

“Social justice should be the underlying goal of all humanity.”
-Alan V. Lowenstein, Institute Founder



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TESTIMONY OF NICHOLE NELSON
NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE

BEFORE THE
HOUSING WORKING GROUP OF THE NEW JERSEY WEALTH
DISPARITY TASK FORCE

WEDNESDAY, SEPTEMBER 7, 2022

Good Evening, Co-Chairs and members of the Housing Working Group of the New Jersey Wealth Disparity Task Force. Thank you for the opportunity to speak about the intersection of the state’s staggering racial wealth gap and racial homeownership gap.

My name is Nichole Nelson, and I am a Mellon/ACLS Public Fellow and Policy Analyst at the New Jersey Institute for Social Justice. The Institute’s advocacy empowers people of color by building reparative systems that create wealth, transform justice and harness democratic power – from the ground up – in New Jersey.

New Jersey’s staggering racial wealth gap was created on a foundation of policies that supported wealth-building for white families while excluding Black families,¹ giving white homebuyers a head start in accessing homeownership while Black families simultaneously faced more tenuous financial footing that persists today.²

With a median household wealth of \$322,500, one of the highest in the nation, white New Jersey families have substantially more wealth to invest in buying a home than Black families, whose median household wealth is just \$17,700.³ White people are more likely to have access to family wealth that has been passed across generations from periods in which discrimination and racial exclusion were explicit.⁴

In this testimony, informed by my recent report *Black Homeownership Matters*, I will discuss how New Jersey can address the racial wealth gap by closing the racial homeownership gap.

I. New Jersey Must Invest in Black Homeownership

Unequal access to homeownership is a primary driver of New Jersey's racial wealth gap – one of the highest in the nation.⁵ Unfortunately, Black New Jerseyans lack the same access to homeownership and wealth gains from homeownership afforded to white people in the state.⁶ Just 38.4% of Black New Jerseyans own homes compared to 75.9% of white New Jerseyans.⁷ In addition, the typical white family in New Jersey has \$132,000 in home equity, while the typical Black family rents so they have \$0 in housing wealth.⁸ Black households that do own homes face substantial barriers to wealth-building through homeownership and thus enjoy significantly fewer financial benefits from their investment than their white peers do.⁹

II. Reasons for the State's Racial Homeownership Gap

As examined in the Institute's *Erasing New Jersey's Red Lines* and *Making the Two New Jerseys One* reports, today's racial gaps in wealth and homeownership started with slavery and continued with generations of policies that prevented Black New Jerseyans from full social, political and economic participation in the state.¹⁰ Early racial restrictions on building wealth through property ownership were exacerbated over generations for Black New Jerseyans through racially restrictive covenants, redlining, exclusion from the GI Bill and predatory lending during the Great Recession.¹¹

Unfortunately, there are also barriers to Black homeownership that persist in the present.

Fair access to affordable home loans remains a substantial barrier to homeownership and the wealth-building benefits of owning a home for Black New Jersey families.¹² In 2017, high-income Black New Jerseyans were more likely to be denied a single-family home loan than low-income white people (12% versus 10%).¹³

Additionally, New Jersey currently has state homeownership programs that do not meet Black new homebuyers' needs.¹⁴

III. New Jersey Must Enact Policies to Help Black New Jerseyans Own Homes and Earn the Same Benefits from Homeownership as White New Jerseyans

While there are several policies that the Institute believes will help close both New Jersey's racial wealth gap and racial homeownership gap, I would like to lift up two that we strongly urge the Task Force to support as top priorities.

First, New Jersey must eliminate biased appraisals to help Black homeowners equitably accumulate wealth through homeownership.¹⁵ Under S777/A1519,¹⁶ appraisers who commit discrimination will be fined or have their licenses suspended.¹⁷ In addition, appraisers and real estate agents will be required to provide homebuyers and owners with more information about their rights and opportunities to report appraisal discrimination.¹⁸ Recently, California adopted similar legislation to combat discrimination in home appraisals.¹⁹ The Biden Administration has also identified home appraisal discrimination as a priority and recently released an action plan to address this issue.²⁰

New Jersey should prioritize combatting home appraisal discrimination and pass this important legislation in the strongest form possible.

And second, we urge the Task Force to lift up the need for New Jersey to create down payment assistance programs specifically for first-generation homebuyers.²¹ Research has shown that first-generation homebuyers' programs are a more effective alternative to first-time homebuyers' programs to target homebuyers of color, and thus close the racial wealth gap.²² Boston's first-generation homebuyers' program is a potential model for New Jersey's own first-generation homeownership efforts.²³ In 2021, the City of Boston partnered with the Massachusetts Affordable Housing Alliance (MAHA) to provide first-generation Boston homebuyers who saved \$2,500 with matching funds of \$5,000 for a total of \$7,500.²⁴ Black people are the largest beneficiaries of MAHA's program, making up 73% of program participants.²⁵ Thus, to ensure a more targeted approach to closing New Jersey's racial wealth gap than exists with the current state down payment assistance program, the state should focus its existing programs on first-generation homebuyers.²⁶

IV. Conclusion

Thank you for considering the Institute's testimony and we urge you to strongly support the policy proposals that the Institute has recommended to close the racial homeownership gap and the racial wealth gap in the Garden State.

¹ N.J. INST. FOR. SOC. JUST. BLACK HOMEOWNERSHIP MATTERS: EXPANDING ACCESS TO HOUSING WEALTH FOR BLACK NEW JERSEYANS 10 (2022), https://assets.nationbuilder.com/njisj/pages/689/attachments/original/1651592853/Black_Homeownership_Matters_Report_5.3.22_web.pdf?1651592853.

² *Id.*

³ *Id.*

⁴ *Id.*

⁵ *Id.* at 2.

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.* at 3 and N.J. INST. FOR. SOC. JUST. MAKING THE TWO NEW JERSEYS ONE: CLOSING THE \$300,000 RACIAL WEALTH GAP IN THE GARDEN STATE (2022), https://assets.nationbuilder.com/njisj/pages/689/attachments/original/1645217098/Making_the_Two_New_Jerseys_One_2.15.22-compressed.pdf?1645217098.

¹¹ N.J. INST. FOR. SOC. JUST. BLACK HOMEOWNERSHIP MATTERS 3.

¹² *Id.* at 11.

¹³ *Id.* at 12.

¹⁴ *Id.* at 17.

¹⁵ *Id.* at 22.

¹⁶ *Id.*

¹⁷ *Id.* and N.J. Senate, S. 777, 220th Leg., Reg. Sess. (N.J. 2022), https://pub.njleg.state.nj.us/Bills/2022/S1000/777_R2.PDF.

¹⁸ N.J. INST. FOR. SOC. JUST. BLACK HOMEOWNERSHIP MATTERS 22.

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.* at 18.

²² N.J. INST. FOR. SOC. JUST. BLACK HOMEOWNERSHIP MATTERS 22.

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.*