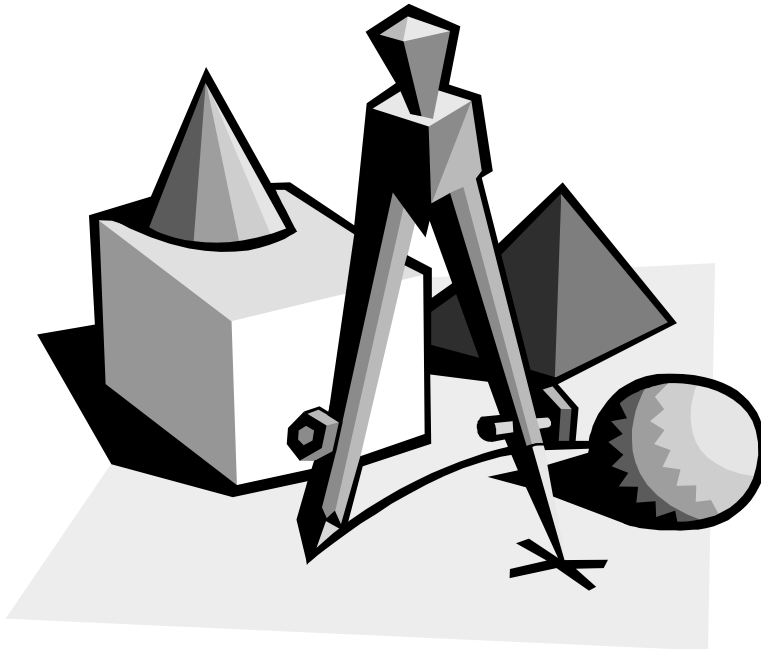




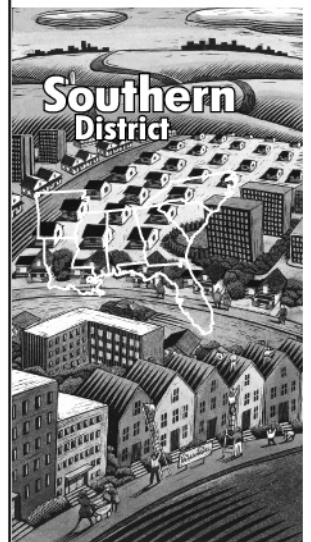
Neighborhood Reinvestment Corporation

Southern District

Historically Black Colleges & Universities Scholarship
Homeownership Essay Competition



3rd Place Winner
MARK O. HALL
Morehouse College



OVERVIEW

Sponsor:

Neighborhood Reinvestment Corporation is a public, nonprofit organization chartered by Congress in the Housing and Community Development Amendments of 1978 (P.L. 95-557) as a place where “new ideas and approaches could be studied, refined, pilot-tested and replicated in order to revitalize older, urban neighborhoods by mobilizing public, private and community resources at the community level.”

In carrying out its mandate, Neighborhood Reinvestment Corporation created the national NeighborWorks® system. The NeighborWorks® system includes the Corporation, member organizations collectively known as the NeighborWorks® network, and Neighborhood Housing Services of America, a financial-services and fundraising resource.

The NeighborWorks® network is comprised of more than 230 community-based and resident-led partnerships serving over 2,000 urban, rural and suburban communities across the country, including Puerto Rico. These partnerships are chartered as NeighborWorks® organizations by Neighborhood Reinvestment Corporation. Committed to revitalizing their communities, these organizations may be known locally as Neighborhood Housing Services, Mutual Housing Association or go by an altogether different name.

Statement of Objective:

Consistent Neighborhood Reinvestment Corporation’s mission, its Southern District has announced sponsorship of the Historically Black Colleges and Universities essay competition.

The competition demonstrates the Southern District’s commitment to foster a stronger partnership with Historically Black Colleges and Universities by encouraging students to analyze important community development issues and rewarding students who demonstrate intellectual development, critical thinking, creative ideas and outstanding communication skills.

Essay Theme:

TAKING MATTERS INTO OUR OWN HANDS: HOW AFRICAN AMERICANS CAN REDUCE THE HOMEOWNERSHIP GAP IN AMERICA

Describe in 1,500 to 2,000 words how African Americans can mobilize resources to increase homeownership in America for African Americans.

Throughout its history, America has thrived upon the notion of pride, patriotism and freedom. Among these concepts, security in homeownership would seem to be equaled across racial, socioeconomic and gender classification. However, this has not been the case, as statistics report a significant gap in homeownership. Researchers indicate that homeowners generally are better stewards of their property, and thus support legislation to generate higher property values. Owning a home, therefore, is a significant factor that encourages individuals and families to participate in the political system on local and federal levels, thus creating and sustaining a healthy neighborhood, and providing a nurturing living environment. Martin Luther King, Jr., in an address to the Southern Christian Leadership Council said, "American society must have a radical redistribution of wealth and economic power to achieve even a rough form of social justice. We must recognize that we can't solve our problems now until there is a radical redistribution of economic and political power."¹

Economists estimate that approximately eighty percent of lifetime wealth accumulation is dependent on inheritance. Racism sorely affects the ability of African Americans to build financial security for their posterity. Discriminatory policies in government, banking, and insurance and in the mortgage industry prevent many African Americans from obtaining tax shelters, equity or acquired wealth to pass on to their heirs. In July, August and September 2003, *Black Enterprise* ran a series of articles about homeownership touted as the key to building wealth in America and improving the financial future of African Americans.

