THE IMPORTANCE OF WEALTH TO

Family Well-Being

Seeding innovation to address the structural roots of inequality

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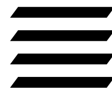

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Letter from

The John T. Gorman Foundation

The John T. Gorman Foundation places the highest value on the well-being of whole families. When parents and children have what they need to achieve their goals, it benefits entire communities.

Financial stability—and, moreover, mobility—are key components to family well-being. It is critical that our policies, practices, and collaborations align supports while removing any barriers for families who are striving to make a better future for themselves.

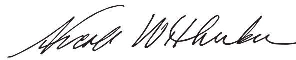
In this regard, much attention in the nonprofit and government space has focused on helping families increase their incomes. Indeed, a healthy, steady flow of resources into a household is critical to meeting regular expenses and building a financial cushion. But income alone is not enough. The equally important role of wealth and asset development in creating and preserving gains has too long been overlooked.

The misconception that wealth is a tool only for a privileged few is part of the problem. For any family to move forward, it needs not only adequate income but also a pool of resources to draw from in times of crisis. Wealth also allows families to invest in future opportunities, such as education, and avoid the kind of bad debt that can burden families for years. Wealth and assets—or the lack of them—play a major role in the generational trajectory of all families.

The unequal distribution of wealth and assets across demographics and regions is not an accidental outcome but rather the product of systems and structures that have allowed some to cultivate these resources while making it more difficult for others to do so. Decades of these systemic barriers have meant that Black, indigenous, Hispanic, and women-led families, as well as those living in rural areas, have a smaller share of the country's wealth and assets, woefully beneath the value of their contributions to our economy. In harming their ability to make significant, sustainable gains for their families, it denies opportunity and prosperity to our communities as a whole.

Contributors to these disparities are complex and connected, so closing these inequities will take change not at one level, one sector, or one region, but across them all. It is for this reason that the John T. Gorman Foundation has partnered with the Federal Reserve Bank of Boston to produce this report. The following pages will establish the importance of wealth and asset development in family well-being, document existing disparities, and offer on-the-ground examples of successful approaches to opening the doors of opportunity to people who have historically been locked out.

This report is also intended to be the start of conversation—and action—in our communities, across sectors, on how we can bring families and our communities forward. The John T. Gorman Foundation has already begun to consider how to apply what we are learning from it, and we hope that after reading it you will do the same. Thank you.



Nicole Witherbee, Ph.D.
President & CEO
John T. Gorman Foundation

The Boston Fed has a long and robust history of conducting research on wealth and other disparities and their relationship to economic prosperity and mobility. This spans from the landmark 1990s study on lending discrimination in homeownership that changed the face of mortgage lending;[1] to research conferences on disparities in 2014 (in opportunity), 2019 (across regions/rural places), and 2021 (by race/ethnicity); to the 2015 Color of Wealth survey that motivated public and private efforts to focus on building wealth for communities of color too often left out of such pathways. Throughout, these efforts have been motivated by ensuring we achieve economic prosperity for all U.S. families and so realize our full employment mandate in the broadest sense.

We are pleased to introduce a new publication in this field, a fresh look at how wealth may be more widely shared, in partnership with the John T. Gorman Foundation. This paper features practical, actionable knowledge to stimulate ideas and actions to reduce racial and ethnic wealth disparities. While some appear new, many represent new twists on older mechanisms or suggest ways of amplifying efforts by scaling them or combining different approaches.

The Boston Fed

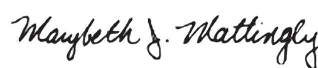
Why is wealth important? Words from a service provider about a life on the economic edge: "When you're spread as thin as she was, anything could be a tipping point … her check not coming, her boyfriend blowing up at her … The net was so frail."[2] This poignant example illustrates the precarity many low-income families face. Absent a financial cushion or a robust safety net, economic well-being is fragile and insecure. At a time of higher inflation, reflecting on the role of wealth is particularly salient. Wealth provides an important buffer in times of need, acting as insurance against the inevitable disruptions to economic security—ones that would be minor bumps to more affluent families. If income fluctuates or, for example, a car needs an expensive repair, a modest buffer can help families get by and can also help them maintain employment. Yet for many families, this buffer is elusive: a closely followed survey from the Federal Reserve Board found that in 2021, 32 percent of families could not cover a $400 emergency expense in cash or its equivalent.[3]

Thinking bigger, access to wealth advances the prospects of low- and moderate-income families. Among parents who take on debt to fund their children's college education, the median amount is $30,000 per year,[4] for example. Sufficient wealth eliminates the need for such debt and would better enable a family to send children to college as the first generation.[5] Consider what $63,000 in wealth could do: in 2022, that was roughly the average down payment on a house.[6]

But these functions of wealth—as a buffer and as an investment—are most available to those with positive net wealth. And the opportunity to obtain this is stratified, on the one hand, by historical policies and practices and, on the other, by the generational experiences of the family one is born into, making differences in wealth across factors like race, ethnicity, and gender persistent. Yet this does not have to be how it is.

The examples presented in this paper range from communty-driven investment vehicles to cooperatively owned housing and businesses. Some research suggests that employee ownership can greatly reduce wealth disparities.[7] For example, one study found that if businesses were 30 percent owned by employees, the net wealth of the average Black family would increase by an estimated 400 percent (from $24,100 to $106,271).[8] What these examples share is a rethinking of how wealth can be built more broadly. Otherwise, the current system seems destined to benefit a relatively narrow swath and to continue to leave too many groups of people out—particularly people of color. New England also has particular characteristics, including relatively high housing costs across much of the region, that may necessitate new approaches. Wealth inequality has implications for our national gross domestic product, as analyses conducted by McKinsey[9] demonstrates that closing the racial wealth gap could increase our national gross domestic product from 4 percent to 6 percent by 2028.

We envision, in the words of Boston Fed President Susan Collins, a "more vibrant, inclusive economy." Increasing access to wealth is a necessary step to achieve this vision.



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ABSTRACT

This brief explains the significance of wealth and wealth inequality for families both in the New England region and nationwide. Scholars who study wealth point to its two critical functions: it provides a buffer against economic shocks, and it allows for investments in the future. Wealth acts as a buffer by providing families economic security that can help protect them against income disruptions and unforeseen expenses, as we have recently seen with rising prices. When used as an investment, on the other hand, wealth can facilitate upward mobility for present and future generations.

The importance of wealth to family economic well-being makes the stark disparities in wealth ownership across the United States an issue of pressing concern. Wealth inequality is pervasive and persistent: Federal Reserve data show that in 2019, non-Hispanic Black families nationwide had just under 13 cents of wealth for every dollar of wealth that white families held. In absolute terms, this translates to a difference of over $150,000. And, because wealth can be handed down from one generation to the next, white families can perpetuate their advantage, while other groups often lack the resources required to even start climbing the ladder to economic security.

Leading scholars have highlighted the important role that “passive” wealth accumulation—such as home price appreciation and inheritances—plays in shaping opportunity. Even among sources of wealth that arise from active individual effort, such as individual saving, the returns are also tied to structural elements like, in the case of housing, zoning restrictions and racial segregation that have occurred over decades. Multidisciplinary research illuminates how wealth inequality is not a naturally occurring phenomenon nor an inevitable byproduct of the free market. Gaps, which remain stagnant, were created and maintained through policies and practices (e.g., redlining) designed to restrain some groups from the opportunity to build wealth while opening the door for others. For the past several decades, however, we have directed our efforts toward narrow programmatic interventions that often focus on family and individual savings behaviors without addressing the deeply embedded structures that maintain these patterns. In this brief, we present a set of strategic imperatives to guide future intervention. We argue that strategies aimed at closing wealth divides must be attentive to the systemic drivers of wealth inequality embedded across the three domains of wealth creation: the structure of wealth ownership, access to appreciable assets, and wealth protection. We then highlight existing programs and policies that illustrate these principles.

The goal of this work is not to highlight or recommend any one intervention but rather to present generative ideas that regional stakeholders can integrate in order to design strategies appropriate to their communities. We see potential for state and regional efforts to leverage existing collaborative networks to help realize a vision for true financial inclusion in New England, a vision in which discriminatory policies and practices are uprooted, allowing everyone a chance to build assets; those assets are valued equitably; and the economy, in turn, grows stronger over the long term.

KEY Points

This brief offers an entry point for rethinking how to close existing wealth divides through strategic regional and state partnerships. The key points below outline the central logic of this framework, whose guiding principles we expand upon in greater detail in the body of the brief. We offer these points as guideposts for building strategies for addressing wealth inequality. The key points may challenge some existing assumptions, but we argue that attention to them is necessary to finding solutions that can reduce and ultimately close gaps.

Leading scholars argue that wealth serves critical functions in ensuring family economic security (Hamilton & Darity Jr., 2017; McKernan et al., 2013; Shapiro, 2005): it acts as a buffer when income is interrupted or unexpected costs arise, and it can be invested for mobility for present or future generations.

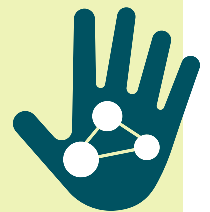
A significant portion of family wealth can be traced to sources of wealth that accrue and appreciate behind the scenes, with little or no ongoing intervention from individuals or families (Shapiro, 2005). Inheritances and gifts, home equity, and market investments are all ways that many families access wealth outside of work and often with little effort.

The relative Black-white wealth gap in the United States has persisted with little change over the past century (Derenoncourt et al., 2022). In 2019, non-Hispanic Black families had just under 13 cents of wealth for every dollar of wealth that white families held (Bhutta et al., 2020); in absolute terms, this translates to a difference of over $150,000. Research shows that this gap is the product of long-embedded discriminatory policies that promote behind-the-scenes wealth accumulation for some and restrict it for others (see, for instance, Baradaran, 2017; Fletcher, 2021; Perry et al., 2018; Shanks, 2005; Shapiro, 2005; Taylor, 2019).

We know relatively little about wealth inequality between other groups, in part because we lack the theory and data to explore these issues. However, past and present inequalities in other domains (e.g., gender and ethnic inequality; see, for instance, Chang, 2010b; Duncan, 2015; Fletcher, 2021; Kent & Ricketts, 2021b; Kirby, 2014) suggest that we might see patterns of wealth inequality that would put some groups at a disadvantage. We also have scant information about wealth inequality at the state and regional levels.

To date, many strategies aimed at reducing wealth inequality have focused on helping individual low-income families build wealth through targeted behavioral interventions, such as promoting savings and financial literacy (Darity Jr. et al., 2018; Hamilton & Darity Jr., 2017; Price, 2020). While these interventions may have improved things for those families they touched, such efforts, even at the national level, have not been able to close existing wealth divides.

Based on the research presented here, we argue that strategies to close these divides must be attentive to the structural drivers of wealth inequality embedded across the three domains of wealth creation: the structure of wealth ownership, access to appreciable assets, and wealth protection.



The models highlighted in the brief illustrate key tools that, when taken together, offer a framework for regional and state stakeholders to implement strategies attentive to addressing the structural drivers of wealth inequality within and across each of the three wealth-building pathways. On their own, these strategies may improve outcomes for some families; together, they may have the potential to reduce wealth divides.

INTRODUCTION

When people hear the word "wealth," they usually picture the wealthy—celebrities living in extravagant mansions—not those who are living on the economic margin. And yet what the economic disruptions of the COVID-19 pandemic recently demonstrated, and a growing body of research has identified, is that access to household wealth[1] is important to all families, and especially to economically vulnerable households (Boshara & Rademacher, 2021a; Elmi & Lopez, 2021; McKernan, 2018; Shapiro, 2005). In fact, according to experts (see, most notably, Shapiro, 2005),[2] wealth is the critical foundation for building not only economic stability but also future mobility. While the story of the American Dream often focuses on hard work and personal ingenuity as the key to unlocking upward mobility, research suggests it is wealth that propels families upward and helps to create security (Hamilton et al., 2015; Pfeffer & Killewald, 2017; Shapiro, 2005).

Wealth not only enables families to make key long-term investments like home ownership, higher education, retirement security, and business creation, but it also can serve as a financial buffer to help weather unforeseen emergencies. As economist Signe-Mary McKernan and colleagues (2013) write, "Wealth is not just money in the bank; it's insurance against tough times, tuition to get a better education and a better job, capital to build a small business, savings for retirement, and a springboard into the middle class. Wealth translates into opportunity."

Because wealth plays multiple roles[3] in families' lives, opportunities that help to grow and protect wealth are particularly important for low- and moderate-income (LMI) families (Boshara & Rademacher, 2021a; Elmi & Lopez, 2021; Lui et al., 2006; Shapiro, 2006; Sherraden, 1991). Thus, while income supports provided through our social safety-net program are essential for helping families meet their daily needs, they were never intended to move families out of poverty in a sustainable way because families need wealth in order to create stability and achieve mobility (Sherraden, 1991). As sociologist Mariko Chang (2010a, p. 5) writes, "Without savings or wealth of some form, economic stability is built on a house of cards that quickly crumbles when income is cut or disrupted through job loss, reduced hours or pay, or if the family suffers an unexpected health emergency."

Several decades of research have uncovered persistent wealth disparities in the United States (Bhutta et al., 2020; Derenoncourt et al., 2022; Killewald et al., 2017; Wolff, 2021). For example, Federal Reserve data show that in 2019, non-Hispanic Black families had just under 13 cents of wealth for every dollar of wealth that white families held. In absolute terms, this translates to a difference of over $150,000 (Bhutta et al., 2020). Scholars suggest that these disparities are at least in part a product of wealth-building mechanisms that operate behind the scenes and with little active intervention, such as inheritances or gifts and appreciation of home values (see, most notably, Shapiro, 2005). Importantly, this research points to past and present institutions and structures that create and maintain access to these mechanisms for some while excluding access for others (see, for instance, Baradaran, 2017; Daniel, 2013; Darity Jr. & Mullen, 2020; Rothstein, 2017; Shapiro, 2005; Traub et al., 2016, among many others).

