

THE OPPORTUNITY COMPACT

Blueprint for Economic Equality

National Urban League Policy Institute

INTRODUCTION TO THE OPPORTUNITY COMPACT

Opportunity ▪ *noun*
: a good chance for advancement or progress

Compact ▪ *noun*
: a signed written agreement between two or more parties to perform some action

WHAT IS THE OPPORTUNITY COMPACT?

The Opportunity Compact is a comprehensive set of principles and policy recommendations set forth by the National Urban League (NUL) designed to empower all Americans to be full participants in the economic and social mainstream of this nation. In pursuit of this end, NUL 1) identifies principles that reflect the values inherent in the American dream; 2) examines the conditions that have separated a significant portion of the American population - particularly the poor and disadvantaged residents of urban communities - from accessing that dream; 3) proposes, for honest evaluation and discussion, several policy recommendations intended to bridge the gap between conceptualization and realization of the American dream.

The Opportunity Compact is the culmination of extensive research and policy analysis by the National Urban League Policy Institute (NULPI) and is based upon the input of dozens of policy experts from academia, public policy think tanks, non-profit service and advocacy organizations, the business sector, and the Urban League movement. Among other things, the NULPI hosted a series of five roundtable discussions and obtained feedback and recommendations from numerous experts concerning the development of a coherent and comprehensive plan for empowering the nation's urban communities. As the foundation for such a plan, NUL has clearly identified four cornerstones that reflect the values represented by the American dream: (1) The Opportunity to Thrive (Children), (2) The Opportunity to Earn (Jobs), (3) The Opportunity to Own (Housing) and (4) The Opportunity to Prosper (Entrepreneurship). These cornerstones are supported by a list of policy priorities.

WHO ARE THE ENTITIES INVOLVED?

The words *opportunity* and *compact*, as defined above, offer a concise and self-explanatory description of what *The Opportunity Compact* represents – an agreement between interested parties to take actions that will improve the chances for advancement and progress of those living in America's cities. The diversity of talents, experiences, ideas and interests represented in the population of the United States is the greatest asset

this country possesses. As such, NUL believes that the collaborative efforts of private citizens, national, state and local governments, community-based service providers and the business community will expand opportunities for advancement and progress among the poor, disadvantaged and underserved. The policy recommendations offered in this report are not a laundry list of things for the federal government to perform on behalf of a select group of citizens. Rather, there is a role for all parties – public and private - to play as we together seek to strengthen our nation by maximizing the potential of all our citizens.

WHAT IS THE DESIRED OUTCOME?

The National Urban League embarked upon the task of developing *The Opportunity Compact* with the goal of drawing upon the strength of NUL's ninety-seven year history as the nation's oldest and largest community-based movement for social and economic empowerment to reassert the organization as a proactive and effective agent in the development of public policy. This document serves as a vehicle through which to assert specific principles and policy recommendations as the foundation for a plan of action to address the challenges faced by those in urban communities throughout the country. As such, this document is also intended to elicit serious responses from the 2008 presidential candidates, legislators, the private sector, the public and other community-based organizations with the ultimate objective of putting in place a comprehensive plan for advancing the promise of America's cities. By generating new ideas, initiating productive partnerships and fostering collaboration, *The Opportunity Compact* seeks to expand access to the incentives and rewards that act as the driving force behind what makes this country great – personal responsibility, initiative and hard work.

CORNERSTONES & GUIDING PRINCIPLES OF THE OPPORTUNITY COMPACT

There are four cornerstones to *The Opportunity Compact*:

1. Opportunity to Thrive (Children)

- Every child in America deserves to live a life free of poverty that includes a safe home environment, adequate nutrition, and affordable quality health care.
- Every child in America deserves a quality education that will prepare them to compete in an increasingly global marketplace.

2. Opportunity to Earn (Jobs)

- Every willing adult in America should have a job that allows them to earn a decent wage and provide a reasonable standard of living for themselves and their families.
- Every adult in America should have equal access to the resources that enhance employability and job mobility, including postsecondary education and other investments in human capital.

3. Opportunity to Own (Housing)

- Every adult in America should have access to the financial security that comes from owning a home.

4. Opportunity to Prosper (Entrepreneurship)

- Every individual in America who possesses entrepreneurial vision, ingenuity, drive and desire should have access to the resources needed to establish and grow a viable business enterprise.

POLICY RECOMMENDATIONS

OPPORTUNITY TO THRIVE

Education

1. Fully fund No Child Left Behind (NCLB), ensure that all monies authorized are appropriated to reach all eligible children and close the equality gap by ending resource inequities in our schools.
2. Require states to compare and publicly report resources available to achieve a sound and basic education for every child in every school.
3. Replace Annual Yearly Progress (AYP) with a Comprehensive Accountability Framework that can more accurately capture student performance using multiple measures of achievement.
4. Enact a federal teacher and principal supply policy to identify and support highly qualified and effective teachers and leaders for all students.
5. Establish a private right of action that gives parents and other concerned parties the ability to hold districts, states, and the U.S. Department of Education accountable for implementing the requirements of NCLB.
6. Guarantee that all three- and four-year olds have access to full day, developmentally appropriate, high quality early childhood education.
7. Change Supplemental Education Services (SES) eligibility requirements to offer immediate academic support to all students not “proficient.”
8. Provide increased funding to states for SES and require districts to provide academic support to ALL eligible students.
9. Create a new federal secondary school improvement fund to support low-performing middle and high schools.
10. Increase funds to provide for more meaningful, understandable and timely information regarding key school and student performance data.

Health

1. Implement a comprehensive and universal health insurance system for all Americans.
2. Develop a comprehensive health infrastructure for the delivery of health education, prevention and intervention initiatives for African Americans.
3. Conduct a thorough examination of the criminal justice system as it relates to treatment and rehabilitation of African-American males.
4. Examine chronic health conditions in a context of economic, sociologic and environmental contributors.
5. Increase the Career Pipeline and Access for Minorities in the Health Professions.

OPPORTUNITY TO EARN

1. Increase funding for proven and successful models of workforce training and job placement for under-skilled workers between the ages of 16 and 30 such as the
2. Department of Labor's "Responsible Reintegration of Youthful Offenders."
3. Direct a percentage of all infrastructure monies to job training, job placement and job preparation for disadvantaged workers.
4. Target workforce investment dollars to the construction industry jobs that an infrastructure program will create and, where reigniting the construction industry is a goal, pre-apprenticeship programs must be funded in that sector.
5. Fund infrastructure development for public building construction and renovations of schools, community centers, libraries, recreation centers, parks, etc., that will rebuild and revitalize urban communities.
6. Re-establish a temporary Public Service Employment (PSE) program aimed at creating 150,000 – 200,000 jobs in urban areas to forestall a reduction in public services and an increase in job losses.

OPPORTUNITY TO OWN

Pass a “Homebuyers’ Bill of Rights” that:

1. Funds homeownership education and counseling, financial literacy workshops, credit counseling, fair housing advocacy and foreclosure prevention assistance that uses national minority housing intermediaries with a track record of providing effective counseling assistance in underserved minority urban communities;
2. Provides for Individual Development Accounts for homeownership administered by employers as matched savings plans for the future purchase of a home and offer housing tax credits for people below a certain income level;
3. Strengthens the Community Reinvestment Act (CRA) as it is applied to banks and expands its reach to non-bank financial institutions in to encourage banks to respond to a variety of needs in low- and moderate-income communities and enforce stricter standards that eliminate incentives for predatory loans and provides greater transparency;
4. Creates a HUD Task Force to vigorously investigate and prosecute violations of fair-housing laws and authorize congressional oversight hearings to hold HUD accountable;
5. Demystifies the credit reporting system through creation of a public education and awareness campaign about credit scoring and its impact on wealth creation, and establishment of a penalty structure for credit reporting bureaus that maintain inaccurate client files;
6. Reauthorizes and improves HOPE VI.

