they were 5.3 times more likely than poor whites to live in these conditions three decades later.<sup>vii</sup>

### Subprime Lending

Subprime home loans feature higher interest than prevailing rates, and as a result are often the only lending option available to those with credit blemishes. But subprime lending can also crowd out prime lending in traditionally underserved communities, restricting the kinds of loan options available in these communities and increasing the likelihood that some will fall victim to predatory and deceptive lending practices. Racial and ethnic minorities all have greater reliance on all types of subprime loans than whites. But these disparities *increase* among more affluent borrowers of color than those less affluent. For example, low- to middle-income African Americans are three times more likely than low- to middle-income whites to have subprime loans. But middle- to upper-income African Americans are nearly four times more likely than similarly-situated whites to be dependent upon subprime loans. Similarly, middle- and upper-income American Indians, Pacific Islanders, and Hispanics were more dependent upon subprime loans relative to whites at similar income levels than their low- and middle-income peers (see Figure 2).<sup>viii</sup>

Figure 2. Disparity Ratio, Subprime Home Purchase Loans, by Race, Ethnicity, and Income  
Source: National Community Reinvestment Coalition, 2005



### Home Ownership

Home ownership—long acknowledged for its beneficial impact on household wealth, and stabilizing impact on communities and families—has slightly increased nationally over the last 25 years, from a 65.4% homeownership rate in 1979 to 68.3% in 2003. But large gaps in homeownership remain between income groups and racial/ethnic groups (see Figure 3).<sup>ix</sup> And between 1970 and 2003, homeownership *declined* among people in the bottom income quartile (see Figure 4).<sup>x</sup>

Figure 3. Homeownership Rates by Race, 1970-2004  
Source: Economic Policy Institute analysis of U.S. Census Data, 2005

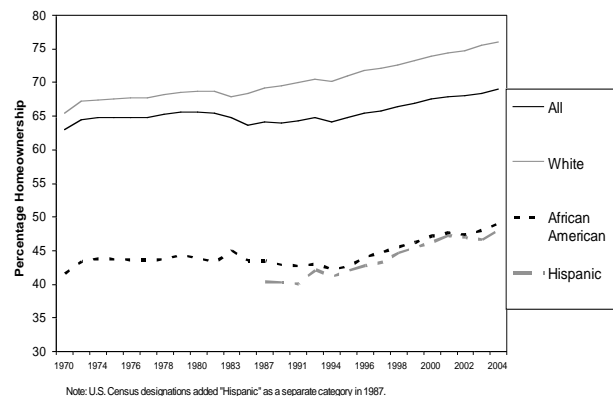
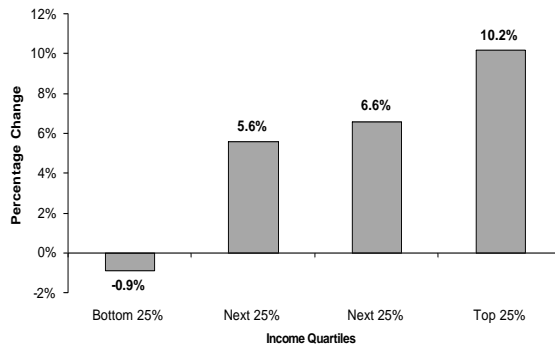


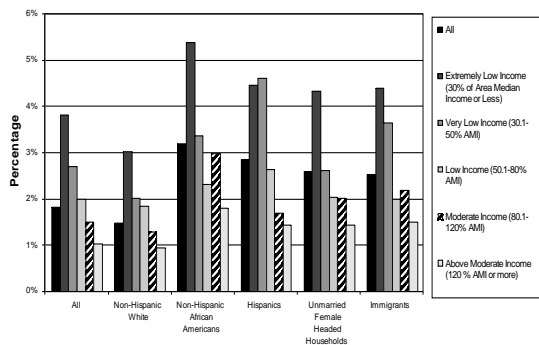
Figure 4. Change in Homeownership Rates by Income Quartiles, 1970-2003  
Source: Economic Policy Institute analysis of U.S. Census Data, 2005



### Inadequate Housing

Some groups also face a greater likelihood of living in severely inadequate housing, defined by the U.S. Census Bureau as housing that has deficiencies in any of five problem areas, such as lacking hot water, heat electricity, or having significant upkeep problems. Gaps in rates of severely inadequate housing among racial/ethnic minorities, immigrants, and whites persist at all income levels, including households above moderate income (see Figure 5).<sup>xi</sup>