These structures of exclusion make it harder for many groups—including Black Americans, female-headed households, Hispanic

and Latino families, and Native families, to name a few—to build wealth and maintain economic well-being. In other words, overlapping policies and practices propel some to middle-class security while leaving others without a path out of economic insecurity. These structures have significant consequences for families and the economy as a whole. Recent research shows persistent racial disparities in intergenerational mobility over the past several decades (Chetty et al., 2020). Wealth inequality (in particular, inequality in passively acquired wealth) is essential to understanding these trends. And, importantly, wealth inequality may be holding us back from reaching our full economic potential as a nation. In fact, one analysis using data from 2016 projects that closing the Black-white wealth gap by 2028 could increase U.S. gross domestic product by over $1 trillion (Noel et al., 2019, pp. 6–7).[4]

Promoting financial inclusion is central to redressing wealth gaps, but it only addresses one side of the gap. Inclusive strategies attempt to raise the floor for low-wealth families, and many do so successfully; however, it is important to point out that raising the floor for low-wealth families is not equivalent to closing the gap. Wealth inequality is a function of the full distribution of white and Black wealth. Aladangady and Forde (2021) show that closing the Black-white wealth gap requires increasing Black wealth across the full distribution, not just at the lower end. The same is true for the Hispanic-white wealth gap.[5]

Working to understand the forces that create and deepen wealth inequality here in New England opens the opportunity for a conversation that engages with and also pushes beyond federal policy, which can feel distant and hard to influence, or narrow programmatic interventions that often focus on family and individual savings behaviors without addressing the deeply embedded structures that maintain these patterns (Darity Jr. et al., 2018; Hamilton & Darity Jr., 2017; Price, 2020). Though the bulk of research to date focuses on national trends in racial (and, to a lesser extent, gender) wealth disparities, this work leads us to consider that similar gaps may exist along geographic lines as well, in particular among families living in rural, suburban, and urban areas, and between states and regions. Such considerations point to the importance of regional and local stakeholders' positions and abilities to make investments that incorporate a more local understanding of structural inequality in order to reshape equitable acce ss to wealth for families.

This paper offers a framework for identifying and developing regional and state strategies[6] that engage meaningfully with the structural roots of wealth inequality. The goal of this paper, therefore, is not to highlight or recommend any one intervention but rather to explain and illustrate key tools that state and regional stakeholders can adapt and integrate into strategies appropriate to their communities. We submit that, working together, such strategies have the potential to become a solution.[7]

WHAT IS Wealth? A PRIMER

Wealth (or net wealth) is the value of what you own, less the value of what you owe (see, for instance, Killewald et al., 2017; Oliver & Shapiro, 2006). Unlike income—which families rely on to meet more immediate living expenses and can only use to contribute to wealth after those expenses are met—sufficient positive net wealth is a stock of financial resources that can provide security and opportunity. While income can contribute to building wealth, vast research suggests that disparities are rooted in wealth that is passively created and often passed from generation to generation (Pfeffer & Killewald, 2019; Shapiro, 2005).

Economist Ed Wolff (1990) describes wealth as funds that are "marketable"—that is, assets that can be leveraged for present or future gain. For families, what this means is that these resources operate in two important ways. First, wealth can be used to bridge periods of unstable income or unforeseen emergencies. Second, wealth can be leveraged for longer-term investments—a down payment for the purchase of a house, tuition for a child's college education, capital to start a business, or funds to allow for a secure retirement—without having to take on debt.[8]

WEALTH CREATION: ACTIVE AND PASSIVE SAVINGS

Stores of wealth can be built through "active" savings or "passive" accumulation. Active savings involves putting surplus income aside. When we think about wealth in the United States, we often focus on active savings: working hard and saving pennies to build up a nest egg. Many families save actively in a number of ways. We direct a portion of wages earned into retirement vehicles like IRAs or 401ks or set aside extra income to use, for example, as a down payment for a house or as emergency savings.

In fact, however, active savings makes up a fairly small share of family wealth for many. Leading scholars argue that a significant share of household wealth originates and grows through passive wealth accumulation like inheritance, transfers of wealth from living family members, and growth in home value, which can yield equity (Shapiro, 2005).[9] These sources of wealth creation are considered passive because access to and growth of these stores of wealth are not tied to ongoing individual effort, such as wages earned from employment. Instead, they are often a result of external circumstances, including the family into which one is born and the community in which one lives. Two of the most common sources of passive wealth are home equity[10] and financial gifts or inheritances from extended family (Shapiro, 2005). Research finds these stores of passive wealth play a key role in families' ability to invest in appreciable assets (an asset whose value will grow beyond the initial investment), and they are implicated in driving racial wealth disparities (Feiveson & Sabelhaus, 2018; Shapiro, 2005; Thompson & Suarez, 2015). For example, in 2013, non-Hispanic white families received an inheritance twice as often as did non-Hispanic Black families,[11] and the value of the inheritance was almost three times as much: in absolute terms, for families with median wealth, an inheritance increased white families' net wealth by over $100,000 and Black families' net wealth by only $4,000 (Thompson & Suarez, 2015). Leading scholars of the racial wealth divide (Hamilton & Darity, 2010; Shapiro, 2005) point to disparities in these non-merit-based stores of wealth as a means for some to be able to advance key mobility investment, including home ownership.[12]

LEVERAGING WEALTH: FAMILY SECURITY AND MOBILITY

As stated earlier, wealth serves two critical functions: it provides a buffer against economic shocks, and it allows for investments to be made for future returns.[13] It is important to note that these two functions, while related, operate differently in families' lives. The buffering function of wealth works alongside income to help ensure families can meet their daily needs, serving as insurance against income insufficiency or disruptions and unforeseen expenses that undermine economic security (see, for instance, Hill et al., 2017). The investment function of wealth, on the other hand, can facilitate upward mobility. Economists William Darity Jr. and Darrick Hamilton (2017) emphasize the importance of these dual functions of wealth in families' lives: "Simply put, wealth gives individuals choice; it provides economic security to take risks and shield against financial loss."

Family economic security is, of course, of critical importance (Hill et al., 2017). Recent research shows the harmful effects of income volatility (Morduch & Schneider, 2017); wealth—even in small amounts—can help to smooth this instability. For LMI families, interventions have focused on the importance of the smoothing effects of wealth to help build and protect economic security. For example, programs that support accruing a few thousand dollars of wealth, such as matched-savings programs,[14] emergency savings,[15] or the

Earned Income Tax Credit (EITC),[16] can make an important difference in these families' day-to-day lives. These programs can incentivize savings through matching contributions or provide the insurance function of wealth for those whose budgets will not allow active saving.

Beyond security, however, wealth can help families make investments that support economic mobility. Ownership is a central pathway for upward economic mobility in the United States (Shapiro, 2005) and a key part of the American Dream. However, the amount of wealth required to invest in ownership opportunities that build and protect upward mobility—such as buying a home in a well-resourced neighborhood, starting a business, purchasing and maintaining equipment, and paying for higher education—is quite significant and far more than most families can independently save. Shapiro suggests that it is passively acquired wealth that supports these types of mobility investments or helps families to maintain their current economic position.[17]

Shapiro (2005, p. 10) uses the term "transformative assets" to describe wealth that accrues passively. He argues that families can leverage these types of assets to improve family economic security and enhance mobility, but they are not tied to individual effort; in his words, they "lift … a family beyond their own achievement" (Shapiro, 2005, p. 10). Shapiro focuses on inheritances and gifts as the primary form of transformative assets and shows that these funds have far-reaching effects. He describes the transformations that families are able to achieve by leveraging these transfers: transformations in "their class standing, social status, homeownership, the kind of community they live in, and their children's schooling" (Shapiro, 2005, p. 10).

In other words, inherited wealth—a form of passive wealth—is the bedrock of American middle-class life. Without it, many families face severely constrained options with regard to where to raise their children, what opportunities their children will have, and what resources will be available to them. With it, they can make investments—in homes, higher education, and businesses (Shapiro, 2005)—that will allow them to set their children up for secure adult lives. Passive wealth accumulation is self-perpetuating and takes place behind the scenes. Those who have received an inheritance or gift, or have equity in their homes, rarely need to think about it, but the effects of limited or no access to this form of wealth can compromise families' security and opportunities.

DEBT: GOOD AND BAD

The ability to protect against periods of unstable income, cover unexpected expenses, and make longer-term investments is important to family economic security and mobility in the United States. But those who do not have access to wealth must often take on debt to meet both their short- and longer-term needs. Sociologists Louise Seamster and Raphaël Charron-Chénier (2018) make the distinction between "good debt" and "bad debt." Bad debt is debt that causes families to pay much more for goods than their price in the market; "good debt," on the other hand, allows families to purchase assets whose future value is typically greater than their present value.

Families sometimes use credit to meet unexpected expenses, such as a car repair or hospital bill, if they do not have the savings set aside, or to meet their immediate needs when prices of necessary goods suddenly rise, as we have seen recently with growing inflation (Federal Reserve Bank of New York, 2022; Peiser, 2022). However, using credit and paying interest means that products purchased end up costing far more than their original price. While this type of consumer debt can help families to meet their immediate needs (Littwin, 2008; Mann, 2009), it can also have negative impacts on family wealth.

Mortgage debt, on the other hand, is often thought of as good debt, particularly if the mortgage holds traditional fixed-interest terms. For many homeowners, home values appreciate as they simply live in their homes and do no more than regular maintenance to maintain livability.[18] If the interest rate on the debt is low and the rate of appreciation is high, then even with debt, this asset yields returns. As their homes appreciate in value, homeowners can access home equity, which can be leveraged for further investment. In other words, mortgage debt, in effect, can create a vehicle for passive wealth accumulation and, in some cases, can be leveraged for retirement security.[19] Underscoring the importance of mortgage debt as a tool for wealth creation, 2019 data show that for a family with median wealth, home equity makes up the largest single source of wealth, accounting for about a third of family wealth (Aladangady & Forde, 2021).[20]

Many families also borrow money to pay for higher education, though some are able to use family wealth to offset the full or partial cost of college. This use of debt means that students who started with little or no wealth face a far steeper, more expensive burden to pay back that initial educational investment. And for those who are unable to complete their schooling, the loan burden shifts from an investment to a liability. The same tension is true for small-business loans. For business debt to become an investment instead of a liability, small businesses must have the tools and support that help move entrepreneurs from sustaining to growth and expansion.

The use of any type of debt is neither inherently good nor bad, but the types and terms of that debt can cause it to play a “good” or “bad” role in families’ lives. When families must rely on debt as a means to supplement economic security or to finance investments in mobility—expenses that others can meet with inherited wealth—the disproportionate debt burden undermines future economic well-being. When families have sufficient wealth, they can use debt as a tool for enhancing longer-term investments or as a short-term bridge to help meet immediate needs. The absence of wealth, however, heightens a family’s dependence on debt, which increases both the risks and costs of protecting economic security and seeding mobility.

MEASURING WEALTH

In the simplest terms, wealth is the value of what a family owns minus what it owes (see, for instance, Chang, 2010a; Wolff, 2021).[21] Of course, defining the value of what one owns and owes is no simple task. Renowned scholars of wealth Oliver and Shapiro (2006, pp. 60–61) lay out two measures of wealth. The first, net financial assets, is essentially a measure of liquid assets minus debts. Liquid assets are stores of wealth that families can easily convert to cash or liquidate. They include money in savings, stocks, bonds, retirement accounts, and similar asset types. They do not include home (or auto) equity. Net financial worth—now frequently referred to as net financial wealth—is the full measure of assets minus debts and includes both liquid assets and home (and auto) equity.

Equity is an important part of wealth because while a family might not sell a house in the face of a job loss or to access business start-up capital, if their house has appreciated while they have lived in it, they can borrow against it. In other words, the house’s value is marketable. And, importantly, home equity makes up the largest source of wealth for most American families. Thus, net financial wealth is the measure most commonly used to describe wealth trends and disparities.

Measuring a family’s net financial wealth requires identifying the many possible sources of assets and debts and the value of each. The Federal Reserve Board of Governors conducts a triennial survey of families in the United States (the Survey of Consumer Finances, or SCF)[22] in order to estimate patterns and trends in family wealth. A study of household wealth trends based on SCF data spanning over 50 years defines net financial wealth as “the difference in value between total assets and total liabilities,” where

> total assets are defined as the sum of: (1) owner-occupied housing; (2) other real estate; (3) bank deposits, certificates of deposit, and money market accounts; (4) government and corporate bonds and other financial securities; (5) the cash surrender value of life insurance plans; (6) defined contribution pension plans, including IRAs and 401(k) plans; (7) corporate stock and mutual funds; (8) unincorporated businesses; and (9) trust funds [and] total liabilities are the sum of: (1) mortgage debt, (2) consumer debt, and (3) other debt such as educational loans (Wolff, 2021, p. 5).[23]

This definition shows the complexity of family wealth. At any point in time, the profile of a family’s assets and debts can vary, and these differences can have short- and long-term consequences. Being able to accurately measure the components of household wealth is essential to understanding the sources of wealth within each family and also to document disparities in wealth ownership between families.

WEALTH Inequality

A significant body of research has, over the past 30 years, documented the large and persistent disparities in wealth in the United States[24]—greater even than income disparities (McKernan et al., 2015; Mineo, 2021). The estimated median net wealth for a typical white family in 2019 was $188,200, and for a Black family, $24,100 (Bhutta et al., 2020).[25] The difference is over $150,000, an amount that, if passed on to adult children, could serve as a down payment of well over 20 percent for a house with a median sale price in the United States[26] (U.S. Census Bureau & U.S. Department of Housing and Urban Development, 2022) or pay for four years of college.[27] These numbers offer a stark picture of the differences in opportunity that two families face simply by virtue of the resources their families have on hand. Importantly, the Black-white wealth gap persists even when we adjust for income and education (Darity Jr. et al., 2018; Hamilton et al., 2015; Hamilton & Darity Jr., 2017).

The focus on the Black-white wealth gap stems largely from the specific and enduring legacy of discriminatory policies and practices in the United States, in particular the structures of financial exclusion of Black Americans embedded into policy and practice. In addition, Black families have historically made up the largest share of nonwhite families in the United States, though the share of Hispanic families will soon outpace that of Black families (Frey, 2020). Because Black and white people have historically comprised a larger share of the population than other groups, there are more data available to draw these comparisons, but the intersecting histories of discrimination in the United States suggest that we must be attentive to disparities in wealth among other groups as well, even if they hold a smaller share of the population. For example, recent data show that non-Hispanic white families in the United States also have significantly more wealth than Hispanic families (Bhutta et al., 2020). In 2019, median family wealth for Hispanic families was about one fifth that of non-Hispanic white families. And in 2000 (the year that the last systematic study of Native household wealth was completed), Native households held an estimated median wealth of only eight cents for every dollar the median white household had (NICOA, 2021). Furthermore, racial-ethnic wealth inequality has grown over the past several decades, even as income and education gaps have narrowed (Kuhn et al., 2020; Long & Van Dam, 2020; Wolff, 2021).

Race and ethnicity are not the only dimensions along which we see wealth disparities. A legacy of gender-based inequality along other dimensions—including, most notably, wages, income, and occupational status (see, for instance, Blau & Kahn, 2017, and England, 1992)—have motivated scholars to explore gender wealth gaps. Calculating gender disparities in wealth is complicated because wealth is measured at the family level, and many families include adults of multiple genders. Women in these families often have access to the full family's resources. Scholars have attempted to explore this issue by comparing unmarried men and women.[28] Recent research shows that in 2019, single-headed families led by women held only 83 cents of wealth for every dollar of wealth owned by similar single-headed families led by men (Kent & Ricketts, 2021b).[29] And when we look at the intersection of race and gender, the disparities are even more glaring. Analysis of the same data shows that among single-headed white families, female-headed households had about 93 cents for every dollar of wealth held by male-headed households, yet families led by single Black or Hispanic women owned just eight cents for every dollar of wealth held by families led by white men (Chang et al., 2022). In other words, while women overall are at a disadvantage relative to men, the experience of women across races varies dramatically. Small samples and methodological conundrums complicate our ability to document these disparities fully; however, these lines of investigation are of central importance, and further research can contribute to understanding the significance of wealth between genders as well as racial-ethnic groups.