OPPORTUNITY TO PROSPER

1. Restore and Make Permanent the Small Business Administration’s Community Express Loan Program.
2. Continue Funding for the New Market Tax Credit Program Beyond 2009.
3. Strengthen and Enforce Federal Minority Business Opportunity Goals in Government Contracting.
4. Expand the Number of Small Minority Businesses Involved in STEM (Science, Technology, Engineering and Math).
5. Develop an Affordable National Health Insurance Option.

MAKING THE CASE

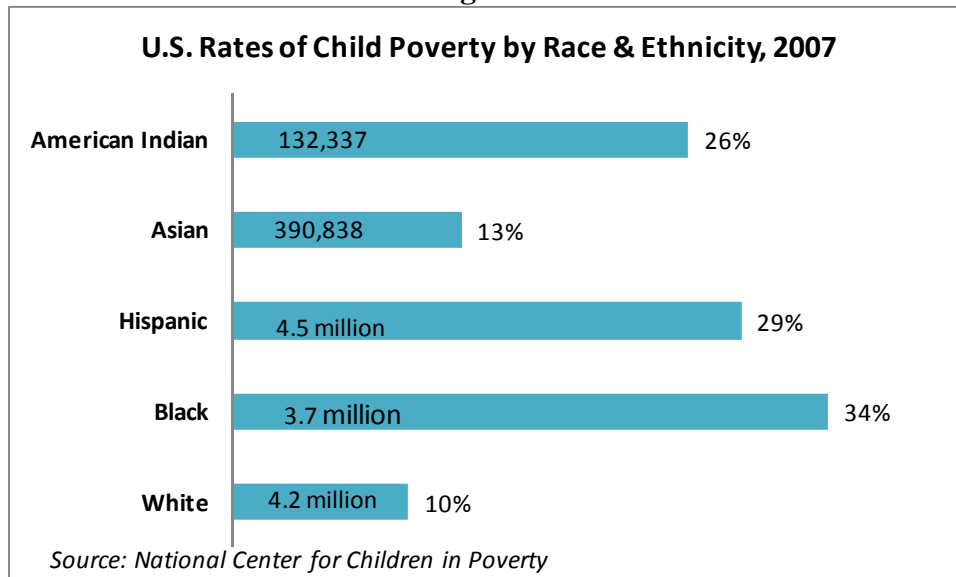
The Opportunity to Thrive (Children)

America's performance, relative to other global leaders, in the provision of services to children offers a sobering picture of our national priorities. According to UNICEF, among developed countries, the United States ranks 20 out of 24 in children's material well-being, 14 out of 24 in children's educational well-being, and last in children's health and safety¹. These international comparisons only tell part of the story about the unforgiving injustices that minority children face daily due to disproportionate rates of poverty, inadequate education and a lack of accessibility to healthcare.

U.S. Childhood Poverty

On a daily basis we see the harsh and brutal toll that poverty has on the children of third-world countries. As a world leader, America along with the United Nations has made eradicating poverty a priority in less-developed countries. However, given the resources available in the United States, the statistics on childhood poverty in this country are alarming and inexcusable. Despite moderate economic growth, about 1.2 million more children were living in poverty in 2006 than in 2000.

Figure 1



The fact that nearly 13 million American children live in families with incomes below the federal poverty level doesn't tell the entire story of disparities based on locale and race. Children in urban areas are more likely to live in low-income families than are rural or suburban children and the rate of poverty for African American children (35%) is higher than that of any other group in this country (Figure 1). In 2003, 4.2 million

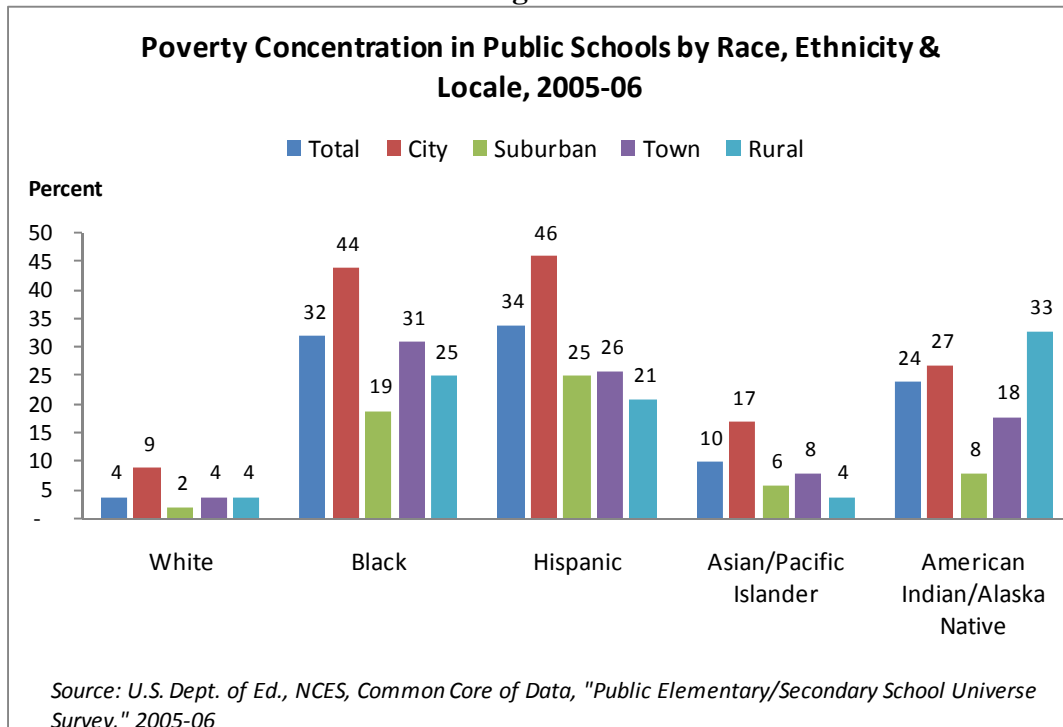
¹ See UNICEF. "Child Poverty in Perspective: An Overview of child well-being in rich countries," Innocenti Report Card 7, 2007.

families were classified as the working poor, many of which included children. Black and Hispanic workers were twice as likely as their white counterparts to be considered the working poor and black working women had a working poor rate of 12.5 percent, nearly twice the rate of working black men (7.2 percent). The poverty disproportionately experienced by African American and Hispanic children and families have led to experiences in poor education and school facilities, a lack of quality health care, isolation in poor, segregated urban neighborhoods, and high unemployment and underemployment of family members.

Education and the Achievement Gap

Despite the goals of the No Child Left Behind (NCLB) Act, African American and Latino students continue to lag behind their white and Asian American peers on national standardized achievement tests. However, the achievement gap is not the result of innate differences in ability. Rather, the disadvantages many minority students face on a daily basis can have a serious impact on their educational experiences. For example, minority students often attend high-poverty, poorly resourced schools with less rigorous curricula² (Figure 2). They also experience the injustices of overrepresentation in special education classes and under-representation in gifted and advanced placement classes³. In addition to inadequate resources, minority students are more likely to be taught by poorly

Figure 2



² See Christopher B. Knaus. "Still Segregated, Still Unequal: Analyzing the Impact of No Child Left Behind on African-American Students." In *The State of Black America 2007*. National Urban League. 2007.

³ See Caroline Rothert. "Achievement Gaps and No Child Left Behind." *Youth Law News*. April – June 2005.

qualified or inexperienced teachers⁴. Research also suggests students of color may experience bias, such as lower teacher expectations and less challenging academic standards than their white counterparts⁵.

