



**Real Estate and Urban Economics Seminar**  
**Financial Constraints and the Racial Housing Gap**

Thursday, April 7, 2022  
**(new time) 11:15 a.m. - 12:30 p.m.**  
UCLA Anderson School of Management  
Room B-313, Gold Hall

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**Abstract**

Financial constraints can lead to persistent disparities in wealth across demographic groups and geographies. We document large differences in housing leverage by race, mirroring well established differences in pre-existing wealth and family assistance via bequests. Financial constraints—particularly leverage constraints—lead minority borrowers to specific mortgage channels, especially Federal Housing Administration (FHA) loans. Use of these channels in turn limits access to high opportunity areas. We use a structural model to highlight the persistent impact of these initial conditions for asset purchases on spatial misallocation and long-term wealth accumulation for minority borrowers. Our model highlights tensions in policies to address racial gaps in wealth, leverage and homeownership. Highly effective policies for addressing the racial wealth gap—e.g. direct transfers—have relatively little impact on the homeownership gap. Most households adjust their leverage or location choice but not the decision to buy. Many policies that explicitly target housing shrink the wealth gap at the top of the distribution with little effect at or below the median. Our results highlight important inequalities in use of the housing ladder as a means of wealth accumulation, and difficult tradeoffs and tensions in policies intended to address these disparities.

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