HOW DID WE GET HERE?

Wealth inequality is not a naturally occurring phenomenon or an inevitable and necessary by-product of the free market. In the United States, it has been seeded and nurtured—rather than contained—through past and present policies and practices, which restricted access to ownership for some and paved the way for others. This history begins with the enslavement of Black and Native peoples and the taking of Native lands.[30] The laws of the new nation, from its beginning, were designed to put wealth-generating resources like land in the hands of white families, to be handed down from one generation to the next (Shanks, 2005). Most notably, the Homestead Act land distribution program allocated parcels of newly acquired federal lands to individual families (primarily white families) to farm and then pass down.[31]

Following Reconstruction, the nation witnessed a period of remarkable convergence: the white-Black wealth gap dropped dramatically as Black families worked to establish middle-class neighborhoods. Between 1860 and 1870, economists Ellora Derenoncourt and colleagues (2022, p. 10) show that the ratio of individual white to Black wealth fell from 56:1 to 23:1. Progress continued, though at a slower pace, for the next half-century, as backlash from white Americans, institutionalized in the Jim Crow laws of the South, and targeted violence demolished the heart of these communities (e.g., Tulsa, Louisiana, Atlanta), destroying and extracting both community and family wealth (Brockwell, 2021; Perry et al., 2021). By 1920, the gap was 10:1, but it moved little over the next century.

Starting in the 1930s, a new set of policies facilitated the growth of white wealth while restricting it for others. New Deal policies subsidized white homeownership, excluding nonwhite families from these opportunities (see, for instance, Baradaran, 2017; Rothstein, 2017; and Shapiro, 2005, among many others). Later, the G.I. Bill flooded the segregated suburban market with mortgage funds for white homeowners (Jackson, 1985; Katznelson, 2005; Massey & Denton, 1993). At the same time, ongoing policies restricted land and property ownership for Native families and communities (Fletcher, 2021). These policies widened the wealth divide by suppressing the floor for Black and Native families through exclusion from homeownership while raising the ceiling for white families by amplifying suburban home values. And federal and local urban-renewal projects reinforced these disparities by codifying the

demolition of Black-owned commercial and residential sectors across the United States (Fullilove, 2016), stripping families of the capital held in these establishments.

Throughout the 20th century, this cumulative legacy of racial discrimination, related to both housing and business ownership, was also systematized in the financial-services industries (Baradaran, 2017). Both formally and informally, families of color were denied access to credit and favorable lending terms; this exclusion severely restricted their ability to make investments in wealth-building vehicles including homes and businesses (Charron-Chénier & Seamster, 2018; Daniel, 2013; Munnell et al., 1996; Taylor, 2019). The formulas used to assess risk supported this racialized divergence in perceived credit worthiness (Baradaran, 2017; Hyman, 2011).

Today, research suggests that a greater share of white families' debt is "good" debt while Black families hold more "bad" debt (Seamster, 2019). The compounding of three conceptual dimensions of debt—access, terms, and return on investment—produces cumulative advantages and disadvantages by race. For example, being restricted from opportunities to access government-backed loans[32] and other forms of mainstream credit has meant that as families of color work to build economic well-being and make investments in themselves and their children, those efforts come at a heightened and often destructive cost, stripping families of the equity they might be accruing (Steil et al., 2018; Taylor, 2019).[33] And this form of discrimination extended to women as well. Married women were statutorily restricted from having their own credit; they could only access credit through their husbands (Hyman, 2011). This overt gender discrimination was lawful until the passage of the Equal Credit Opportunity Act in 1974.[34]

For those who had access to wealth-building channels, including early land acquisition policies like the Homestead Act and later credit terms that favored white households, their assets were then fortified by a set of overlapping public and private policies. In practice, this meant the federal government shifted away from seeding wealth origination through land-grant efforts and toward creating investment vehicles that would help white families protect and grow their existing wealth, thus raising the ceiling of the wealth gap. At the same time, those who had been excluded from ownership opportunities faced active stripping or devaluing of wealth, thereby lowering the floor.

In other words, variation in the ability to make investments is compounded by variation in the returns on those investments (Petach & Tavani, 2021). For example, for those who are able to enter the housing market, the value of their homes and rates of appreciation vary according to the racial and ethnic composition of their communities (Howell & Korver-Glenn, 2020; Perry et al., 2018; Ray et al., 2021). The recent volatility in the housing market during the pandemic might exacerbate these disparities (Badger & Bui, 2022). The return on a college education—a significant financial investment—also varies by race (Meschede et al., 2017). And recent work suggests that women may be required to dip into their savings and retirement funds more often than men do in order to help out family members—a difference that could contribute to gender wealth disparities (LaGorce, 2022).

Based on this history and the present-day consequences, we suggest a typology to help identify strategic levers to reduce wealth inequality. This model is constructed using the extensive work on the Black-white wealth gap (see, most notably, Baradaran, 2017; Price, 2020; and Shapiro, 2005) and, we suggest, can be applied to other potential wealth divides. We identify three categories of policy and practice implicated in present-day wealth disparities: those related to (1) the structure of wealth ownership, (2) access to appreciable assets, and (3) wealth protection. First, as stated earlier, our political system structures ownership as located privately in the family (beginning with the Homestead Act) and creates incentives to transfer it intergenerationally, while erecting barriers to other ownership structures such as communally held wealth (Midgely, 2005; Nembhard, 2014).

Second, household wealth is effective in part because it grows through investment in appreciable assets—most notably home ownership and business creation. A legacy of segregation, including within the system of credit risk assessment, leaves families with vastly unequal access to those assets that will appreciate. Finally, an important set of public and private policies threaded throughout the housing and business sectors work together to protect access to and the value of appreciable assets and, in turn, build wealth for some and strip it from others. Identifying these categories points us toward key principles that must be attended to in order to create strategies that address the root causes of wealth inequality.

This typology emerges from the robust literature on federal interventions driving the well-documented current racial wealth divide. This work, which focuses on the Black-white wealth gap, is central to our understanding of what shapes opportunities for U.S. families and how structural racism has calcified inequalities across a range of groups. In fact, we know quite a bit about median family wealth in the United States.[35] At the same time, several questions remain.

First, while we have some data on gender-based wealth disparities, we know little about the connections between the vast history of exclusion of women in many spheres (both financial and nonfinancial)[36] and present-day disparities. Second, the bulk of the existing literature on the implications of public policy and private investment (or lack thereof) on family wealth often focuses on the urban-suburban divide. However, it is possible that other past and present structures of exclusion have generated wealth inequalities between rural and urban/suburban areas as well. Rural parts of the country have, for example, struggled with their own legacy of industry disinvestment, an aging and crumbling housing stock, and, in turn, limited appreciation in the value of homes, businesses, and agricultural lands (HAC, 2012; White, 2015).[37] Understanding the full picture of wealth inequality, in particular inequality within racial-ethnic groups, requires further investigation into these questions.

Third, we know very little about regional and local variations that could have implications for wealth inequality at smaller geographic levels, including in New England as a whole or any of its six states. Regional variations in property values, labor markets, geographic character, and demographic composition suggest possible differences in family wealth both across and within regions. State and local policy landscapes might also drive family wealth in patterns that mimic or counter the federal policy history that contributes to national patterns outlined above.

Reducing racial-ethnic wealth disparities necessitates a more nuanced understanding of how they play out in regional and smaller geographies in order to refine our current tools and develop new ones that respond to local conditions. In 2015, the Boston Fed took part in a widely influential[38] five-city study[39] that reported estimates of family wealth in the Greater Boston area (Muñoz et al., 2015). The report was a critical first step in documenting wealth disparities at a geographic level smaller than the nation, and it demonstrated the importance of this level of exploration. However, it left many questions unanswered. The extremely small sample size limited our ability to understand differences within broad racial-ethnic categories in Greater Boston, and the narrow geography excluded much of the state, including rural areas. Also, while it motivated a much-overdue discussion and spurred substantial investments and programs, it did not specifically point to or prioritize any specific intervention.

To address these knowledge gaps, the Boston Fed is undertaking a multiyear family wealth survey in Massachusetts to document wealth divides among families across the commonwealth and among rural, suburban, and urban families (Boston Fed, 2022). This three-year study will collect original data from a robust sample of families in Massachusetts in order to estimate family wealth between several racial-ethnic groups and geographies. At the same time, the John T. Gorman Foundation is working to support local partners as they build coalitions to drive policies and practices that promote equitable access to wealth.

STRATEGIES TO DATE

As research on both the importance of wealth to household well-being and growing wealth inequality has emerged, a field of strategy has developed alongside it. Policymakers and practitioners have increasingly focused on how to address growing wealth divides. Much of this work has centered around strategies meant to raise the floor for low-wealth families by incentivizing active savings behaviors,[40] including matched-savings programs (see endnote 14) and financial-literacy programming.[41] These are primarily implemented through local or municipal community-based organizations, largely with private philanthropic dollars.

Evaluation research on the two major national matched-savings programs, Assets for Independence and the American Dream Demonstration (ADD), showed some important behavioral impacts on participants, including working on clearing up old debt, planning to buy a house, and purchasing a home. (At program completion, the rate of homeownership among ADD participants was six percentage points higher than the rate among the control group (Mills et al., 2004)).

Financial impacts were less pronounced. National IDA demonstrations showed no effect on the rate of asset ownership or dollar value of savings (Mills et al., 2004, 2008; Ratcliffe et al., 2019), and financial-literacy programming increased savings by a few hundred dollars (IRS, 2022). While these programs may have helped the families that they touched, possibly with enough money to act as a buffer in times of emergencies, they came nowhere near meeting the size of the wealth disparities documented above. We suggest that their limited potential may in part be due to the fact that they were based on an embedded and flawed assumption that family wealth is primarily a function of individual decision-making and not of past and present policies and practices.

At the federal level, a handful of policies have created some pathways to passive wealth creation for low-income families. These provide families with critical buffer funds, but they have not had any effect on reducing wealth disparities because they do not provide the level of funds needed for significant mobility-related investments (e.g., a house, college education). And they have not impacted

wealth gaps, in part because of insufficient scale and their primary focus on raising the floor.

One program, the EITC, a federally funded wage subsidy for low-income working parents, as stated earlier (see endnote 16), primarily serves the insurance function of wealth for many families (Halpern-Meekin et al., 2018).[42] A second, the Family Self-Sufficiency Program (FSS), administered by public-housing authorities, creates an innovative passive wealth-accumulation mechanism for public-housing residents and housing-choice voucher holders (Lubell & Thomas, 2019). Ordinarily, as families in subsidized housing increase their household income, those additional earnings are directed toward an increase in rental contribution, until they reach the point of losing eligibility for housing.[43] For those enrolled in FSS, as their income increases, the additional rental contribution is instead diverted into an escrow savings account for the family (HUD, 2016). The family stays in their housing for the duration of the program (usually around five years) and accumulates wealth. Upon successful completion of the program, families can withdraw the funds and use them for any purpose.[44]

At the state level, additional key strategies have emerged to support similar levels of passive wealth creation for low-income families. First, states have expanded the EITC, using state funds to amplify its buffering potential.[45] Second, Children's Savings Accounts (CSAs) and baby bonds are strategies designed to help families access passive wealth creation for children, in some ways mimicking intergenerational transfers by starting children off with funds they accrued without any individual effort. CSAs (also known as children's development accounts) establish savings accounts with initial deposits when children are born, with the intention that the deposits will appreciate and eventually support the cost of college for children who do not have access to family assets. Some states use matched savings to incentivize parents to make ongoing deposits to their CSAs (for more on CSAs, see Markoff et al., 2018, among many others). In 2015, Maine was the first state to roll out a statewide CSA program, with support from the Alfond Foundation, and several other states have followed suit since. CSAs have been shown to improve psychological well-being among parents and students and connection to financial institutions (see Markoff et al., 2018, for a summary of research findings on children's savings account, or CSA, programs) and to increase students' "college-bound identity" (Elliott et al., 2011). However, CSA evaluation results, similar to IDA evaluations, are modest in terms of account balances (Markoff et al., 2018).[46]

Baby bonds are a similar strategy, designed to start children off with a store of appreciable assets at birth, which grow as they reach adulthood. Unlike CSAs, which are set up with the intention that parents contribute to the accounts regularly, baby bonds are structured to receive regular payments from the government (CommonWealth, 2018). States are beginning to establish baby bond programs,[47] and federal legislation has been introduced.[48]

Taken together, this field of practice has been highly influential in heightening awareness of the importance of wealth and assets to household well-being, expanding policy and advocacy conversations to include wealth as a necessary element of the social safety net collectively. Yet despite these efforts, wealth gaps in the aggregate have consistently grown. This pattern is due in part to a central mismatch: many of these approaches use policy and programmatic strategies that focus on individual behaviors, while the root causes of disparities are the systems and institutions that create and sustain barriers to wealth creation (Axel-Lute, 2022b; Flynn & Mabud, 2019; Hamilton & Darity Jr., 2017; Price, 2020). Also, the small scale of many of these interventions limits their ability to make change that registers at the population level. Finally, strategies that use passive savings approaches to generate small stores of wealth for insurance purposes do not make change that is measurable in the face of the structures supporting the growth of wealth for investment purposes among those who have it (see also Manduca, 2022, on the complex relationship between asset ownership and investment).

Shaping REGIONAL STRATEGIES FOR REDUCING WEALTH DISPARITIES

Efforts that will permanently shrink wealth gaps require directly addressing the policies and practices embedded within and across the three categories of policy and practice implicated in wealth inequality today—the structure of wealth ownership, access to appreciable assets, and wealth protection—which have collectively restricted some from acquiring wealth, particularly passive wealth, while promoting wealth accumulation for others. In this section, we present three strategic imperatives that respond to those drivers of wealth inequality: (1) expand the parameters of ownership, (2) improve access to appreciable assets, and (3) protect family wealth.[49] The goal of this work is not to recommend any one intervention within a given imperative but rather to illustrate key tools that, when taken together, offer a framework for regional and state stakeholders to identify and support strategies attentive to addressing the structural drivers of wealth inequality.