The gaps that exist in grade school often have their roots in the early stages of child development. Before entering kindergarten, the average cognitive scores of pre-school age children in the highest socioeconomic group are 60% above the average scores of children in the lowest socioeconomic group⁶. At age 4, children who live below the poverty line are 18 months behind what is normal for their group; by age 10 that gap is still present⁷. Third graders are supposed to know about 12,000 words; however, third grade children from low-income families with uneducated parents have vocabularies around 4,000 words, one-third as many as their middle-income peers⁸. These statistics eventually translate into achievement gaps in high school as well. Statistics show that 12th grade African American and Latino students have reading and math skills that are almost equivalent to eighth-grade white students⁹.

Health Disparities and Healthcare for Poor Families

Poor and minority children, especially African American and Latino children, continue to lag behind whites and affluent children in almost every health indicator. Poor children and children of color are at a disproportionate risk for exposure to environmental hazards like lead paints, dampness and mold, and inadequate ventilation. As a result, African Americans and Latinos are two to six times more likely than whites to die from asthma¹⁰ and African American children are 5 times more likely than white children to suffer from lead poisoning¹¹. The pandemic of childhood obesity is also more common among African American children. In 2003-2004, a quarter of non-Hispanic black females ages 12 to 19 were overweight, compared to 15 percent of non-Hispanic whites and 14 percent of Mexican American youth¹². Children who are overweight run the risk of developing type-2 diabetes, cardiovascular problems and arthritis.

Children from communities of color are less likely to have employer-based coverage and are more dependent upon government programs such as Medicaid and the State Children's Health Insurance Program (SCHIP) which provide a safety net for the growing number of families without private health insurance. Slightly more than half of insured African American (51.3%) and Latino children (50.3%) are covered by these programs¹³. However, even since the inception of SCHIP, African Americans remain

⁴ Ibid.

⁵ Ibid.

⁶ See Lisa G. Klein and Jane Knitzer. "Promoting Effective Early Learning: What Every Policymaker and Educator Should Know." National Center for Children in Poverty. January 2007.

⁷ Ibid.

⁸ Ibid.

⁹ See Caroline Rothert. "Achievement Gaps and No Child Left Behind." *Youth Law News*. April – June 2005.

¹⁰ National Institute of Allergy and Infectious Diseases. 2002.

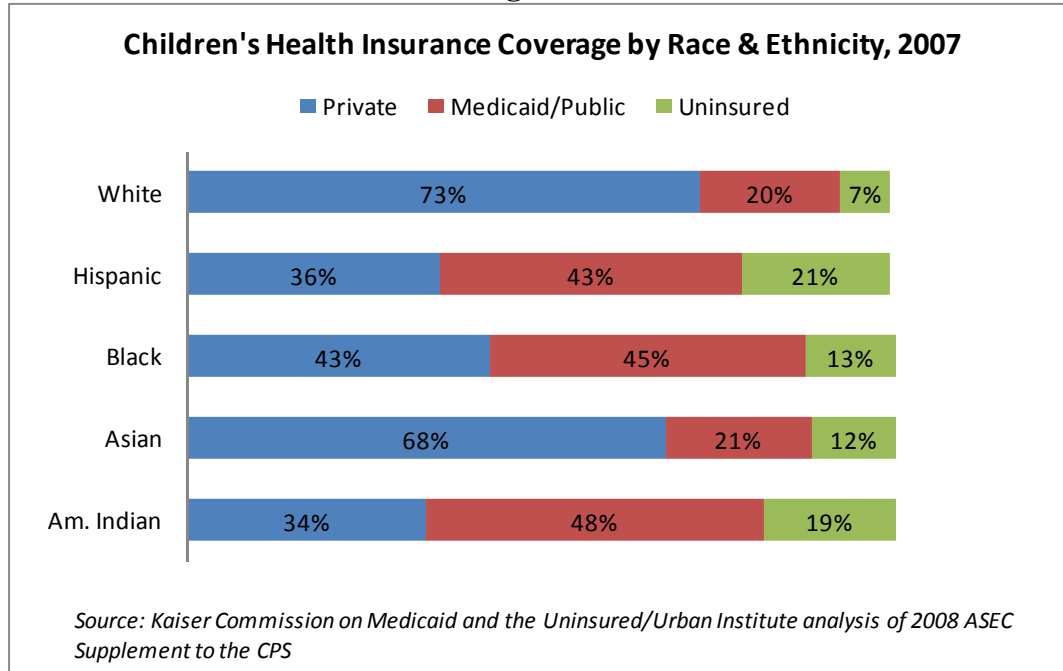
¹¹ See "Update: Blood Lead Levels in the United States, 1991-1994." *Morbidity and Mortality Weekly Report*, 46(7). Centers for Disease Control. 1997.

¹² See Cynthia Ogden et al. "Prevalence of Overweight and Obesity in the United States, 1999-2004." *Journal of the American Medical Association*. April 2006.

¹³ See Kaiser Family Foundation. "SCHIP and Children's Health Coverage: Leveling the Playing Field for Minority Children." December 2006. (www.kff.org)

twice as likely than whites to go uninsured, while Latinos remain three times as likely to go uninsured than whites (Figure 3). The sad reality is that 74% of the 8 million Americans who went uninsured in 2004 were eligible for coverage.

Figure 3



Uninsured African American children are also at higher risk for reduced access to health care. For example, they are 26 percent more likely to have delayed medical care due to cost and have an 81 percent higher likelihood of having no usual place of health care¹⁴.

The Opportunity to Earn (Jobs)

The Economic Plight of Working Families

The existence of a relatively large middle class makes the United States unique among nations and represents a real opportunity for social and economic mobility as a bridge between the extremes of poverty and wealth. For many Americans, attainment of middle class status has become synonymous with achieving the “American dream;” a dream rooted in a shared work ethic and sense of independence which says that there is value in work that empowers people to be responsible for their own well-being. By their own hard work people are able to provide certain necessities and comforts for themselves and their families including economic security, a safe home, a quality education for their children, reliable health care, and a comfortable retirement. This strong sense of independence, however, is balanced by a sense of fairness and social connectedness, as demonstrated by the public provision of certain types of safety nets.

¹⁴ See Children’s Defense Fund. *The State of America’s Children: Yearbook 2004*. July 2004.

Maintaining the economic security of middle class families, as well as access into the middle class for lower income families, is a vital part of preserving the very principles that make this country unique. It is also a vital part of eliminating gaps in income, wealth and educational attainment within this country that are too often defined along racial lines. Unfortunately, for a growing segment of the population, particularly working and middle-class families, economic security has grown increasingly difficult to maintain. In fact, according to a 2006 report from the Center for American Progress, the increase in downward short-term mobility from 1997-98 to 2003-04 was driven by the experiences of middle-class households (those earning between \$34,510 and \$89,300 in 2004 dollars)¹⁵. On the other hand, households in the top quintile saw no increase in downward short-term mobility, and households in the top decile (\$122,880 and up) saw a *reduction* in the frequency of large negative income shocks¹⁶. Some of the factors affecting the economic well-being of working families include low wage growth, rising costs of food, housing, medical care, child care, higher education and gasoline, and the disappearance of employer-provided pensions and health care benefits.

The following tables and graphs offer some insight into the economic plight of America's working families, with special attention directed toward differences between white and non-white working families. For the purpose of this analysis, a family is defined as a married couple or single parent primary family with at least one child under the age of 18. A family is considered working if in the last 12 months, family members age 15 and older have a combined work effort of at least 39 weeks or a combined work effort of at least 26 weeks plus one unemployed parent actively looking for work in the past four weeks.