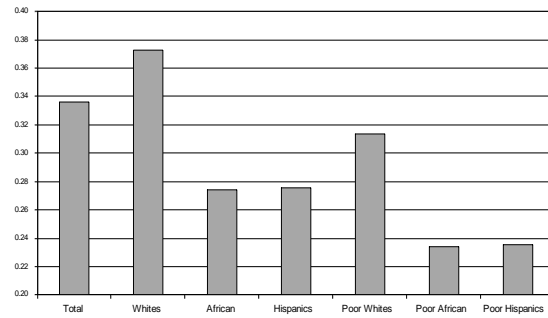
Figure 5. Percentage of Households with Severely Inadequate Housing, by Race, Ethnicity, and Income Level, 2003  
Source: Poverty and Race Research Action Council, 2005



### Segregation from Opportunity

These persistent disparities in homeownership and neighborhood quality segregate many Americans from opportunity. Using data from the U.S. Census Bureau's Current Population Survey, the Poverty & Race Research Action Council (PRRAC) and researchers at the State University of New York at Albany estimated the degree to which people of different racial, ethnic, and income groups are "segregated" from opportunity. Based on the average composition of neighborhoods, PRRAC assessed the likelihood, for example, that racial and ethnic minorities, as well as people living in poverty, will encounter wealthy people, people who hold professional occupations, homeowners, or others who enjoy greater opportunities. These analysis show that African Americans and Hispanics are often less likely than whites—including poor whites—to encounter people with greater opportunity in their neighborhood (see Figure 6).<sup>xii</sup>

Figure 6. Probability of Encountering People with a Professional Occupation in Neighborhood of Residence, by Race, Ethnicity, and Income  
Source: Poverty and Race Research Action Council, 2005



## Conclusions Recommendations

*Without a renewed national commitment and concrete policy changes to reverse these negative trends, the promise of opportunity for all is at great risk for this and future generations. Fulfilling the promise of opportunity for all will be one of the great challenges of the twenty-first century. It will require bold leadership from our government, civic, and business leaders, creative and effective solutions, and the sustained political will of the American people. Fortunately, however, a significant body of pragmatic policies has proven effective in expanding opportunity in concrete and measurable ways. Among the recommendations in the State of Opportunity report are several types of policy approaches that will, if enacted, reduce inequality in housing, homeownership, and neighborhood segregation. For example, land-use, zoning, and transportation policies should actively promote opportunity by*

- Encouraging the development of mixed-income communities;
- Reversing the isolation of highly segregated racial, ethnic, and high-poverty communities;
- Supporting public transportation that helps people commute from areas of high unemployment to areas of high job growth; and
- Planning regionally to address inequality among urban, suburban, and rural communities.

*Finally, we urge government leaders to take up the challenge, begun by this report, of measuring our progress in providing opportunity to all Americans. This includes gathering the demographic data and other information necessary to determine how different groups of Americans are faring.*

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<sup>i</sup> G.T. Kingsley and K.L.S. Pettit, *Concentrated Poverty: A Change in Course*, May 2003, [www.urban.org](http://www.urban.org) (13 November 2005); P.A. Jargowsky, *Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s*, May 2003, [www.brookings.edu](http://www.brookings.edu) (14 October 2004).

<sup>ii</sup> U.S. Bureau of the Census, *Racial and Ethnic Residential Segregation in the United States: 1980-2000* (Washington, DC: U.S. Department of Commerce, August 2002).

<sup>iii</sup> Ibid.

<sup>iv</sup> Poverty and Race Research Action Council analysis of U.S. Census Bureau data, with the assistance of Nancy A. Denton and Bridget J. Anderson, 2005.

<sup>v</sup> Ibid.

<sup>vi</sup> Ibid.

<sup>vii</sup> Ibid.

<sup>viii</sup> National Community Reinvestment Coalition analysis of U.S. Department of Housing and Urban Development data, 2005.

<sup>ix</sup> Economic Policy Institute analysis of U.S. Census Bureau data, 2005.

<sup>x</sup> Ibid.

<sup>xi</sup> Poverty & Race Research Action Council analysis of 2003 American Housing Survey Public Use Data, 2005.

<sup>xii</sup> Poverty and Race Research Action Council analysis of U.S. Census Bureau data, with the assistance of Nancy A. Denton and Bridget J. Anderson, 2005.