We focus on the state and regional levels because stakeholders at these levels have access to previously untapped levers for change and because such a focus supports the translation of these key tools into strategies that are relevant to local economies and respond to the particular economic and social legacies that perpetuated inequality across New England. When informed by the strategic imperatives highlighted below, state and regional strategies have the potential to engage and bring existing and embedded networks of stakeholders—including community-based organizations, philanthropic groups, financial institutions, and state and local government—into conversation in new and dynamic ways. The local character of these networks and the potential to build on existing relationships position them well to be attentive to the unique historical context and present-day drivers of wealth disparities here in New England.

We present these models with full acknowledgement that no element or intervention can move the needle on its own and that shifting trends that have been entrenched for centuries will require significant resources. The examples we have selected cannot, on their own or even together, close the wealth gap; however, in representing generative ideas and as part of a larger network of strategies (Axel-Lute, 2022b), they may offer a way to imagine and work toward fulfilling a promise of more broadly shared family economic well-being.

The key strategic imperatives operationalized through these models highlight examples of how local and regional stakeholders have collaborated. The examples provided are, in most cases, just one of many similar programs; we include them to illustrate elements of multistakeholder efforts that are attentive to past and present structures driving wealth inequality. Our goal is to point to design elements that challenge assumptions about inequality and counter discrimination embedded in our financial system, in order to seed a new way of thinking about wealth inequality and strategies for addressing it. We present these options for stakeholders to consider as a beginning, not an end.

STRATEGIC IMPERATIVE 1:
EXPAND THE PARAMETERS OF OWNERSHIP

As stated earlier, many of the policies and practices that promote wealth accumulation for some and restrict it for others operate at the level of the family. This pattern began with the Homestead Act, which allocated land to families that they could pass on to subsequent generations (Midgely, 2005; Shanks, 2005). Families that have been excluded from these kinds of opportunities are restricted from getting to the starting line in the first place. However, some models exist that imagine ownership as constructed not just at the family level but at the community level as well. These models can provide entry points for low-wealth families to begin to build their assets. The costs of entry into collective ownership are lower, and creating collectively owned investment vehicles can reduce individual risk (see, for instance, Nembhard, 2002, 2006). And some argue that expanding opportunities for entry into collective ownership can counter the exclusionary structures that have undergirded wealth disparities (McInroy et al., 2022; Nembhard, 2008, 2014).

In fact, collective ownership has a long tradition in the United States, and we see models across the nation today in areas including cooperative housing, community land trusts, and employee-owned businesses. Historically, communal ownership has been a particularly important strategy among Black communities (Nembhard, 2006; Shanks et al., 2015), and some have pointed to its potential as tool in reducing gender wealth inequality (Nembhard & Marsh, 2012). Below, we describe three tools that use collective ownership structures as wealth-building mechanisms that can help balance community growth with personal returns, and we offer examples of programs implementing these ideas (see Appendix Table 1 for further details on these programs).

Tool 1: Shared-Equity Housing

Shared-equity ownership models—including housing cooperatives, community land trusts (CLTs), and resident-owned community models (ROCs), each described below—are examples of how traditional wealth-building pathways associated with home ownership can be reimaged to balance public ownership with pathways for wealth building through equity. In these models, residents collectively own the building or land in which they live. The cost of entry is lower than for individually owned property because residents are purchasing shares in a collective.

Cooperative home ownership can take many forms. Raise-Op in Lewiston, Maine, presents a cooperative housing model that leverages a public-private coalition to make home ownership available to low-income residents. In this model, a nonprofit organization purchased and renovated existing housing stock with financing partners including the City of Lewiston and Coop Fund of New England (Rice, 2021).[50] The organization then transitioned the units to mixed-income residential co-ops. They lease units to shareholding members. The monthly charge residents pay to operate the building is below market rate and based on the size and quality of their unit.[51]

CLTs offer another shared-equity model (Federal Reserve Bank of Richmond, 2012). Land trusts combine independently owned land—secured by a nonprofit organization through community land trust status—with privately owned housing (Davis, 2010; Federal Reserve Bank of Richmond, 2012; Meehan, 2014).[52] Holding the land in trust keeps the costs of entry into the homeownership market low while also offering homebuyers the ability to build private equity (S.R. Miller, 2015; Thaden, 2011). Residents in CLTs sit on the board of the land-owning organization and are able to make decisions collectively about the use of the land. In addition to affordability, CLTs may also promote housing security: research suggests that CLT residents may experience lower rates of loan delinquencies and foreclosure (Thaden, 2011).

The Champlain Housing Trust,[53] in Northern Vermont, has structured its organization to facilitate home ownership for low-income families (Champlain Housing Trust, 2021), with its newest project focused on building 100 new affordable homes. This effort is a collaboration between a local philanthropist who plans to donate approximately 46 acres of land, the Champlain Housing Trust, Habitat for Humanity, and a local construction firm (Champlain Housing Trust, 2022). Through these types of projects, the Champlain Housing Trust notes the potential for CLTs to play a role in reducing the racial wealth gap (Torpy, n.d.).[54]

ROCs have helped residents of manufactured homes (or mobile-home parks) balance private ownership of their home with a collective ownership stake in the land underneath the home. Manufactured homes are one of the few remaining affordable-housing options, and are the largest affordable-housing stock available without a subsidy (Sullivan, 2018). However, mobile-home mortgages do not have the same consumer protections that other mortgages have, and many borrowers face predatory terms; they often also struggle to find insurance for their homes. Many mobile homes are structured in land-lease arrangements, wherein residents own their homes but lease the land their homes sit on from a park owner.[55] In response to these vulnerabilities, some park residents are purchasing the land their homes are on in collective ownership agreements based on a model that originated in New Hampshire and has spread nationwide (Lamb et al., 2022; Ward et al., 2006).

ROCusa, a national organization helping to expand quality residential ownership opportunities nationwide, was founded in 2008 through a partnership with the New Hampshire Community Loan Fund, Prosperity Now, and Capital Impact Partners. In addition to offering technical support to potential and existing ROCs, they offer both land- and home-financing models. In New England, one such resident-owned and -managed ROC that is part of this national network is Hillcrest Mobile Home Park, located in Massachusetts. Like a traditional mobile-home park, residents of Hillcrest own their own homes; however, a tenants' association owns the park's land and underlying infrastructure. A democratically elected board of directors oversees the management of the park and is responsible for creating and implementing park policies. Preliminary analyses of parks like Hillcrest suggest that ROC residents have increased security as well as possibly greater equity in their homes and resilience against natural disasters (Axel-Lute, 2022b; French et al., 2008; Lamb et al., 2022; Ward et al., 2006; Zwerdling, 2016b).

Tool 2: Employee Ownership

Employee ownership offers a new pathway to wealth ownership for those who face obstacles to property ownership or other mechanisms that rely on existing financial services. This model is a structured business practice in which all employees hold some percentage of ownership in the business (Freeman et al., 2010). Employee ownership can take on different forms, ranging from worker cooperatives to employee stock ownership plans (ESOPs). Research has found that employee ownership models not only create more stable, supportive work environments but also offer unprecedented labor market-based pathways for broad-based wealth creation for all employees (Boguslaw & Brice, 2022).

ESOPs, the most common form of employee ownership model in the United States (Boguslaw & Brice, 2022; Freeman et al., 2010), invest in company stock and hold the assets in trust for employees in the form of retirement savings. One significant benefit of ESOPs is that employees do not have to contribute any personal resources to participate in an ESOP model. Merely working at an ESOP offers employees an opportunity for significant passive wealth creation through ownership shares—which increase in value as the business's value increases (Boguslaw & Schur, 2019; Buchele et al., 2010)—in addition to the wages, active wealth-creation opportunities (savings in 401k), and benefits, like health insurance, that they would get in other jobs.[56]

King Arthur Flour, in Vermont, stands out as a notable New England example of a successful employee-owned company. For nearly 20 years, King Arthur Flour has been 100 percent employee owned. In practice, this means that the company is governed by a democratic business decision-making structure where each employee who works 800 hours or more in a year—including part-time and seasonal workers—is eligible for a stake in the company (Martin, 2016). There are many advantages to an employee-owned company; however, this business structure is not incentivized through state or federal tax systems (see NCEO, 2018, for tax implications of ESOPs) and is often dependent on the interest of the original owner to shift from a private business structure to an employee-owned one, as was the case with King Arthur Flour (Martin, 2016).

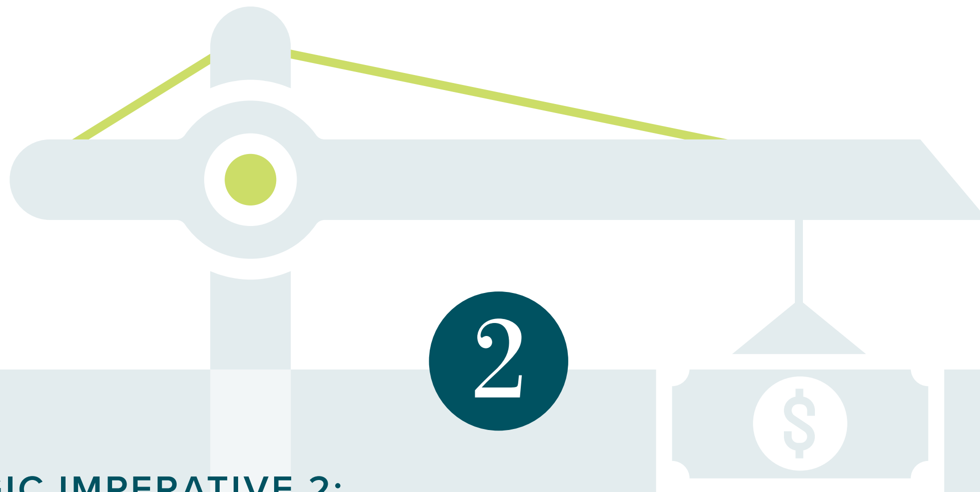
Tool 3: Collective Investments for Private Wealth Creation

Aside from home and business equity, wealth is grown through investment. As one builds an investment portfolio, riskier investments often yield greater returns in an up market, but the potential cost of taking on that risk is greater because in a down market, the original investment could be lost. Research shows that the portfolios of white male investors include riskier products, which have greater returns, while Black investors tend to keep their money in lower-yield bonds, which are safer (Conley, 2001; see also Palladino, 2020; Petach & Tavani, 2021). This is also true of women's stock portfolios as compared to men's (Hicks, 2019).[57] In other words, because they have access to more wealth, white male investors are in a position to take greater risks, which carry greater rewards (Petach & Tavani, 2021)2021.

Collective investment models can mitigate risk, creating pathways for higher-risk investments among those who might not otherwise be able to participate in the market this way. The Boston Ujima Fund, an investment fund governed by a democratic process, offers an example of this strategy. Supported through a mix of operational and seed capital support from philanthropic investments and other forms of lower-cost capital, Ujima has created a model of investing in which community members can contribute in whatever dollar amount make sense for them. A multistakeholder coalition works together to make investment decisions that maximize returns and minimize risk. This model spreads risk out so that individual investors with little capital can grow their wealth without bearing as much individual risk. And a key focus for this coalition is making investments in the community, thereby supporting both family wealth and community resilience.[58]

On a smaller scale, rotating savings and credit associations (ROSCAs) are another pooled-investment tool that offers individual low-income families, who are often restricted from traditional credit markets and lack extended family support, a pathway for building wealth. In this model, a small group of people contribute a certain amount of money every month (on average from $50 to $200), and each month, one person gets a loan until everyone has received one. Programs formalizing ROSCA structures, which many communities have engaged in informally for decades, can protect families from high-cost loans and help them to build credit using a culturally sensitive platform (Akana, 2020). One such example, the Mission Asset Fund, was seeded by a $1 million investment from the Levi Strauss Foundation, with its Lending Circles program creating this structure for collective lending in California (Quiñonez, 2021).[59]

Public policy can also create mechanisms that help to seed family wealth through pooled or collective investment structures. At the state and federal level, baby bonds are one such example. Proposals like the bill in consideration by the Connecticut State Legislature would create publicly funded trust accounts for individual low-income children. The Connecticut bill, for example, earmarks $50 million a year in public funding so that the state can invest $3,200 in a baby bond for each child born after July 1 who is enrolled in Medicaid (Thomas, 2021). The idea is that this initial public investment would grow over time and create a store of passively created wealth for children who might otherwise lack the extended family resources to privately seed wealth.



STRATEGIC IMPERATIVE 2:
IMPROVE ACCESS TO APPRECIABLE ASSETS

Facilitating entry into ownership, however, is not enough to guarantee wealth creation (see Axel-Lute, 2022b, for a more detailed explanation); such assets must be appreciable in order to give families financial security. Access to homeownership and business seed capital, for example, are critical for families to make investments that build household stability and mobility. But owning one's own home or business does not guarantee it will be a wealth-generating asset (Ahn, 2011; Headd, 2003; Kroeger & Wright, 2021; Shapiro, 2005).

With respect to homeownership, one mitigating factor is that houses in some neighborhoods appreciate faster than others (Massey & Denton, 1993; Perry et al., 2018). What's more, wealth is needed not only to acquire a home but to maintain its value over time; a house that is not appreciating will not provide equity that can be leveraged, if needed, for updates and repairs (in the absence of other income sources for home maintenance) or yield capital for future investments.[60]

The same is true for businesses: owning your own business does not guarantee it will be a wealth-generating asset. Research shows that Black entrepreneurs are more frequently denied access to low-cost credit and financing than similarly situated white counterparts (i.e., when controlling for economic characteristics that affect assessments of creditworthiness) (Asiedu et al., 2012; Blanchard et al., 2008; Blanchflower et al., 2003).[61] In addition, Black-owned small businesses are more likely to fold in the first four years than comparable white-owned businesses, in part because of less start-up capital, possibly combined with limited access to the human and social capital that can help sustain a business in its early years (Asiedu et al., 2012; Fairlie & Robb, 2008; Kroeger & Wright, 2021).

Below, we describe three tools that can disrupt this cycle by (1) providing down-payment support, (2) increasing underwriting flexibility to expand access to prime-rate mortgages to families who might not qualify,[62] and (3) providing a pipeline of capital and technical business support, and we offer programmatic examples of each (see Appendix Table 2 for further details on these programs).

Tool 1: Down-Payment Assistance

Because of the historic roots of wealth inequality, some families today have less wealth available to use as down-payment funds (Chang et al., 2022; Shapiro, 2005). A smaller down payment can mean a smaller overall purchase budget, which may restrict purchasing options to homes in neighborhoods where home values are lower because rates of appreciation are lower (Massey & Denton, 1993; Perry et al., 2018). It also may mean higher monthly payments, higher financing costs, and having to pay mortgage insurance on the principal and interest.

The generational nature of wealth means that some families have access to inherited wealth to use as a down payment while others do not have this resource. This passively acquired wealth can open the door to lower financing costs, lower monthly payments, and houses that will appreciate faster. Targeted down-payment support is one programmatic strategy that attempts to counter embedded systemic disparities by providing grants to eligible families to use as down payments.[63] The National Fair Housing Alliance, along with the Center for Responsible Lending and the Urban Institute, created a framework for targeted down-payment assistance to inform such programs. Their framework focuses on seeding down-payment support starting at $20,000 for first-generation, first-time home buyers, funded through federal special-purpose credit programs.