Income Growth and Changes in the Cost of Living

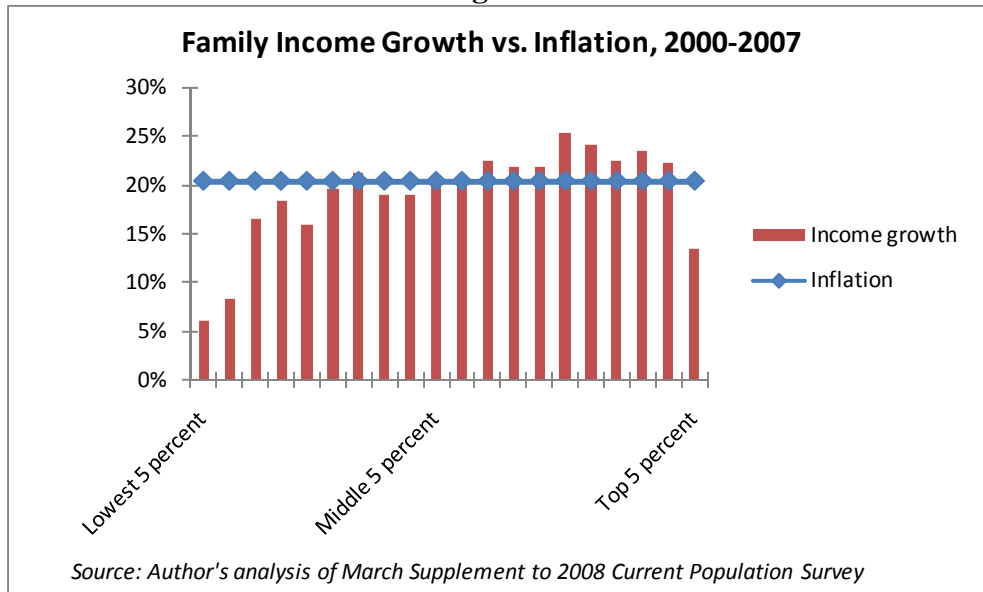
Working families have experienced a dramatic increase in the cost of living, while wage growth has failed to keep pace with these increases. For example, between 2001 and 2006, overall inflation increased by 14%¹⁷. This was accompanied by a less than 14% increase in the median family income of working families (Figure 4). Over the same period of time, there were especially dramatic increases in the price of goods such as gasoline (79%), college tuition and fees (45%), child care (26%), and medical care (23%).

¹⁵ See Tom Hertz. "Understanding Mobility in America." Center for American Progress publication. April 2006.

¹⁶ Ibid

¹⁷ All inflation estimates in this paragraph are based upon the Consumer Price Index for All Urban Consumers (CPI-U).

Figure 4



In addition to the wages earned through employment that enable families to pay for basic necessities like housing, food and clothing, health insurance coverage and pensions have also historically been closely linked to employment. The likelihood of receiving either of these benefits increases with a family's income which is representative of the fact that workers in better paying jobs are more likely to have access to employer-provided health insurance and pensions (Figures 5 & 6). At all levels of income, Hispanic workers are least likely to work for an employer that provides these benefits.

Figure 5

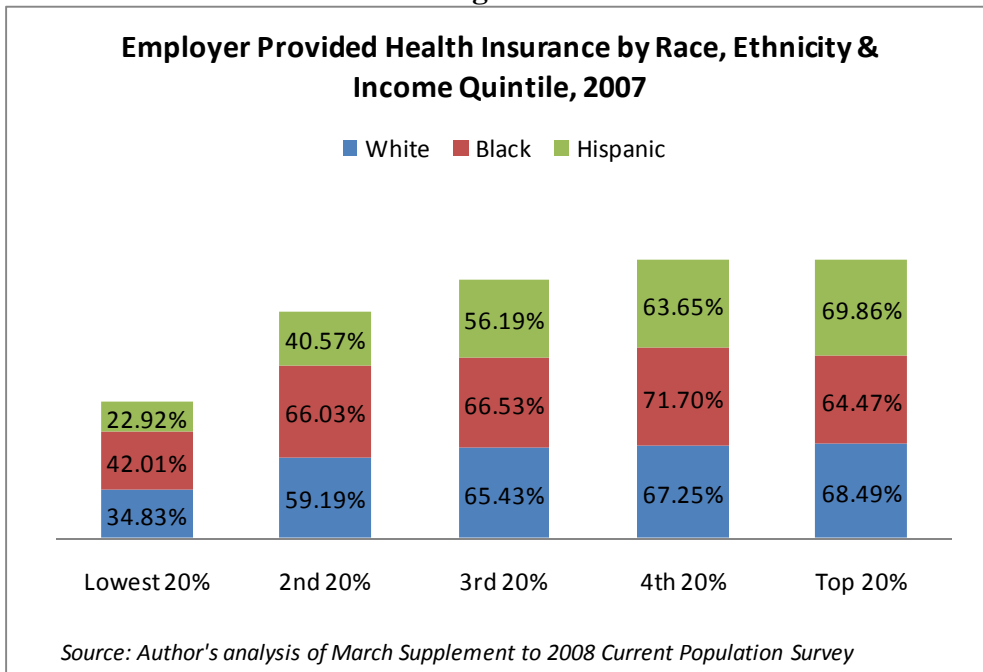
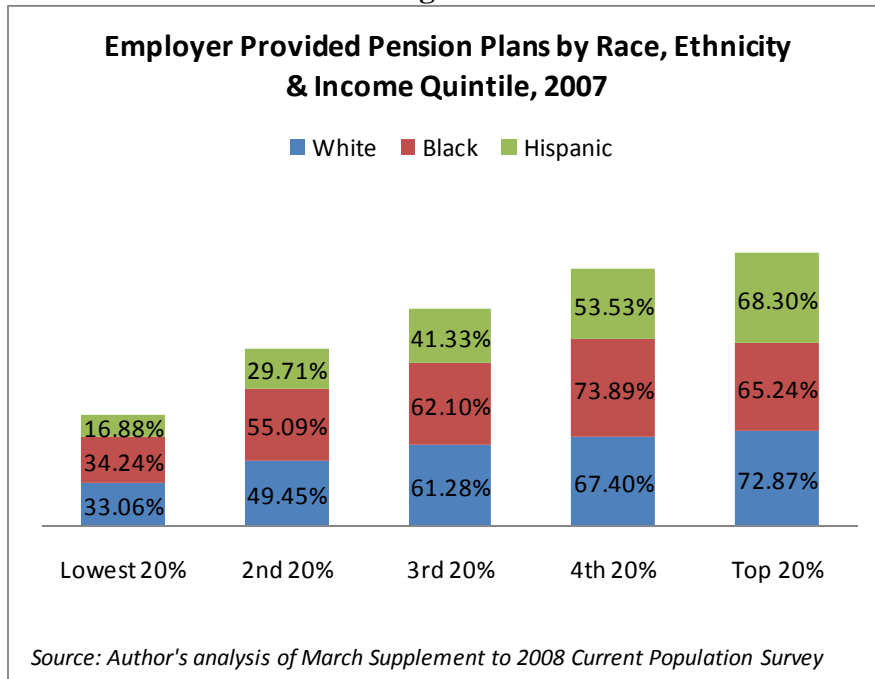


Figure 6



Poverty

Based on data from the March Supplement of the Current Population Survey (CPS), in 2006 7% of working families were living below the poverty threshold, while more than one-fourth of working families lived below 200 percent of poverty (Figure 7). Working families with a minority parent were three to four times as likely to be in poverty as families with a white parent (Figure 8). This statistic has intergenerational implications in that research suggests that African American children born in the bottom quartile are almost twice as likely to remain there as adults than white children born to parents with identical incomes¹⁸. These differences persist even after controlling for parental background factors, such as whether the household was female-headed or receiving public assistance.

¹⁸ See Tom Hertz. "Understanding Mobility in America." Center for American Progress publication. April 2006.