The first article in the series identified "*Ten Keys to Financing Your Home*".²

- 1) ***Learn the Language.*** Understanding financial terminology will help secure appropriate financing and enable you to communicate need and expectations to your realtor and lender. Home buying seminars are offered by many nonprofit and community

¹ Harold Cruse, *Plural But Equal* (New York: Quill – William Marrow, 1987), 261.

² "Ten Keys to Financing Your Home," *Black Enterprise* (July 2003): 73-79.

organizations, real estate firms, banks and lenders and are often geared to first-time homebuyers.

- 2) ***Don't Let Cost Deter You.*** Recent increases in low down payment, no down payment and interest-only mortgages, coupled with special mortgage programs for minority and low-income persons have broadened the range of qualified buyers. Special lending and rate programs for first-time homebuyers have also expanded the market. Homebuyers should expect to spend approximately ten percent of the cost of the home toward the down payment, closing costs and other expenses.
- 3) ***Check Your Credit.*** Review your credit report as reported by the three major credit bureaus. Credit scores between 620 and 900 are ideal. A score below 600 may require creative financing and possibly a higher interest rate. Refinancing at a lower interest rate later may be an option.
- 4) ***How Much Can You Afford?*** Pre-qualification identifies a mortgage between 2.5 and 2.75 times your annual income.
- 5) ***Decide on a Lender or Broker.*** Get referrals for brokers and lending institutions from friends, relatives or co-workers.
- 6) ***Get a Lawyer.*** An experienced real estate attorney who will be present at the closing is often a wise practice, unless you are familiar with real estate contracts, mortgage processes and filing requirements.
- 7) ***Select the Right Mortgage.*** Loans are dependent on several variables – whether you intend to live in the home for more or less than five years, whether you prefer an adjustable or fixed rate and, or terms from 15 to 30 years.
- 8) ***Ask About Loan Programs.*** Some first-time homebuyer programs allow lower down payments, low interest rates, some even forgive a portion of the debt for long-term residence. The Federal Housing Authority (FHA) is among the most popular, requiring

only a three to five percent down payment. Renovation mortgages are based on the future value of the home. Asset management accounts may be set-up for purchase and an equity line of credit.

9) *Get a Pre-Approval Letter.* A pre-approval letter is provided by a lender who is informed about your financial qualifications and for which loan you are qualified.

10) *The Paperwork - Persevere.* Turning the pre-approval into a solid commitment. The property must be appraised; your financial information, credit history, assets and employment history (or education, if you are new to the workforce) verified.

The second article in the series detailed factors that may increase home value and profit. The third and final article in the series was entitled, “Maintaining and Protecting Your Home,” and suggested unique ways to increase the value of your home. Real estate builds wealth, increases net worth, allows tax advantages, and adds monthly income.

In tandem, *Black Enterprise* reprised a January 2000 series entitled, “Black Wealth Initiative,” an article entitled; “Entrepreneurship Through Homeownership”³ was geared to increasing the wealth of Black Americans and in support of “the creation and growth of profitable, competitive Black owned enterprises”. The series provided real-life examples of Black entrepreneurs, many invested real estate proceeds to start or expand businesses. The series was well received and provided a ten step “Declaration of Financial Empowerment:” 1) to use homeownership to build wealth; 2) to save and invest ten to fifteen percent of after-tax income; 3) to commit to a program of retirement planning and investing; 4) to engage in sound budget, credit and tax management practices; 5) to measure personal wealth by net worth, not income; 6) to be proactive and knowledgeable about investing, money management, and consumer issues; 7) to provide access to programs that will educate children about business and finance; 8) to support the creation and growth of profitable, competitive Black-owned enterprises; 9) to use a portion of my wealth to strengthen my community; 10) to ensure that my wealth is passed on to my future generations. The

³ “Entrepreneurship Through Homeownership,” *Black Enterprise* (April 2004): 61.

importance of education was stressed in various classical Greek texts, such as Plato's Republic.

Throughout the Republic, Plato emphasized education as he states that children given a well-rounded education will be the best leaders. Plato would instruct that in order to affect a change in our society, one must focus on the root of its rulers and the nature of their environments. One may infer that a sound education in primary finances is a basic codifier of future homeownership.

Since the enactment of New Deal programs and government policies in the 50's that separated the races, Blacks in the cities and whites in the suburbs, termed the "ghettoization" of Blacks and the "suburbanization" of Whites; geographic maps identified green areas, as desirable, or white areas; and red areas, as undesirable, or all-Black areas. Blacks were "red-lined" and denied asset-building government sponsored loans. In 1949, *Shelley v. Kraemer* made the use of racially restrictive covenants unconstitutional. The damage, however, had been done. Suburbs gained value, while central communities deteriorated. Between 1934 and 1962, \$120 billion in new housing was underwritten by the federal government; less than two percent to non-whites. In 1968, President Johnson signed the Fair Housing Act, which prohibits discrimination in the sale, rental and financing of dwellings and in other housing related transactions, based on race or color.