Tool 2: Mortgage Lending for Subprime Borrowers

Few families can purchase a home outright, which means that access to financing plays an important mediating role in homeownership. Yet many low-income families face restricted access to mainstream financing because of their limited income and a lack of inherited wealth; they are stuck in a self-perpetuating cycle of exclusion. Expanding fair-lending practices to bring more families into the housing market requires, in part, reimagining how the riskiness of those potential applicants is assessed. While financial institutions serve as lenders, they use underwriting criteria (often including income, credit score, collateral, and loan-to-debt ratio) to assess loan applicants' risk and, in turn, creditworthiness.

Many of the structural problems discussed earlier in this paper come into play with these underwriting frameworks. Some suggest that the standard model that mainstream financial institutions use to assess loan applicants' risk is based on indicators that are shaped by racialized and gendered constraints on opportunity (Common Future, 2021; Hyman, 2011; NCLC, 2016; Singletary, 2020).[64] The result is a self-reinforcing system that continues to exclude women and families of color from the most favorable terms, which means homes and business loans cost more and become riskier for not only the bank but also the borrower (Choi et al., 2019; Reynolds et al., 2021; Taylor, 2019).

Two partnerships in New England illustrate strategies that address issues related to systemic barriers that shape perceptions of risk and terms of and access to capital: the Massachusetts Housing Partnership's (MHP) ONE Mortgage program (originally named the SoftSecond Loan Program) and the Four Directions Development Corporation, a community development financial institution (CDFI) in Maine. The ONE Mortgage program extends prime-rate mortgages to families who might not qualify with mainstream lenders. These mortgages are coupled with low down-payment requirements and the waiving of private mortgage insurance. Taken together, these programmatic elements reduce both the amount of personal wealth needed to secure a prime home loan while simultaneously reducing the monthly cost of the mortgage payments. The ONE Mortgage model is also self-sustaining: the legislation that created the MHP requires that all companies that acquire Massachusetts banks annually set aside capital earmarked specifically for the MHP and its efforts to advance affordable housing across the state.

Four Directions, a Maine-based CDFI, offers families pursuing homeownership low down-payment requirements (3–5 percent), coupled with flexible underwriting criteria. These criteria consider alternative data, including utility and rent payments, in determining a household's credit risk, and they invert the logic of traditional interest-rate scales by offering the lowest-income families more favorable terms.[65] The Four Directions program is one example of how CDFIs have been at the forefront of challenging assumptions embedded within loan underwriting and origination (OCC, 2019).

CDFI banks are distinct from other financial institutions in that their primary mission is community development and, statutorily, 60 percent of their financing activities must be targeted to one or more LMI populations or underserved communities (FDIC, n.d.). Being certified as a CDFI means an institution can apply to the Treasury Department's Community Development Financial Institutions Fund programs—competitive federal monetary awards and technical assistance meant specifically to support affordable financial services and products in order to expand lending, investment, and service activities in low-income communities (FDIC, n.d.).[66] A CDFI's ability to access these awards alongside raising capital through partners like philanthropic investors means that CDFI banks and credit unions can actively offset any additional loan risk with a combination of these private and public funds, giving these institutions the room to test and rethink the bounds of risk (CNote, 2021; FDIC, n.d.; OCC, 2019).

Both the One Mortgage and Four Directions programs are targeted toward LMI first-time buyers. These programs go beyond the Federal Housing Administration's home-lending program,[67] which is designed specifically to increase access to homeownership for LMI

families, in several important ways, such as lowering borrowing costs and including community members in loan assessment. Both also leverage public and private investments to support their programs.

Tool 3: Capital and Technical Support for Entrepreneurs

Disparities in access to capital, technical, and mentorship supports, along with differences in protective federal and state programs, greatly impact disparities in the creation, sustainability, and growth of small businesses (Fairlie, 2020; Fairlie et al., 2020; Kroeger & Wright, 2021; Mattos & Brewster, 2021).[68] For businesses to mature, they must be carefully grown with the tools and supports necessary to create a long-term vision and strategy for expansion and financial success and with buffers in place to accommodate the risk that comes with growth. Thus, more equitable access to assets that have the potential to appreciate—homeownership in neighborhoods with high rates of appreciation and business seed capital for opportunities that can grow and scale—are critical to help families build and grow wealth.

To begin to address these entrenched, systemic disparities, banks such as JP Morgan Chase have partnered with local nonprofits to increase access to capital and support for historically underserved entrepreneurs to create, sustain, and grow their businesses. While access to capital is in and of itself important, efficacy also depends on the existence of a pipeline of supports that must include access to not only initial seed funding but also technical assistance and capital throughout the process of seeding, growing, and scaling a business (Kroeger & Wright, 2021).[69] If supported in a way that sustains and helps this personal asset to grow, the entrepreneur would benefit and a network of locally owned, strong businesses would lay an important foundation for accelerated home appreciation—two important community investments.

One such example of this mix of capital and technical-assistance support is the Washington, D.C., Entrepreneurs of Color Fund. Launched with $8.5 million in philanthropic capital from JP Morgan Chase, the fund is overseen by Capital Impact Partners and the A. James & Alice B. Clark Foundation, along with a coalition of community stakeholders including City First Enterprises, the Coalition for Nonprofit Housing and Economic Development, the Latino Economic Development Center, and the Washington Area Community Investment Fund. The fund expands access to business capital for underserved entrepreneurs by providing low-cost loans, from $5,000 in start-up capital up to $250,000 for businesses ready to scale, and this capital is coupled with technical-assistance support.

STRATEGIC IMPERATIVE 3:
PROTECT FAMILY WEALTH

Barriers to accessing the resources necessary to invest in appreciable assets, including personal or financed capital, are not the only forces shaping disparities in household wealth. Disparities in families' ability to maintain ownership and protect the value of their investments can also have a profound impact on family wealth trajectories and long-term well-being. Strategies, then, that work to create more equitable access to mechanisms and funds for the protection and maintenance of and further investment in existing household assets are essential for helping families grow wealth.[70]

For most families, the bulk of their assets lies in their homes. Therefore, beyond just purchasing a home, maintaining both ownership and property value are essential to protecting family assets. Foreclosure is one particularly serious threat to family wealth, and research shows persistent disparities in rates of foreclosure along lines of race and ethnicity. Similar disparities exist in rates of mortgage refinance (Gerardi et al., 2020). Refinancing is one key mechanism for lowering mortgage costs, and it can offer access to home equity that can be reinvested in the home to increase its value (Aladangady & Forde, 2021). Finally, as stated earlier, differences in the composition of investment portfolios have important consequences for families' ability to grow wealth. In addition to offering collective investment opportunities, financial counseling that offers strategic advice on maximizing returns while minimizing risk can be an important tool to raise the floor for low-wealth families.

Below, we detail three tools—foreclosure prevention, home value protection, and financial navigation supports—that, in big and small ways, challenge embedded assumptions about how public and private responsibilities overlap to protect (and grow) family wealth and that are attentive to historic and contemporary wealth-stripping policies and practices; we also offer programmatic examples of each (see Appendix Table 3 for more details on these programs).

Tool 1: Foreclosure Prevention

Even before the Great Recession, Black and Hispanic homeowners had higher rates of delinquency, default, and foreclosure than did white homeowners (Garriga et al., 2017), and the Great Recession exacerbated these trends significantly (Bocian et al., 2010; Garriga et al., 2017).[71] Owing to existing patterns of residential segregation, Black and Hispanic neighborhoods see higher rates of foreclosure as well, and this trend in turn exacerbates patterns of segregation (Hall et al., 2015). Recent research suggests that the racial-ethnic disparity in foreclosure rates may in part be a function of differences in available liquid assets (Kermani & Wong, 2021). In other words, wealth protects and generates wealth for those who have it, while those who do not have as much may struggle to protect what they do have.

Some cities and states have developed foreclosure-prevention programs to address systemic disparities in families' abilities to protect this essential asset. The City of Chicago's Home Ownership Preservation Initiative (HOPI) offers one example of a comprehensive model of supports focused on keeping families in their homes. HOPI uses a four-part strategy that includes prepurchase and postpurchase counseling and education, direct legal and financial interventions with delinquent borrowers, rehabilitation of foreclosed properties, and research and analysis of best practices for the mortgage and servicing industry.

In the wake of the Great Recession, cities and states have implemented or expanded foreclosure programming, including supports like hardship grants as part of the foreclosure programming, a support that helped to shift the full liability of unforeseen emergencies or more systemic economic distress from the family. Taken together, these protective foreclosure supports help to relieve the burden of stabilizing homeownership and in turn protect the wealth held there.

Tool 2: Home Value Protection

Being able to invest not only in a home but also in its maintenance and upkeep is essential to protecting a home's value and building family wealth. Ensuring that owner-occupied housing stock can be maintained and upgraded helps families to build and protect wealth and helps to stabilize and protect a community's housing stock and tax base (Mallach, 2016). The City of Boston's HomeWorks Home Equity Loan Program is an example of a municipal intervention designed to help low-income homeowners and communities protect the value of their homes. Key elements of this program include a 100 percent city-funded deferable loan of up to $20,000 for home repairs with zero interest, along with no monthly payment due until the sale of the property or refinancing of the home (City of Boston, 2022). The public source of loan funding and the long loan period makes launching such an initiative potentially more feasible within bigger cities or at the state level.

Tool 3: Navigating Finance Systems

In the face of deeply embedded, structural disparities in household family wealth, an intervention like financial navigation supports might seem marginal. Yet financial exclusion has helped to drive systemic disparities in family wealth.[72] Interventions meant to normalize full financial inclusion and work to ensure that both families and lenders are well matched and supported is essential to the economic health and well-being of families. Neighborhood Trust Financial Partners of New York models such an approach in New York City. Distinct from financial education, Neighborhood Trust Financial Partners staff help families navigate the landscape of culturally sensitive financial products. They are focused less on the behaviors (savings or spending) of clients[73] and more on matching families with grant opportunities and lending products that advance their particular investment goals. In doing so, Neighborhood Trust Financial Partners is working to reduce the likelihood of engagement with predatory, wealth-stripping products and services.

CONCLUSION

Wealth is important for family economic security and mobility. This paper explains the significance of wealth inequality to family well-being and uses existing research to help contextualize well-documented wealth gaps, while signaling that far more data are needed to understand the full depth and breadth of wealth inequalities here in New England and across the United States.

Rather than attempting to solve the problem, this brief is focused on seeding a way to think holistically about the levers of wealth creation (and inequality). Identifying a bundle of actions that would actually undo centuries of structural discrimination is a far larger task than this paper alone can carry. Informed by the existing research, we develop three categories to describe the factors forming the structural roots of wealth inequality: the structure of wealth ownership, access to appreciable assets, and wealth protection. Focusing specifically on New England, we highlight existing strategies that work against those factors. We suggest that concrete examples from stakeholders at the local, state, and regional levels can create threads that, if woven together, have the potential to construct something far stronger and more enduring than a single stand-alone strategy can accomplish.

We hope that building on this foundation can lead to measurable change in the future—as manifested by the floor being raised for everyone and the absolute wealth gap shrinking significantly. The strategies highlighted here will not move the needle individually, and possibly not even in the aggregate at their current scale, but they can demonstrate on a local level what it would mean for everyone to have equal access to prime-rate home loans and the supports needed to stay current on the payments; the security to manage a blown tire or an unexpected job loss with minimal disruption; enough of a buffer to be able to adapt to changing economic or environmental conditions; and for children to know that they will be starting off their adult lives with a nest egg sufficient to make the human capital and other investments they need.

Learning from these examples is one part of the nexus of work that needs to be done in order to start narrowing wealth gaps. We also must continue to identify mechanisms of financial exclusion embedded in current policy and practice and reverse them, promote alternative ownership structures to create new pathways for wealth creation, and lift up programs that can provide the same security that social wealth provides in places where barriers to individual wealth are too great. In order to understand the impact of these strategies and also what might be working against their progress, we need to track family outcomes at the state and regional levels, alongside monitoring policy changes that might impact family economic well-being.

Wealth plays a central role in family resiliency and mobility. Wealth inequality means that some have a head start while others have to work just to reach the starting line. Starting off behind means struggling to get to the point of full productivity, which could mean that our economy as a whole suffers. The John T. Gorman Foundation is committed to helping foster a strong tapestry of knowledge, policy, and practice that strengthens existing networks and supports institutional efforts to address wealth inequality. The Boston Fed's mission is to advance economic growth; wealth inequality and the mechanisms of financial exclusion that underlie it constrain our full economic potential. We have collaborated on this publication in order to develop a deep understanding of the structural roots of wealth disparities, which can inform regional and state stakeholder action to expand economic prosperity and financial security for families across New England.

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ENDNOTES

[1] In this brief we use the term "wealth" to indicate positive financial wealth, in keeping with the larger literature on the subject (Lui et al., 2006; McKernan, 2018; Oliver & Shapiro, 2006; Shapiro, 2005; Weller & Figueroa, 2021; Wolff, 2021). Those families whose net financial wealth is negative have debt.

[2] In 1991, social work scholar Michael Sherraden (1991) made this important point about wealth. Sherraden was arguing that our social-welfare system, which provides only income support, is insufficient because families have no buffer to provide them with security in the face of unexpected need.

[3] Sociologist Robert Manduca (2022) argues that wealth serves three functions: (1) a buffer in case of emergencies, (2) capital to invest for mobility, and (3) a future income stream for retirement. In this brief, we include the future income stream as part of the investment function (i.e., wealth allows for investment in our future security as well as that of the next generation, through a guarantee of future income, an education that can be leveraged for future earnings, a home that offers equity, etc.).

[4] Other research shows the possible significant losses in gross domestic product that racial disparities in labor market outcomes might cause (Federal Reserve Community Development Staff, 2021). See also Heather McGhee's (2021) exploration of the costs we all bear as a consequence of racism.

[5] Currently, white families are overrepresented at the high end of the wealth distribution and underrepresented at the lower end. This existing pattern makes achieving their "racial equality counterfactual," in which distributions are similar across racial-ethnic groups, difficult to achieve.

[6] We use the term "strategies" here in the sense of strategic interventions. We intentionally do not use the term "solutions" because we maintain that solving the problem requires achieving significant measurable change at the population level, and no strategic intervention to date has accomplished this goal.

[7] In this endeavor, we join other recent scholars in this area; see, for instance, Collins, et. al. (2019), McKay and Nabi (2022), Boshara and Rademacher (2021b), Axel-Lute (2022a), and Price (2020) for strategy guides.