Figure 7

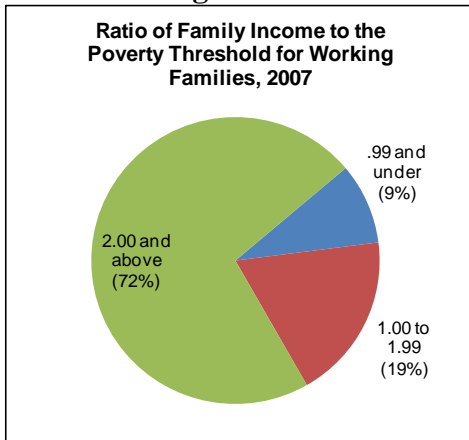
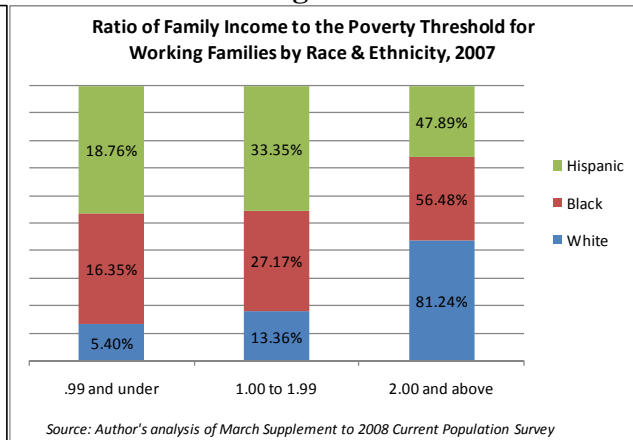


Figure 8



Family Composition and Educational Attainment

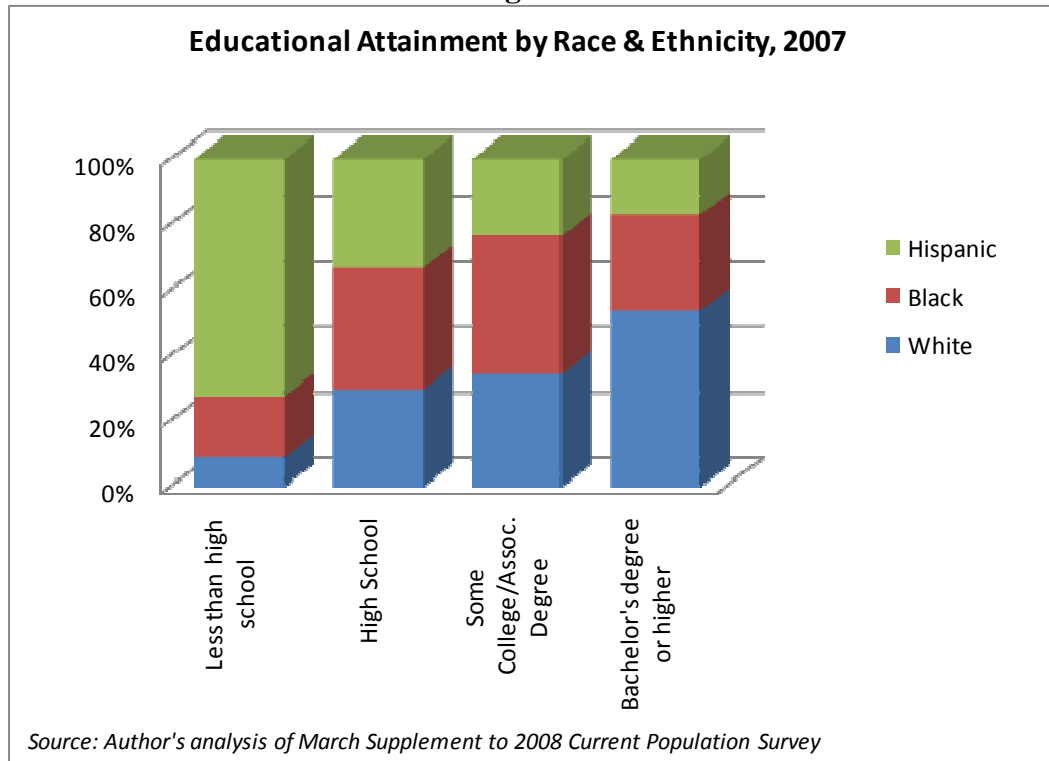
Two of the underlying factors in the existence of economic disparities along racial lines are differences in family composition and educational attainment. Family composition has a major effect on the number of wage earners in a home and thus the family's total income. Less than one-third of families in the lowest 20% of the income distribution have multiple earners, compared to 81% of families in the top 20 percent. In terms of family composition, slightly more than half (51%) of African American working families are headed by a married couple compared to over 82% of white and 79% of Hispanic families. Over three-fourths (77%) of all single parent working families are headed by a female¹⁹.

Educational attainment is also closely related to earnings. For example, according to 2005 estimates from the Bureau of Labor Statistics, individuals with a bachelor's degree earn more than one and a half times as much as high school graduates and more than twice as much as those without a high school diploma. Also, the black-white earnings gap narrows considerably when you compare median earnings of blacks and whites with a bachelor's degree or higher²⁰. Most adults in working families with a white parent have a bachelor's degree or higher (37%), while for African American working families, most adults have only a high school diploma (36%) and most adults in Hispanic working families have less than a high school diploma (33%) (Figure 9).

¹⁹ Based on author's analysis of Current Population Survey, March Supplement, 2006.

²⁰ See <http://nces.ed.gov/programs/coe/2006/section2/table.asp?tableID=475>

Figure 9



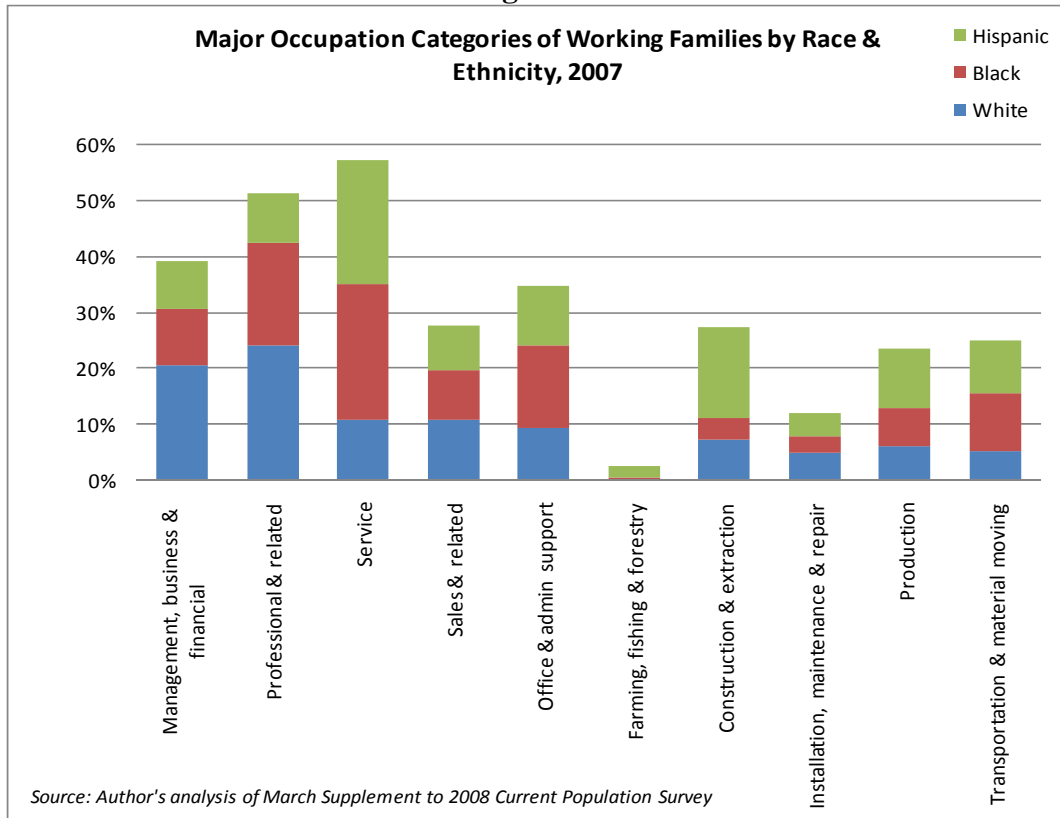
Occupations of Adults in Working Families

Finally, the majority of non-white adults in working families are employed in service occupations (23% of African American and 22% of Hispanic workers) while the majority of whites are employed in professional occupations (Figure 10). This too reflects differences in average educational attainment and much of the resulting differences in family income by race (Table 1). However, based upon research in *The State of Black America 2006*, there is a general pattern of exclusion in the most desired management and professional occupations even for black males with the requisite educational qualifications. This pattern, known as “crowding out”, also holds for the sales and office occupations²¹. As a matter of fact, only 14% (67 out of 475) of occupations in the U.S. exhibit no “crowding out” and the average wage across “crowded” occupations is 74% lower than the average wage across “crowded out” occupations²².