A study conducted for the Joint Center for Housing Studies of Harvard University, demonstrated that children of homeowners are subject to better environments, higher cognitive test scores and fewer behavior problems than children of renters. The study indicated a 13 to 23 percent higher quality of environment. Furthermore, the study demonstrated that wage, and social status are directly linked to the probability of African American's owning their own homes. Education and socioeconomic awareness is vital to this revolution. It is necessary in reducing this gap to amend national primary education curriculum to include an introduction to finance management and the importance of saving and maintaining a healthy consumer credit report.

David Levering Lewis, who won Pulitzer prizes for his biography of W.E.B. Du Bois, wrote, "Du Bois foretold a racializing of poverty in America – the putting of an indelible Black face to failure – that

not only would preclude broad-based commitment to economic remediation for people of color, but vastly complicate the possibility of any national politics that seriously addresses the misdistribution of wealth.”⁴

A passage *The Souls of Black Folk*, chapter one, *Of Our Spiritual Strivings*, Du Bois wrote, “To be a poor man is hard, but to be a poor race in a land of dollars is the very bottom of hardships. He felt the weight of his ignorance – not simply of letters, but of life, of business, of the humanities; the accumulated sloth and shirking and awkwardness of decades and centuries shackled his hands and feet. Nor was his burden all poverty and ignorance. The red stain of bastardy, which two centuries of systematic legal defilement of Negro women had stamped upon his race, meant not only the loss of ancient African chastity, but also the hereditary weight of a mass of corruption for white adulterers, threatening almost the obliteration of the Negro home.”

African Americans may begin to unburden themselves of the degradation of their past when we gain a true sense of who we are as a people, our strengths and potential. It is true that the drafters of the Declaration of Independence did not have us in mind when they wrote “Life, Liberty and the Pursuit of Happiness,” nor did the framers of the Constitution and the Bill of Rights intend to include us when they wrote about the rights of all citizens, but it doesn’t matter anymore, because we have earned our place in America’s bosom, we bled, fought and died to preserve justice, and freedom for ourselves and our posterity. The sacrifices of our ancestors have paved the way.

Research data concludes that a significant number of African American families are content with privately leased property or government subsidized public housing. Research from the Center on Budget and Policy Priorities indicates that government subsidized housing programs will receive a sharp funding cut over the next 10 years resulting in \$5 trillion deficit, while 61% of these subsidized programs are utilized by families with children. In addition,

⁴ “The Souls of Black Folk, 'A Century Hence,” *The Crisis* (March/April 2003) 18.

administrative changes to the federal housing budget will force community agencies to withdraw or terminate vouchers, and alter policies to reduce voucher payments. The CBPP study, indicates that *“To deal with the cuts by raising rents, agencies would have to charge an average of about \$850 more per family in 2005 and about \$2,000 more per family in 2009, even though most of these families have incomes well below the poverty line.”* This data indicates the increasing importance for minorities to focus on homeownership. It is vital that community and civic organizations strive to provide forums and classes to residents outlining the many paths available to owning their own home, and innovative mortgage products designed to enhance mortgage origination. Furthermore, African Americans should look toward a higher participatory level in enacting legislation in support of government subsidies for the reduction of down payments, conversion of public rental housing to ownership, measures to eliminate illegal discrimination in the housing market. It is the expressed responsibility of local and community organizations to make such information readily available for residents, and facilitate subsequent information sessions, classes and forums that outline the importance of homeownership and provide projections illustrating positive affects. In doing so, residents will become motivated to strive toward purchasing their own homes.

In order to compete in this global economy and reap the benefits of the American dream, African Americans must decide to work together. Develop a combined concerted master plan, and model for success with a vision and strategy to achieve socioeconomic power, political power, civil rights and higher education. We must master the principals of capitalism and group economics and discover the

opportunities presented in establishing vertical businesses^{*}, self-sufficiency, and acculturation as it benefits African Americans; and learn to attract and retain wealth, information and power.

African Americans must return to a strong sense of community, to honor our racial and cultural heritage, to care and be responsible for self, family and each other. Educate our children about the achievements of Blacks as a group, rather than concentrating on the successes of individuals. Portray the achievements and contributions of Blacks to the world and to the country, thereby expanding the scope and expectations each child has for him. Providing an inclusive home and community on the world arena; allowing him to draw a concept of what his contributions and achievements will mean to his family, his community, his nation and the world. Remind the children that we are survivors, conquerors, kings, queens, and originators.

* Vertical business development or vertically linked business. Major control, or monopoly, is vested in one group for certain resources. The financial rewards are held by the controlling group. Profits are shared and, or re-invested in support of the business group. The group becomes stronger. Economic prowess, i.e. capitalism – the economic system in which the means of production are privately or corporately owned and development is proportionate to the accumulation and reinvestment of profits gained in a free market.

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