[8] Some have suggested that closing the income gap (and education gap) will close the wealth gap over time (see, for instance, Aliprantis et al., 2019; Ashman & Neumuller, 2020). However, as noted above, absolute racial-ethnic wealth inequality has grown over the past several decades, even as income and education gaps have narrowed (Kuhn et al., 2020; Long & Van Dam, 2020; Wolff, 2021). For Black families and other families of color, studying and working hard is not associated with the same levels of wealth amassed among whites (Asante-Muhammed et al., 2016; Hamilton et al., 2015). The unequal footing of Black and white peers entering adulthood is compounded by differential returns to a college education. Aggregate lifetime earnings for Blacks and Hispanics with bachelor's degrees are lower than for similar whites and Asians (Meschede et al., 2017). Black students use debt to pay for college more often than whites, and they take on higher amounts of debt; this debt could contribute to wealth disparities in adulthood (Meschede et al., 2017). Data from 2010 show that Black families whose heads of household graduated from college had about 33 percent less wealth than white families whose heads of household dropped out of high school (Hamilton et al., 2015). And the poorest white families—those in the bottom quintile of the income distribution—have slightly more wealth than Black families in the middle quintiles of the income distribution (Hamilton et al., 2015). These patterns suggest that those who started out with less wealth (and often more debt) remain behind and are more limited in their ability to access future wealth-building investments like homeownership or entrepreneurship.

[9] For example, analysis from the United States Census Bureau's 2016 Survey of Income and Program Participation finds that in 2016, the median value of home equity among homeowners was $100,000. In comparison, among those holding any assets or debts, the median value of household assets held in financial institutions (checking or savings accounts) was $5,000; the median value in stocks and mutual funds was $46,600 and in retirement accounts was $56,000 (Eggleston & Munk, 2019). These findings also signal the importance of retirement savings as a key household asset. However, the analysis does not allow us to differentiate between the sources of retirement savings (active savings, employer match, or interest earned).

[10] While home values do sometimes increase with little or no intervention, homeowners do often have to make investments in the home to maintain or improve it.

[11] 2019 data show a slightly larger proportion: non-Hispanic white families received inheritances at almost three times the rate of non-Hispanic Black families (29.9 percent of white families received an inheritance vs. 10.1 percent of Black families) (Bhutta et al., 2020).

[12] While many do work hard to put aside savings for a down payment, it is far harder for renters than existing homeowners to save (Parrott & Zandi, 2021). Based on Moody's Analytics estimates, for example, it would take the typical renter nearly 15 years to save $15,000 for a down payment at prevailing renter household savings rates of just under 2.5 percent of their earned income per year (Stegman & Loftin, 2021).

[13] Returning to McKernan, et. al.'s (2013) statement, "Wealth is not just money in the bank; it's insurance against tough times, tuition to get a better education and a better job, capital to build a small business, savings for retirement, and a springboard into the middle class. Wealth translates into opportunity."

[14] Matched-savings accounts are accounts intended to promote asset-building among low-income families by setting regular savings goals and then matching those funds with contributions from external sources (see, for instance, Manturuk et al., 2012). Individual development accounts (IDAs) are among the most common of these products. Made popular as a recommendation in Sherraden's Assets and the Poor (Sherraden, 1991, p. 220ff.), IDAs developed widely at the program, state, and national levels in the 1990s and early 2000s (see Boshara, 2005 Office of Policy Development & Research, 2012, for a brief history of IDAs). Importantly, use of IDA funds was restricted to investment purposes—to fund education, buy a home, or start a business—and access to IDAs was contingent on participation in financial literacy programming.

IDAs were incorporated into the nexus of federal safety-net programs in 1998 with the passage of the Assets for Independence Act (AFIA) (Title IV of the Coats Human Services Reauthorization Act of 1998, Public Law 105-285, https://www.govinfo.gov/content/pkg/COMPS-11866/pdf/COMPS-11866.pdf). The AFIA allocated federal funds for the Assets for Independence Program, a national demonstration of IDA programs, to be administered through community-based nonprofit organizations. The program was last funded in FY2016 (Ratcliffe et al., 2019).

[15] Emergency savings are a more recent asset-building strategy, introduced largely in response to the Federal Reserve's well-known finding that only two-thirds of households in the U.S. say they have $400 on hand to meet an unexpected expense (Lloro et al., 2022). Researchers and advocates have recommended emergency savings programs through community-based organizations (Collins, 2015) and, more recently, through employers as part of a benefits package. Employers have piloted programs in partnership with nonprofits to provide employees with access to grants—the San Francisco International Airport offers one notable example (Knight, 2020)—and as savings accounts that employees contribute to (see, for instance, SecureSave, www.securesave.com). Bipartisan coalitions of legislators introduced bills into Congress

to establish emergency savings accounts in 2021 and 2022. These bills propose allowing pretax deductions to be put toward emergency savings accounts, similar to retirement and healthcare expenditure accounts, with or without employer contributions (H.R. 1449 Emergency Savings Account Act of 2021, 117th Congress (2021–2022), https://www.congress.gov/bill/117th-congress/house-bill/1449?r=9&s=1; S. _____ Emergency Savings Account Act of 2022, 117th Congress (2021-2022), https://www.young.senate.gov/imo/media/doc/WIL221911.pdf). These bills remain in committee.)

[16] The EITC has long been heralded as an asset-building program. However, research has found that although families plan to use their refunds for investments toward economic mobility (Sykes et al., 2015), they tend to use the majority of their refunds for paying down debt or meeting immediate consumption needs (Mendenhall et al., 2012; Smeeding et al., 2000).

[17] A family's ability to maintain its position and protect against downward mobility is important to economic well-being. Whether measuring downward economic mobility by income or wealth, research points to the particularly precarious position of Black and Hispanic middle-class children, who are far more likely than their white counterparts to slip from the middle class in adulthood (Chetty et al., 2020; Shiro et al., 2022).

[18] It is worth noting that the effort and cost to maintain a home's livability can vary widely. Newer suburbs, such as those built in the middle of the 20th century, may need minimal upkeep, while older housing stock can require significant improvements. We know that rural communities in particular face aging housing stock. While homeownership is relatively high in rural communities (73.4 percent in the Midwest and 73.2 in the Northeast), the relatively low home values and aging housing stock limit home-equity growth and, in turn, family wealth creation (Feinberg, 2020; Kirby, 2014). The limited value of these homes and restricted access to private and public capital to make needed repairs constrains family wealth in these areas. Sheila Crowley, president of the National Low-Income Housing Coalition, states, "Much of the affordable-housing stock in rural housing areas is old and in need of repair … Many of the people who live there don't have the resources that they need in order to keep the houses in good repair" (Kirby, 2014).

[19] One mechanism through which home equity can be leveraged for retirement income is through reverse mortgages, though it should be noted that the use of these products comes with some cautions because they can carry high fees and may introduce new financial risks if home values suddenly fall (Baily et al., 2019).

[20] Racial bias also affects how "good" mortgage debt is for families. Recent research shows that houses in Black neighborhoods are assessed at lower values than comparable houses in white neighborhoods, artificially capping the equity that Black homeowners have access to (Howell & Korver-Glenn, 2020; Perry et al., 2018). In addition, the volatility of the housing market can compromise the security of home equity as an asset. Following the Great Recession, although families everywhere faced foreclosure, in 2014, predominantly Black and Hispanic communities had higher rates of homes that were under water (i.e., with negative equity) than did white neighborhoods (Dreier et al., 2014).

[21] It is worth noting here that some disagreement remains within the field about the precise definition of wealth. We use the definition that Wolff (1990) describes as traditional in accounting and labels "household disposable wealth." However, he writes that neoclassical economics espouses a broader definition that includes aggregate projected income and human capital, known as "augmented wealth." Wolff notes that economists often use only aggregate social security and defined benefit pension funds (see, for instance, Thompson & Volz, 2021) because predicting all sources of future income is impossible. Wolff warns against this augmented conception of wealth (i.e., present net wealth plus projected social security and pension income) because it is both incomplete and also subject to considerable uncertainty. Based on this recommendation, we use the more constrained "household disposable wealth" definition that includes only presently owned marketable wealth. We also acknowledge that excluding guaranteed future income sources (e.g., social security) may limit our understanding of how wealth operates in families' lives because although these funds are not immediately available, knowing that they will be available in the future will influence present-day financial decisions, acting as a sort of "psychological safety net" in the same way that wealth does (Shapiro, 2005, p. 11).

[22] The SCF's unit of analysis is a group of financially interdependent people, as defined by one reference person in each household, designated as the "primary economic unit." This unit is analogous to a family, though not exactly the same.

[23] See also https://www.federalreserve.gov/econres/files/Networth%20Flowchart.pdf for a flow chart describing this measurement of wealth

[24] It is important to note that two types of inequality exist: relative inequality and absolute inequality. Relative inequality is usually measured using a ratio (e.g., one group has 10 times the wealth of another), while absolute inequality is measured using a difference (e.g., one group has $10,000 more than the other). Each has important implications for families and our economy as a whole.

Much of the research on wealth inequality documents the relative gaps between Black and white families. The relative gap gives us an approximate sense of the magnitude of inequality across the full distribution (i.e., for those who have little wealth and for those who have quite a lot). It is also important because an abundant literature shows that inequality in and of itself is associated with several negative population outcomes, including those related to economic growth, health outcomes, and security (see, for instance, Glaeser et al., 2003; Wilkinson & Pickett, 2010). The relative Black-white wealth gap is frequently cited: Federal Reserve data show that in 2019, Black families in the United States owned an estimated 13 cents on the dollar to their white counterparts (Bhutta et al., 2020). The absolute gap, however, offers us a sense of how different the experiences of two groups are. The ratio cited above is calculated from Black and white families' median net wealth.

In thinking about closing the gap, it is important that we attend to both the relative and absolute gaps. Many of the strategies described here attempt to raise the floor for low-wealth families—and many do so successfully. However, high-wealth families have also been growing their assets at the same time. As a result, although the floor may be higher, gaps have grown. Recent research suggests that by projecting future retirement income into the full account of wealth, the relative Black-white wealth gap shrinks considerably (Thompson & Volz, 2021). In this case, though the significant increase to the floor shrinks the relative gap, the parallel increase to the ceiling means that the absolute gap actually grows. Many scholars suggest that it is only by holding white wealth as the benchmark that other groups must meet that we can model potential solutions that will close the gap (Aladangady & Forde, 2021; IASP and Demos, n.d.). However, as white wealth increases, the benchmark moves, making this goal harder to achieve (Derenoncourt et al., 2022). In other words, although low-wealth families' absolute condition improves, high-wealth families' relative advantage still increases.

[25] These estimates vary slightly from Kent and Ricketts (2021a) because of minor methodological differences.

[26] As of the third quarter of 2022, the median home price in the United States was $428,700 (U.S. Census Bureau & U.S. Department of Housing and Urban Development, 2022). Median home values differ greatly, however, depending on region. During the same time period, data show the Northeast had the highest median home price ($747,000) while the Midwest reported the lowest ($399,800) (FRED, n.d.).

[27] Based on the average tuition for four years of college, according to the National Center for Education Statistics (n.d.). It is worth noting that four years of private college may cost much more than $150,000.

[28] While families with one unmarried adult are not representative of all U.S. families, this comparison provides striking findings. In her earlier work on the subject, Chang (2010b) argues for the utility of this comparison in identifying gender wealth disparities, and disparities by race and gender, because (1) nearly half of all marriages end in divorce, (2) men and women are marrying later in life, meaning women spend more of their

adult years single than married, and (3) black women have, for systemic reasons, been less likely to marry and remain married. Chang (2010b) also uses qualitative data to parse gender wealth disparities among married couples; this study is not representative, but it does offer a unique window into the power structures and processes that drive disparities in economic security and well-being within families. (Chang, et al. (2022) find a raw gender wealth gap of 85 cents on the dollar when comparing single women to single men; see their methodological note for an explanation of this difference in estimates.)

[29] According to Kent & Ricketts (2021b), the raw gender gap between single female- and male-headed households is 85 cents to the dollar; when they adjust for individual and family characteristics, this gap grows to 71 cents on the dollar.

[30] Congress acquired large swaths of the land that now makes up the lower 48 states in a series of purchases, military actions, and treaties. Much of this land was occupied by Native Americans, who were forcibly removed. Once the new nation was established, Congress used federal policy—the Homestead Act (1862)—to transfer land from Native communities to white families across the country (Shanks, 2005).

[31] Shanks (2005) finds that as part of the Homestead Act, almost 1.5 million households were given title to 246 million acres of land. Given the compounding, intergenerational nature of wealth, Shanks argues that such large and systematic transfers of land continue to have implications for household wealth among the 46 million adults who can be traced back to this single racialized policy.

[32] Such restricted access includes high rates of denials of U.S. Department of Agriculture farm loans among socially disadvantaged farmers (Bustillo, 2021; Daniel, 2013; Wills, 2022), the Federal Housing Administration's history of redlining (Fishback et al., 2022; Shapiro, 2005), and, most recently, racial and ethnic disparities among which businesses accessed Payroll Protection Plan loans (Perlmeter, 2021).

[33] In addition to predatory lending, some research points to fines and fees in the criminal justice system as a wealth-stripping mechanism (Roth, 2022). This issue, which is of critical importance, is beyond the scope of the current discussion.

[34] The Equal Credit Opportunity Act, 15 U.S.C. §§ 1691-1691, Title VII of the Consumer Credit Protection Act

[35] Data from the Federal Reserve's SCF—designed to be generalizable to the United States as a whole—are widely used to document disparities by large racial-ethnic categories.

[36] This exclusion includes access to employment (see, for instance, Blau & Kahn, 2017; England, 1992; Goldin & Rouse, 2000; and Ridgeway, 1997), healthcare (see, for instance, Sagynbekov, 2017), and political power (Reeves, 2020).

[37] The Housing Assistance Council finds that in 2010, the values of rural homes were generally less than home values overall in the nation (HAC, 2012). Nearly 38 percent of rural and small-town owner-occupied homes were worth less than $100,000, but for all U.S. owner-occupied homes, only 20 percent were valued at less than $100,000. Homes valued at $300,000 or more made up less than 15 percent of rural and small-town homes but nearly one-third of all U.S. owner-occupied homes (HAC, 2012).