²¹ See Darrick Hamilton. “The Racial Composition of American Jobs.” In *The State of Black America 2006 report*. National Urban League. 2006.

²² Ibid.

Figure 10



Invisible Men: The Urgent Problems of Low-Income African American Males

The State of Black America 2007 was dedicated to various aspects of the plight of African American males. In many ways, two different worlds exist for African American males. In one world, the number of black men graduating from college has quadrupled since the passage of the 1964 Civil Rights Act; in the other, more black men are earning high school equivalency diplomas in prison each year than are graduating from college. In one world, black families consisting of a father and a mother have a median family income nearly equal to white families; in the other, more than half of the nation's 5.6 million black boys live in fatherless households, 40 percent of which are impoverished²³. The existence of these two worlds is both an example of what is possible, and a warning about the consequences of marginalization, racism and inequality.

Unemployment

Although the unemployment rate for all racial and ethnic groups follows the economic cycle (higher during recessions, lower during recoveries), black male unemployment is consistently higher than any other group and usually twice that of whites (Figure 11). If broken down by age group, nearly a third of black teens were unemployed in 2006, compared with only 15% of White teens (Figure 12). Although

²³ See Michael A. Fletcher. "At the Corner of Progress and Peril." *The Washington Post*. June 2, 2006.

unemployment declines as men age, black unemployment is still double that of whites for each age group. These high rates of unemployment among black males have been attributed to a lack of skills necessary for participation in today's mainstream labor force, a shortage of relatively well-paying jobs for those with less than a college education, and disproportionately high rates of incarceration, accompanied by discrimination by employers against former prisoners. The graphs in the next two sections detail some of the factors contributing to these disparities.

Figure 11

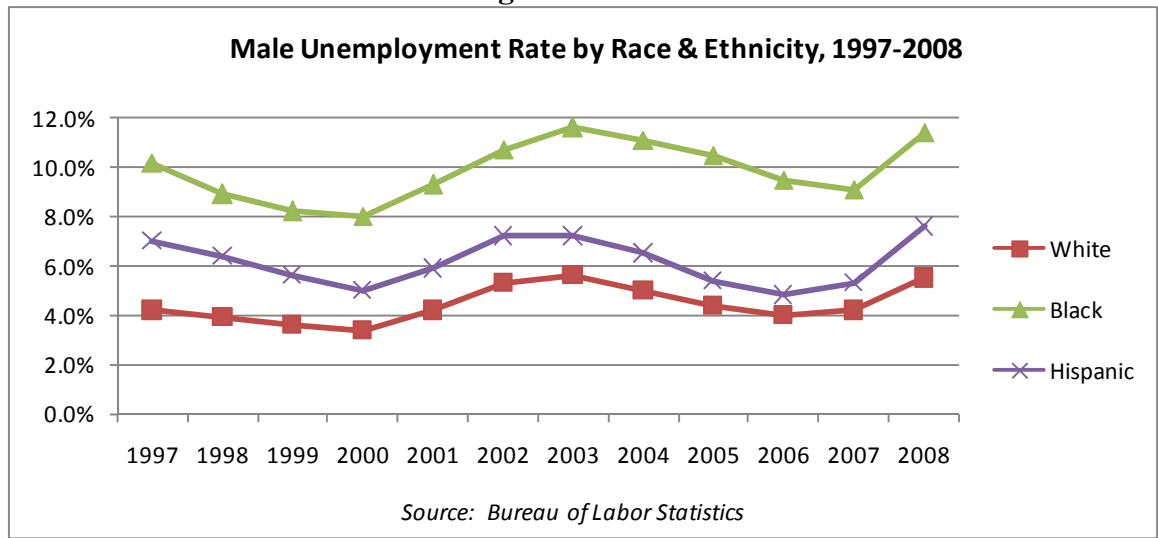
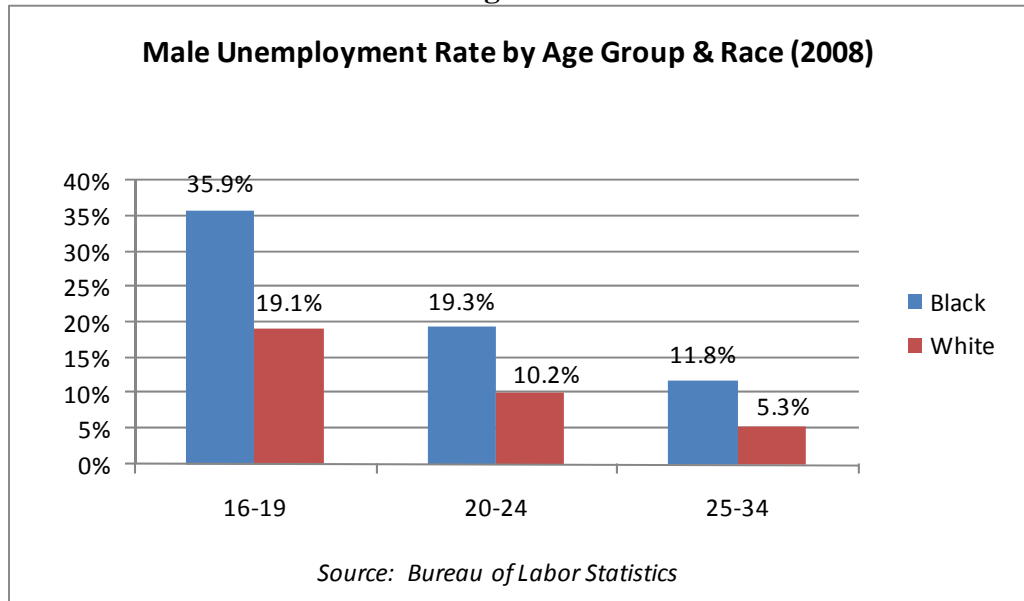


Figure 12



Education

One explanation for why black men experience higher rates of unemployment is the fact that the average level of educational attainment is lower for this group. In many inner cities, more than half of all black men do not finish high school²⁴, and in 2004, 72 percent of black male high school dropouts in their twenties were jobless²⁵. Nearly 20 percent of all black men over age 25 have no high school diploma compared with only 10 percent of white men (Figure 13). At the upper end of the educational spectrum, black men are getting master's degrees, PhD's and professional degrees at half the rate of white men. It has been well-documented that education is a major determinant of earning power and employability. In 2005 college graduates earned over twice as much as high school dropouts and the unemployment rate of those without a high school diploma was nearly three times the unemployment rate of college graduates (Figure 14).

²⁴ See Gary Orfield, ed. *Dropouts in America: Confronting the Graduation Rate Crisis*. Harvard Education Press. 2004.