What makes the story of rural homeowners distinct from their urban or suburban counterparts is that rural communities were by design places of limited social or civic infrastructure (Duncan, 2015; Pender et al., 2012). The early growth and expansion of natural resource-based industries—logging, mining, farming—were supported through extensive federal and state investments (Defebaugh, 1906; Dimitri et al., 2005; Jung, 1999; Lotterman, 1996; Rawls, 1999; Rutkow, 2013). While this type of large-scale public-private sector-based partnership was not isolated to rural communities—for example, see the rise of manufacturing cities during the turn of the 20th century (Bluestone & Harrison, 1984)—what did differ was the way in which public and private funds were invested.
Unlike the rise of American cities and suburbs, which also emerged to service and support private industry, communities that grew up around these rural natural resource-based economies experienced far more limited public or private investment in community infrastructure. Unlike their urban and suburban counterparts, rural life in many ways was designed around and has come to represent the ideals of rugged individualism, centered around privately owned land and individualized ownership of amenities including homes, wells, septic systems, and roads, which were locally maintained. Unlike the suburbs, which relied heavily on shared public infrastructure and investments to grow and protect family wealth (Jackson, 1985), when natural resource-based industries began to shrink, rural families and communities were left without the collective infrastructure to protect their privately owned investments in homes and land (Ajilore & Willingham, 2020; Pender et al., 2012).

The decline of natural resource-based industries starting in the mid to late 20th century sent shock waves through rural communities. Many found their source of employment and income shrinking or disappearing (Mattingly & Carson, 2019), and as anchor industries and processors moved operations to the west or oversees, smaller farms struggled to keep up with an increasing trend towards consolidation and found themselves unable to compete in the face of increasing input costs and stagnating prices. As a consequence, the value of homes surrounding these papermills, family farms and dairies shrank (CCRI, n.d.; Farragher, 2020). In addition, the decades of pollution thought to be part of the cost of doing business for forestry and agricultural production remained, are undermining the viability of rivers, forests, farmland, and in turn the value of land and homes that surrounded those natural resources (Environmental Justice Atlas, 2017; K. Miller, 2021a, 2021b; USGS, 2022).

[38] The Color of Wealth in Boston received and continues to receive widespread attention from local and national sources (see, for instance, Ballesteros, 2017; Johnson, 2017; Rios, 2021).

[39] The National Asset Scorecard for Communities of Color (NASCC) study was led by Duke University (Duke University, 2021) and the New School, with local partners in each of the five cities: Boston (Muñoz et al., 2015), Los Angeles (De La Cruz-Viesca et al., 2016), Miami, Tulsa, and Washington, D.C.

[40] The publication of Michael Sherraden's Assets and the Poor in 1992 played a central role in sparking this field's origination. This book laid the theoretical argument and foundation for including wealth as a key dimension of the social safety net. Notably, he does not engage with the structural drivers of present-day wealth inequality in this volume. After laying this foundation, Sherraden proposes incentivizing savings behavior among low-income families as his key recommendation.

[41] In 1997, the American Dream Demonstration launched a national IDA pilot, and a flurry of research emerged attempting to document the impact of financial literacy on savings behavior, both in general (Lusardi, 2008) and for low-income families specifically (Collins, 2013). Evaluation research on financial literacy and savings programs, including the ADD, document modest effects: programming increased savings by a few hundred dollars, a significant difference but nowhere near the size of the wealth disparities documented above. Even so, investment in these programs continued. In 2003, the Treasury Department established the Financial Literacy and Education Commission, and in 2013, the Consumer Financial Protection Bureau published the first annual report to Congress on the state of financial literacy in the nation (CFPB, 2013). The federal government continues to maintain a strong slate of financial-literacy programming for adults and youth (Eddins & Clary, 2021; OPRE, 2021). Recently, legislation was introduced into Congress providing matched savings and financial literacy to all high-school students. The Program to Inspire Growth and Guarantee Youth Budgeting Advice and Necessary Knowledge (PIGGY BANK) Act, S.2816 (IS), 117th Congress (2022). For the full text of this bill, see https://www.govinfo.gov/app/details/BILLS-117s2816is.

[42] In 2020, about 25 million tax filers received the EITC, receiving on average about $2,400 (IRS, 2022).

[43] A significant body of research shows that families receiving public assistance faced steep barriers to economic stability and wealth creation when their incomes or assets increased (6 State Workgroup on Benefits Cliffs, 2018; Burnstein et al., 2019; Levert, 2018).

[44] FSS was authorized in 1990 by the National Affordable Housing Act (42 U.S.C. Ch 30, §12701ff) and is administered through public housing authorities under the governance of the Department of Housing and Urban Development. Nationally, uptake in FSS among eligible households is less than 4 percent (Lubell & Thomas, 2019). Those who complete the program leave with about $6,000 in their escrow accounts (HUD, n.d.). In Maine, a coalition of stakeholders has worked together to increase FSS take-up and participation (Geyer et al., 2017; Kimbrel & Mann, 2018).

[45] Thirty-one states plus the District of Columbia have enacted such expansions (Waxman & Hinh, 2022).

[46] Research on CSA programs shows a significant possible nonmonetary "wealth effect": college-bound identity (a shift in families' orientation toward high-school completion and college enrollment) along with moderate financial impacts (CommonWealth, 2018; Markoff et al., 2018; Mercer, 2015). While longer-term financial outcomes associated with CSAs are limited, data suggest that the seeding of this early "college-going identity" is coupled with improvements in child health and early social-emotional development (Elliott et al., 2011; Huang et al., 2014; Mercer, 2015; Zhang et al., 2020).

[47] Connecticut was the first in the nation to pass a state-level baby bond bill, for children who are receiving Medicaid at birth (Thomas, 2021). While the bill was due to be implemented in June 2023, efforts have stalled.

[48] Legislation was introduced into Congress in February 2021 that would establish accounts for children born in 2022 and later, with initial deposits scaled to family income (S. 222 American Opportunity Accounts Act, 117th Congress (2021-2022), https://www.congress.gov/bill/117th-congress/senate-bill/222/text?r=4). This bill stalled in committee.

[49] The appendix at the end of this document provides tables with further details on the tools presented here.

[50] Raise-Op offers two different homeownership options. For the multiunit new construction, all units are reserved for low-income households, while Raise-Op's renovated multifamily housing stock are mixed-income, with most units reserved for households at or below 60 percent of the average median income. https://www.raiseop.com/housing.html

[51] The trade-off to a lower cost of entry is a lower rate of appreciation, which can deter some buyers (Nembhard, 2002) and limit passive wealth accrual. On the other hand, cooperative housing scholar John Emmaus Davis (1994b) argues that the constant shortfall of affordable housing cannot be solved within our current housing landscape; we require a third sector of housing production, which, he suggests, could be occupied by nonprofit suppliers producing limited-equity housing.

[52] See also Davis (2010) and Meehan (2014) for the CLT movement's connections to the civil rights movement in the United States and Gandhi's work in the Indian independence movement.

[53] The Champlain Housing Trust originated in 1984 as the Burlington Land Trust and was a pioneer in the community land trust movement. See Davis (1994a) for a detailed history of the multistakeholder partnership that facilitated development of this community.

[54] Several notable examples of urban CLTs also exist, including those in Boston (C. Collins & White, 1994; Meehan, 2014) and Chicago (S. R. Miller, 2015).

[55] The vulnerability of this arrangement has received wide attention recently, as developers are purchasing parks and raising rents, and evictions are increasing as a result (see, for instance, Childs & Arnold, 2021; Kasakove, 2022; Associated Press, 2022; Zwerdling, 2016a).

[56] Data from the General Social Survey for 2014 and 2018 offer a window into the demographic characteristics of ESOP employees nationwide. These data show a clear underrepresentation of women, who make up only 37 percent of the entire population of ESOP workers. Black workers are slightly overrepresented in ESOPs, making up 16 percent of the entire population of ESOP workers while composing 14 percent of the U.S. population in this survey. Hispanic workers, by contrast, are underrepresented in the ESOP population, making up only 9 percent of the entire population of ESOP workers while composing 13 percent of the U.S. population in the survey (Weissbourd et al., 2021). It is also worth noting that Boguslaw and Schur (2019) find that ESOP employees have employer-provided health insurance at higher rates than employees in traditional firms.

[57] Much of the research related to the investing behaviors of women versus men focuses on what people believe to be women's inherently lower risk tolerance, the argument being that women are naturally more risk averse than men. Little research considers how gender disparities in wealth ownership inform investing behaviors.

[58] For a promising federal-level collective wealth-building model, consider Blyth and Lonergan's (2020) Citizen's Wealth Fund. Similar to sovereign wealth funds in countries like Saudi Arabia and Norway, which reinvest surplus oil revenue to create a shared wealth-building vehicle for all citizens (Ossowski & Halland, 2017), the Citizen's Wealth Fund would leverage federal investments in distressed equities for collective wealth building. According to this model, when the government steps in to support ailing industries (for example, the banking and auto industries following the Great Recession), those federal investments should be held in trust, creating a pool of wealth—or citizen's wealth fund—accessible to all as those industries recover and the value of their equities increases (Lonergan & Blyth, 2020).

[59] Historically, ROSCAs have helped lower-income families with fewer ties to formal banking institutions to build wealth through peer-to-peer lending (Akana, 2020). Like ROSCAs, microlending is also designed to help families access small amounts of money to seed investments like small-business creation. Microfinance differs, however, from ROSCAs in that these small-dollar loans originate from formal financial institutions, including banks and community development financial institutions, and are subject to formal underwriting terms, and the uses for the loans are more tightly regulated (Weaver et al., 2021). The Mission Asset Fund's Lending Circles program works to bridge and balance this legacy of informal networks with attachment to more mainstream financial systems.

[60] Research suggests that the bulk of leveraged home equity (i.e., refinances with cash-out or home equity loans) is used for home repairs and improvements (Aladangady & O'Flaherty, 2020).

[61] An analysis of the Survey of Consumer Finances by the Federal Reserve details that in 2010 business equity made up 28 percent of the value of all nonfinancial assets of American households, second only to residential property (59 percent) (Bricker, et. al., 2012). For low-income families, entrepreneurship can be a particularly important pathway for building wealth. In 2010, business equity made up a quarter of all household assets for families in the lowest income percentile, nearly triple the share for households in the middle three percentiles and 8 percent higher than the median for all families (Bricker, et. al., 2012).

[62] See National Fair Housing Alliance (2021) for an argument that combining credit tools and products with targeted down-payment assistance opens an unprecedented opportunity to advance equitable homeownership and redress decades of exclusionary housing policy.

[63] Massachusetts Housing Partnership (MHP) offers a list of such programs in Massachusetts (see https://www.mhp.net/one-mortgage/homebuyer-resources/get-down-payment-help).

[64] The Equal Credit Opportunity Act prohibits the explicit use of race or gender in determinations of credit risk. However, many variables that are correlated with race (e.g., income, education, and debt) are used in credit-scoring models. Scholars point to the fact that these correlations are in fact a product of past and present discrimination in other arenas (see, for instance, Baradaran, 2017; Hyman, 2011). So, for example, the well-documented exclusion of women and people of color from high-paying jobs leads to income disparities along lines of race and gender (see, for instance, Blau & Kahn, 2017). When higher income is used as a signal of creditworthiness, women and people of color are automatically at a disadvantage. The same is true of education: students from high-

wealth families have higher rates of college attainment (Meschede et al., 2017), and college attainment is a signal of creditworthiness. Therefore, those who started off with advantage are granted additional advantage with access to credit. High-wealth families are far more often white, for all the reasons stated in this paper. Using these variables to determine risk, therefore, reinforces these existing inequalities and compounds the effects of discrimination.

[65] The Urban Institute and the Aspen Institute Financial Security Program lift up a set of distinct but overlapping underwriting practices that together, they argue, are important for reimagining how family financial risk is measured and, in turn, operationalized into underwriting criteria (Aspen Institute, 2020; Reynolds et al., 2021).

[66] The Treasury Department offers three distinct CDFI programs: (1) The Bank Enterprise Award Program provides monetary awards to FDIC-insured banks for increasing their investments in CDFIs and for expanding their lending, investment, and service activities in economically distressed communities. (2) The CDFI Program provides financial and technical assistance awards for certified and emerging CDFIs to support affordable financial services and products, including single-family mortgage lending, in distressed communities; technical assistance awards are for start-up or existing CDFIs and are used to build capacity to underwrite loans and provide other services to their target market through the acquisition of goods and services such as consulting services, technology purchases, and staff or board training. (3) The Capital Magnet Fund is a competitive grant program to CDFIs and nonprofit housing developers to support financing tools, such as loan loss reserves or loan guarantees, to attract private capital for affordable housing, and community and economic development associated with affordable housing (FDIC, n.d.).

[67] The Federal Housing Administration was established by the National Fair Housing Act of 1934 and was created to help expand and incentivize homeownership through innovations in mortgage financing. The FHA insures mortgages made by private lenders against borrower defaults, allowing borrowers with relatively small down payments or relatively low credit scores to access mortgage credit they might otherwise be denied. While this insurance function helps to expand the number of loans being made to LMI families, a stipulation of the FHA loan is that qualifying LMI families must purchase homes in LMI neighborhoods, which in turn restricts where families can locate and their longer-term chances of building equity (Bhutta et al., 2017; Rothstein, 2017; Shapiro, 2005; Zhu et al., 2022)

[68] Kroeger and Wright (2021), for example, found that Black-owned businesses are less likely than white-owned businesses to remain open after four years of operation and that, because of this disparity, Black business owners are more likely to experience downward economic mobility and less likely to experience upward mobility than their white counterparts. The authors argue that their findings suggest that the failure of many of these businesses may actually be contributing to the widening of racial wealth disparities in the United States. Such findings are reinforced by pandemic-related trends. Fairlie (2020) finds that within the first three months of the pandemic, the number of active Black-owned businesses dropped 41 percent, Hispanic business ownership fell by 32 percent, and Asian business ownership dropped by 26 percent, compared with just a 17 percent decline for white business owners.

[69] Such a pipeline would, however, only begin to respond to the legacy of restricted access to capital and the active destruction of businesses of color throughout this country's history (Baradaran, 2017; Hyman, 2011). Perhaps the most extreme example is the Tulsa race massacre, which destroyed the flourishing Black business district known as Black Wall Street. Such massacres, however, were not contained to Tulsa; this targeted violence happened in towns and cities across the United States (Brockwell, 2021).

[70] In the United States, there is a long history of public policies and programs meant to help families protect wealth, particularly stocks of wealth associated with homeownership. One of the primary policies in this vein was the New Deal housing program, which in fact protected white families' wealth while codifying the exclusion of Black families from wealth protection. The Homeowners Loan Corporation (HOLC), created as part of the New Deal, helped families refinance home mortgages that were in default and expanded homeownership opportunities through increased access to mortgage financing. While helping to fortify homeownership for some, the HOLC simultaneously established the practice of redlining (Aaronson et al., 2020). Redlining codified residential segregation in federal government mortgage underwriting manuals by assessing the value of properties based on the racial composition of the neighborhoods in which they were situated. As a consequence, redlining made a direct and official connection between race and risk, laying the foundation for not only higher-cost mortgages in communities of color (Gotham, 2000; Rothstein, 2017) but also resulting higher rates of foreclosures (Hernandez, 2009; Reece, 2021).