²⁵ See Bruce Western. *Punishment and Inequality in America*. Russell Sage Foundation. 2006

Figure 13

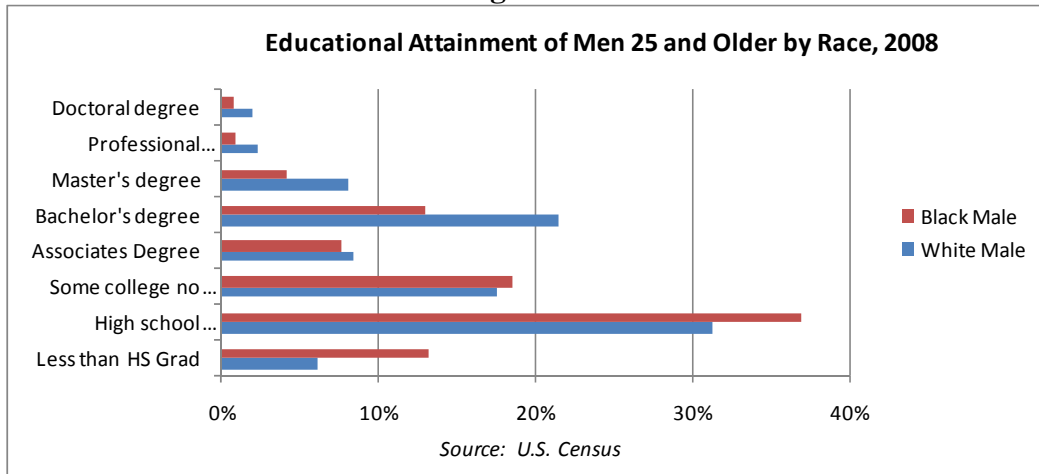
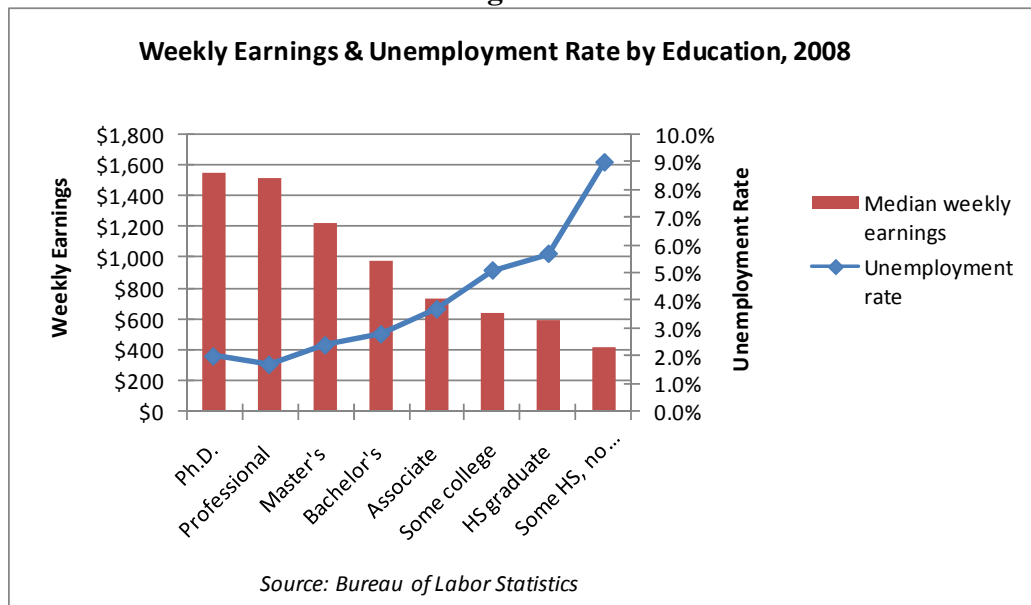


Figure 14



Incarceration

Another contributing factor to higher unemployment for Black men is their much higher incarceration rates. Although comprising only 12 percent of the U.S. population, nearly 40 percent of all prison inmates were black in 2005 (Figure 15), and the black incarceration rate was *over 6 times* the incarceration rate for whites (Figure 16). The rate of incarceration is highest for men between the ages of 25 and 29, when over 8% of black men are in prison, compared with only 1% of white men (Figure 17). The rate of incarceration among black males has been increasing since the 1990s due in large part to harsher punishments for repeat offenders (e.g. “three strikes law”) and drug laws that impose harsher sentences on those found in possession of crack cocaine. In 2005, drug offenders comprised 20 percent of state prisoners and almost 55 percent of federal

prisoners²⁶. The U.S. now has the highest reported incarceration rate in the world, at 737 inmates per 100,000 persons in the population (followed by Russia at 611 per 100,000). A history of incarceration not only interferes with educational attainment, but also becomes a significant employment barrier; therefore, the effect of even a short imprisonment lasts a lifetime.

Figure 15

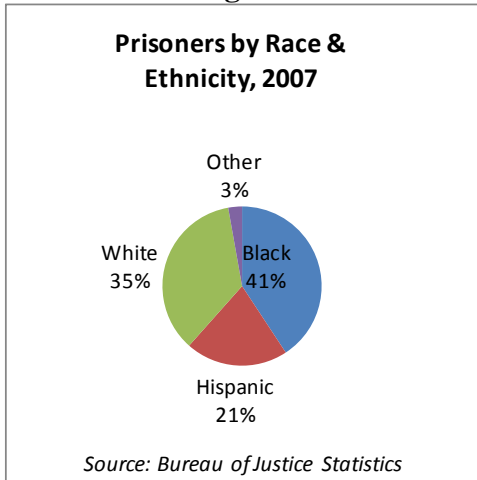


Figure 16

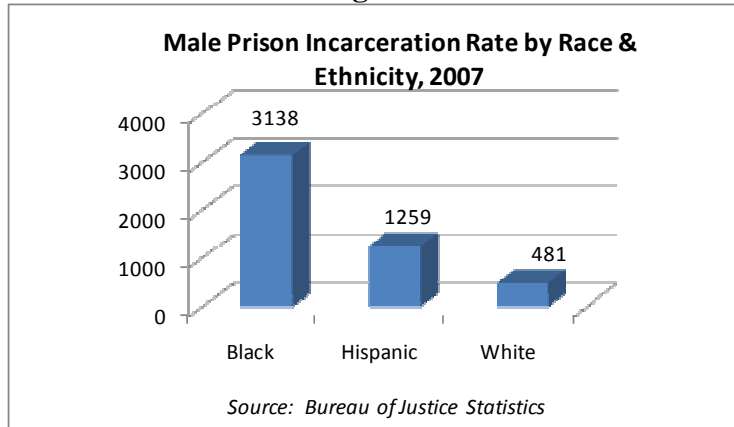
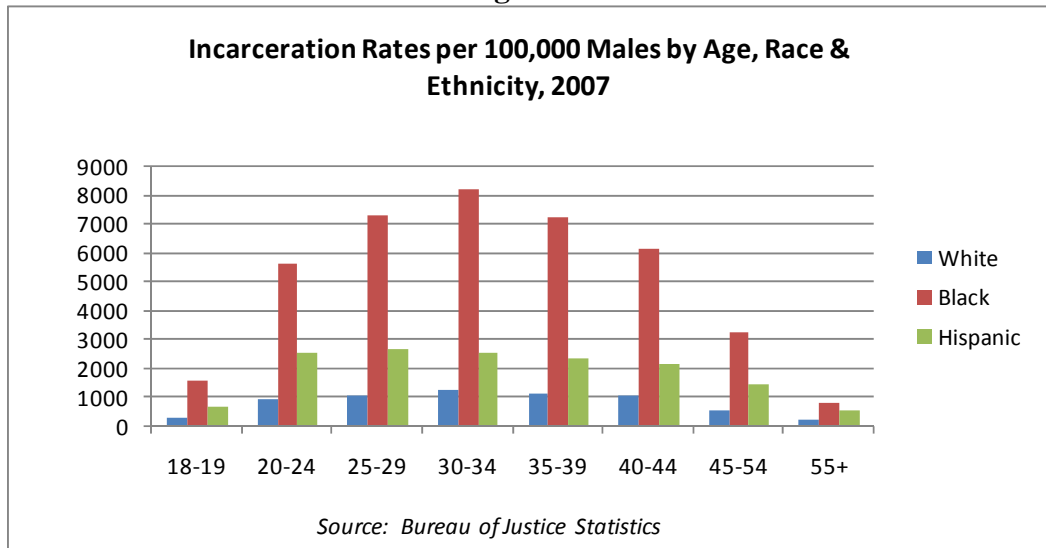