[71] Research has documented that leading up to the housing crisis of the mid-2000s, Black and Hispanic borrowers were more than twice as likely than comparable white households to be steered into subprime mortgages—those with harsh terms, such as high annual percentage rates or balloon payments, that are approved for borrowers with subprime credit scores—a practice referred to as "reverse redlining" (Steil et al., 2018). These targeted banking practices extend beyond race and ethnicity, focusing on women as well (Taylor, 2019). In the decade prior to the 2009 banking crisis, single women represented the fastest-growing group of homeowners in the United States. As the housing market opened to historically excluded groups, single women were also targeted for riskier lending products at higher rates than their single male peers with equivalent financial profiles (Baker, 2014). Such dynamics were implicated in the disproportionally high foreclosure rate among women and families of color (Baker, 2014; Bocian et al., 2010).

[72] Federal policy like the GI Bill, alongside local city and neighborhood protective housing covenants and realtor steering, overlapped and reinforced financial exclusion and the rise of residential segregation (Duneier, 2016; Shapiro, 2005; Sugrue, 2014).

[73] Financial education tends to focus more squarely on the behavior of low-income families rather than the structures that create the disparities that financial education is meant to address (Hamilton & Darity Jr., 2017).

APPENDIX

TABLE 1: OWNERSHIP

Examples of strategies that expand the parameters of ownership

GOAL

Create platforms for shared-equity ownership with low barriers to entry and minimized risk for low-income families

Why? Homeownership is often held up as a key path toward wealth accumulation. However, purchasing a home requires significant cash up front for a down payment, as well as eligibility for a fixed-rate loan. Shared-equity models lower the barriers to entry and allow families to accumulate assets that can be passed on to the next generation.

TOOL

Shared equity home ownership.

What is it? Shared-equity models require the purchase only of a home and not the land on which it sits. Instead, land is owned collectively, and individual families rent the land from the collective. Self-governance allows the residents to negotiate the cost of entry and the rental price. When residents leave, the same self-governing body limits the equity that the residents receive.

CRITICAL PARTNERS

Municipal government, nonprofit organizations, financial institutions

PROMISING MODELS AND KEY ELEMENTS	GENERAL MODEL IMPLEMENTATION CONSIDERATIONS
RAISE-OP (Lewiston, ME) cooperative housing model:	
• Nonprofit cooperative purchased and renovated housing stock • Sale price of homes are capped and sale restricted to income-eligible families • Residents are shareholders in the cooperative and make decisions democratically • Multiple financing sources including the city and the Cooperative Fund of Northeast	• Smaller-scale housing ownership model (just over 20 units in total) • Additional ownership options dependent on the launch of more cooperative housing projects • Partners and financing models shift, depending on the needs of the housing project
Champlain Housing Trust (Northern Vermont) community land trust:	
• Land held in trust, with residents sitting on board of the landowning organization • Purchases and oversees resale of restricted-cost single-family homes and condominium units • In-house mortgage lending • Pre- and postpurchase counseling, foreclosure prevention, financial counseling and education, and delinquency intervention, among other services	• Scale of housing development dependent on availability/ acquisition of land • Importance of lending and technical assistance embedded within the trust
Hillcrest Mobile Home Park (Middleborough, MA) resident-owned community (ROC):	
• Tenants association ownership of land and underlying infrastructure • Privately owned homes • Democratically elected board of directors creates/implements park policies • Membership in national ROC network provides ongoing technical-assistance support	• Part of national ROC network, which offers replicable governance and land-financing model along with ongoing technical support

TABLE 1 (continued)

GOAL
Establish new pathway to passive wealth accumulation for historically excluded/underrepresented populations *Why?* Many traditional pathways for passive wealth accumulation, including property ownership and other mechanisms that rely on existing financing structures, have systematically excluded some groups from access. Dismantling these obstacles can prove extremely difficult. Strategies that create new pathways can circumvent such barriers.
TOOL
Employee business ownership *What is it?* Employee ownership is a suite of options for structuring firms in which employees own a stake in the company. This stake is an appreciable asset: as the company succeeds, employees accumulate wealth in addition to their paychecks. These models have shown potential for significant asset accumulation with little or no initial investment.
CRITICAL PARTNERS
N/A

PROMISING MODELS AND KEY ELEMENTS	GENERAL MODEL IMPLEMENTATION CONSIDERATIONS
King Arthur Flour:	
• Employee-based governing board • Democratic business decision-making structure • Profit sharing among full, part-time, and seasonal employees • No external shareholders	• Original owner must be interested in transition to employee-ownership model • State tax-incentive system not necessarily set up to encourage employee-ownership models • Legal and technical expertise needed to shift ownership structure • Employee ownership transition done one business at a time

TABLE 1 (continued)

GOAL
Reduce personal risk and increase access to and returns on stock investments among low-income families who otherwise might not be able to participate in the market *Why?* Passive wealth accumulation requires appreciation, but investing in the stock market can be risky. Spreading the risk across a larger pool mitigates it for each participating individual.

TOOL
Collective investment *What is it?* Collective investments are communally held investment funds in which all investors make investment decisions collectively.

CRITICAL PARTNERS
Financial institutions, public sector, philanthropy nonprofits

PROMISING MODELS AND KEY ELEMENTS	GENERAL MODEL IMPLEMENTATION CONSIDERATIONS
The Boston Ujima Fund:	
• Democratic, multistakeholder coalition driving investment decisions • Sliding-scale investment options • Strategy shields against personal risk • A focus on local investments that help to grow both personal and community wealth and resilience	• Model supported through operational and seed capital from grants, philanthropic investments, and other forms of lower-cost capital • Currently focused on the Greater Boston Area • Transparency in financial reporting, including quarterly investor reports and financial dashboards available to the public
The Mission Asset Fund's Lending Circles (California):	
• A Rotating Savings and Credit Association (ROSCA) • Enables individuals to make small monthly contributions to a collective loan pool • Each month, the recipient of that pooled fund rotates • Loans are non-interest-bearing, which helps participants build not only wealth but also improved credit history	• Has scaled nationally • Outcome data show increase in individual credit scores and decrease in personal debt

TABLE 1 (continued)

GOAL	
Use public policy to leverage collective wealth to create passive wealth accumulation pathways. *Why?* Past policy has restricted some groups from access to passive wealth accumulation while subsidizing it for others. Public investment in passive wealth funds for children in low-wealth families can help to level the playing field.	
TOOL	
Baby bonds initiatives *What is it?* Baby bonds are trust accounts for low-income children, seeded with public funds. State and federal legislation has been introduced to establish such accounts.	
CRITICAL PARTNERS	
Public Sector	
PROMISING MODELS AND KEY ELEMENTS	**GENERAL MODEL IMPLEMENTATION CONSIDERATIONS**
Connecticut baby bonds bill	
• Creates an account with $3200 for each child born after July 1, 2023, who is enrolled in Medicaid • Earmarks $50 million in the state budget to establish these accounts	• Legislative intervention that can be universal or targeted • Can be launched at the local, state or national level • Self-sustaining funding source

TABLE 2: APPRECIABLE ASSETS

Examples of strategies that increase access to appreciable assets

GOAL

Increase access to down-payment funds for first-generation, first-time home buyers, in order to facilitate entry into homeownership

Why? Because of the compounding, generational nature of wealth disparities, securing a down payment, even one of 3 percent, is a significant barrier to homeownership for historically disenfranchised populations.

TOOL

Down-payment assistance programs

What is it? Down-payment assistance programs offer support in the form of grants or forgivable loans.

CRITICAL PARTNERS

Federal home loan banks, community development financial institutions, community development credit unions, state and federal stakeholders, philanthropy

PROMISING MODELS AND KEY ELEMENTS	GENERAL MODEL IMPLEMENTATION CONSIDERATIONS
National Housing Alliance's proposed framework for targeted down-payment assistance programs:	
• Must be first-generation, first-time home buyers • Minimum down-payment assistance of $20,000 per applicant • Eligible participants would earn no more than 120 percent of area median income • Prepurchase consulting with HUD-approved agency • Potential homebuyers must work with qualified mortgage lender • Federal special-purpose credit program funding would underwrite costs of local down-payment assistance program	• A proposed national framework that has not been piloted yet • Self-sustaining funding source • Can be launched at community or state level

TABLE 2 (continued)

GOAL
Ensure low-income and low-wealth families have pathways for investing in appreciable assets *Why?* The terms of entry into the housing market significantly impact the ability of families to protect and grow wealth. Ensuring families have access to seed capital and to flexible and protective underwriting criteria is important to ensuring access to appreciable assets and sustainable ownership.
TOOL
Mortgage lending programs for subprime borrowers *What is it?* There are several innovative examples of financial agencies designing more inclusive lending products and policies that reduce traditional barriers to the housing market for first-time low- and moderate-income families.
CRITICAL PARTNERS
Financial Institutions, state government, philanthropy

PROMISING MODELS AND KEY ELEMENTS	GENERAL MODEL IMPLEMENTATION CONSIDERATIONS
MHP's ONE Mortgage program (Massachusetts):	
• Low down-payment requirement (3 to 5 percent down) • Prime-rate mortgages to families who might not qualify with mainstream lenders • No private mortgage insurance • No restrictions on where families can purchase a home	• Self-sustaining legislative model mandates banks set funding aside to sustain MHP • Scaled statewide • Could be replicated in other states • No evaluation of program or outcomes
Four Directions Development Corp. lending program (Maine):	
• Low down-payment requirement (3 to 5 percent down) • Applications assessed by a locally representative loan committee • Ability to meet safety and soundness standards while considering alternative sources of personal credit • Inversion of traditional interest rate scale, giving lowest-income families more favorable interest rates • A lending model that is now being replicated by other Native community development financial institutions across the country	• Secure low-cost capital from partners like philanthropy • Consideration of loan-servicing costs • Longitudinal program and participant outcome tracking, including foreclosure and default rates

TABLE 2 (continued)

GOAL	
Promote entrepreneurship among those historically excluded from networks or resources necessary for starting a business *Why?* Limited access to extended family wealth alongside policy and practice, which has actively restricted private capital, has meant enterprises of color face stark barriers to business creation and long-term sustainability.	
TOOL	
Technical assistance support and access to capital for historically underserved and underrepresented entrepreneurs *What is it?* Partnership between financial institutions and local nonprofits to provide a mix of capital and technical-assistance support for entrepreneurs to create, sustain, and grow their businesses.	
CRITICAL PARTNERS	
Financial institutions, public sector, city partners, and philanthropy	
PROMISING MODELS AND KEY ELEMENTS	**GENERAL MODEL IMPLEMENTATION CONSIDERATIONS**
Entrepreneurs of Color Fund (Washington, D.C.):	
• Launched with $8.5 million dollars in philanthropic capital • Overseen by coalition of diverse local community stakeholders, including City First Enterprises, Coalition for Nonprofit Housing and Economic Development, Latino Economic Development Center, Washington Area Community Investment Fund, and Capital Impact Partners • Provides low-cost loans from $5,000 for new businesses and up to $250,000 for established and growing businesses and larger tailored capital investments for businesses ready to scale • Support programming provides underserved entrepreneurs with business education, consulting services, and partnerships with anchor institutions	• Seed capital from philanthropic partners • Coalition of partners overseeing the fund and loan awards • Recently launched, so no outcome evaluation data yet

TABLE 3: WEALTH

Examples of strategies that help families to protect wealth

GOAL

Protect wealth held in homes by maintaining home ownership

Why? Homeownership itself does not guarantee wealth creation. Instead, vulnerabilities associated with homeownership can contribute to deep inequalities. Staying current on the mortgage is one piece of maintaining the value of this important family (and community) asset.

TOOL

Foreclosure prevention

What is it? Cities and states including Chicago, Philadelphia, Connecticut, Massachusetts, and Ohio have developed foreclosure prevention supports meant to help keep families in their homes.

CRITICAL PARTNERS

City government, municipalities, legal partners, nonprofits, philanthropy

PROMISING MODELS AND KEY ELEMENTS	GENERAL MODEL IMPLEMENTATION CONSIDERATIONS
City of Chicago's Home Ownership Preservation Initiative (HOPI):	
• Guaranteed access to legal counsel • Access to prepurchase and postpurchase counseling and education • Refinancing support in the form of both technical support and access to state-regulated financial products • Systematic collection and analysis of best practices for the mortgage and servicing industry	• Overseen by the Neighborhood Services of Chicago, which tracks data on citywide foreclosure trends and HOPI participants • Engages public/private partners and funding to sustain range of supports • Programmatic supports are city specific
Other promising state-level supports:	
• Hardship grants, which help homeowners facing unforeseen emergencies to access funds to cover mortgage payments • Larger no-interest loans, which can help families facing more systemic economic loss reduce their monthly mortgage payments	

TABLE 3 (continued)

GOAL

Protect and grow wealth held in homes by supporting ongoing investment invest in the maintenance and upkeep of houses in order to protect their value.
Why? In addition to staying in their homes, homeowners need to be able to maintain or even improve their homes. Home maintenance can incur unexpected and significant costs.

TOOL

Low-cost home equity loans for home repair and upkeep
What is it? A low-cost home equity loan program can enable low-income homeowners to keep up and maintain their homes and, in doing so, to protect the value of this critical family (and community) asset.

CRITICAL PARTNERS

Municipalities, financial institutions

PROMISING MODELS AND KEY ELEMENTS	GENERAL MODEL IMPLEMENTATION CONSIDERATIONS
City of Boston's HomeWorks Home Equity Loan Program:	
• Deferred loan of up to $20,000 for home repairs to owners of single- to four-\ family homes • 0 percent interest • No monthly payment and does not become due for repayment until the owner sells or transfers ownership of the property or undertakes a cash-out refinance of the home • No owner match requirements for homeowners with incomes below 120 percent of area median income	• Self-sustaining funding model • City-specific program • Scaling without public funding source could be difficult • Loan time frames and repayment can be long

TABLE 3 (continued)

GOAL	
Ensure access to financial products that grow and protect wealth *Why?* The terms of entry into investments like homeownership and entrepreneurship significantly impact the ability of families to protect and grow wealth. Ensuring families have the ability to navigate the lending landscape is important for sustainable ownership.	
TOOL	
Supports that help families navigate the landscape of financial products *What is it?* Financial navigation supports can help families make informed decisions about financial products.	
CRITICAL PARTNERS	
Nonprofits, business sector, municipalities, philanthropy	
PROMISING MODELS AND KEY ELEMENTS	**GENERAL MODEL IMPLEMENTATION CONSIDERATIONS**
Neighborhood Trust Financial Partners:	
• Community financial institution supporting wealth development for workers of color by providing these services in partnership with employers • Financial counselors partner with human resource departments to: – Work to understand the needs/goals of each employee – Connect employees to tools that help them eliminate debt and improve credit scores – Help employees understand and navigate the range of nonpredatory financial services and products that match their particular needs and goals	• Need employer buy-in to shift private-sector systems • Funded through combination of public/private sources, including state revenue • Model has not been replicated

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