Figure 17



²⁶ Bureau of Justice Statistics

The Opportunity to Own (Housing)

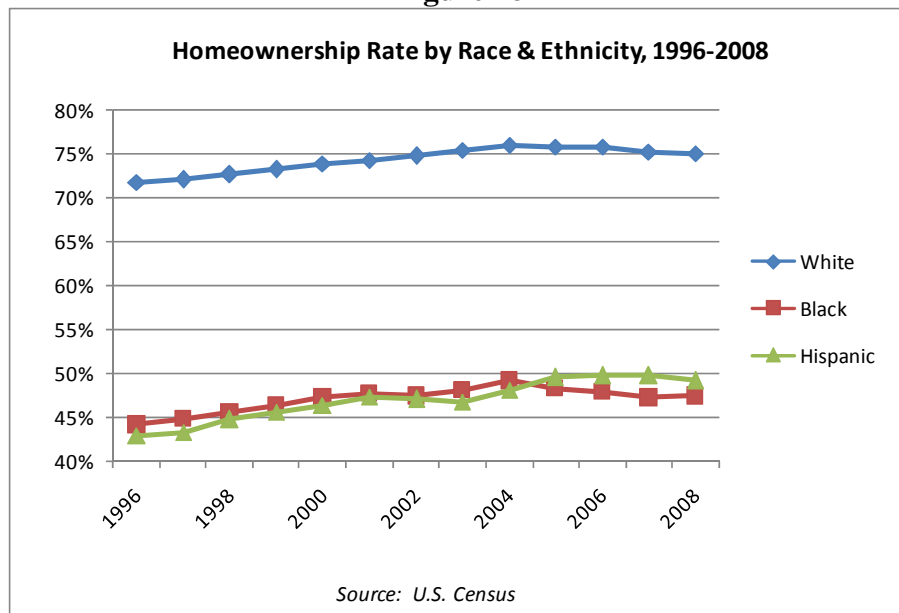
For most Americans, the largest single asset they will ever own will be their home. Homeownership means greater personal wealth. Empowering more Americans to become responsible homeowners takes us a step closer to closing the wealth gap that exists between blacks and whites in the United States. In addition to the economic benefits, homeownership has also been linked to educational gains for children, increased civic participation and even health benefits²⁷.

Unfortunately, race has proven to be a prevailing factor in securing the necessary capital for home ownership. Many minority buyers face the problems of discriminatory lending practices, decreased housing affordability, high rates of home foreclosures, and increased incidence of high-cost loans.

Homeownership Rates

According to the U.S. Census, nearly 70 percent of Americans owned their homes in 2006 – down slightly from the all time high in 2004. Yet there are troubling disparities in homeownership rates when segmented by race (Figure 18). After increasing for the previous ten years, homeownership has declined for blacks in each of the last two years (from 49.1% in 2004 to 47.9% in 2006; nearly 28 points below non-Hispanic whites).

Figure 18



The **National Urban League Homebuyer's Bill Of Rights**, released in March 2007, identifies four major obstacles standing in the way of more Americans owning their own homes: 1) lack of net savings for down payments and closing costs; 2) lack of information on how to shop for homes and apply for loans; 3) lack of quality affordable units in livable locations; and 4) lack of consumer protection. Other studies have found that lower homeownership rates for African Americans are related to lower application

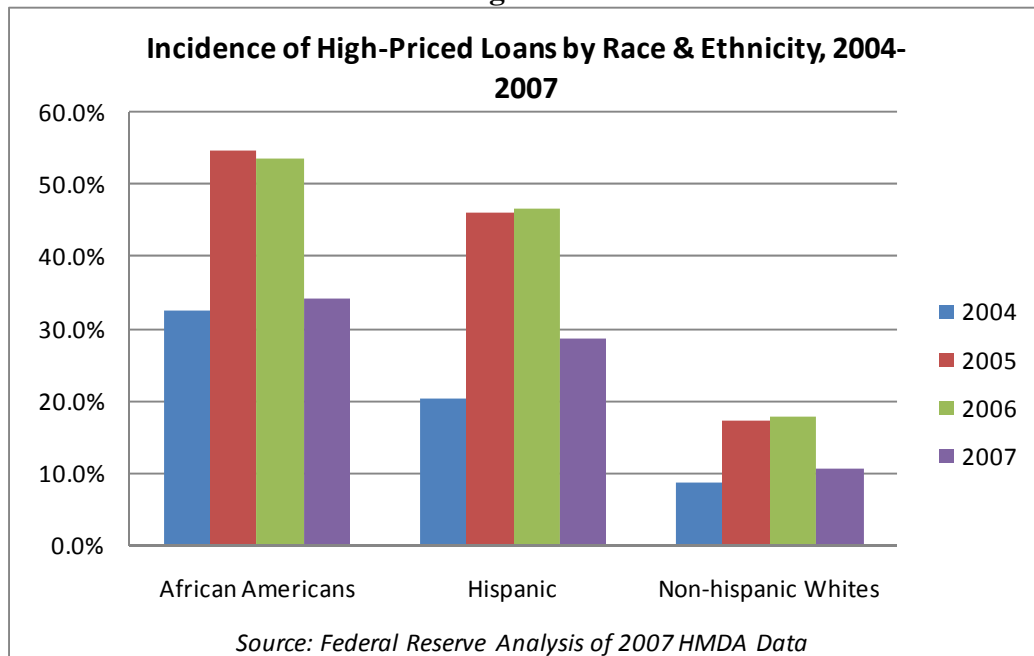
²⁷ National Association of Realtors. 2006.

rates, which in turn were caused by differences in the role that families play in helping to generate mortgage down payments, as well as differences in wealth, income and marital status²⁸.

Lending Practices

Recently, the lending industry has been characterized by three main trends: (1) an increase in lending products, (2) more places to get a loan, and (3) a distinct need for housing counseling. Compared with only a handful of products available ten years ago, there are now a myriad of lending products including interest-only loans, reverse mortgages, and 15-year loans with balloon payments. Whereas commercial banks were once the primary providers of home loans, mortgage brokers now account for half of all originations and 70% of originations in the subprime market²⁹. With the loosening of lending standards, minimal oversight of brokers and far more options, there is a greater chance that a borrower can be placed in an inappropriate loan. For example, between 35 percent and 50 percent of those with subprime loans could have qualified for a prime loan³⁰.

Figure 19



According to Home Mortgage Disclosure Act (HMDA) data, in 2005 there was a 37.5 percentage point gap between African Americans and whites in the incidence of high-priced loans, compared to the previous year’s gap of 23.7 percentage points. A Federal Reserve study found that almost 20 points of the difference is due to choice of bank resulting from aggressive marketing, lack of consumer education or fewer local

²⁸ See Kerwin Kofi Charles and Erik Hurst. “[The Transition to Home Ownership and the Black-White Wealth Gap](#)”. *The Review of Economics and Statistics*. March, 2000; Donald Haurin, et al. “[Homeownership Gaps Among Low-Income and Minority Households](#)”. Ohio State University Working Papers, 07-02. January, 2007.

²⁹ See “Residential Mortgage Origination Channels.” *MBA Research Data Notes*. September 2006.

³⁰ Fannie Mae, 2001.

lending choices. Just less than 8 points of the difference was due to borrower characteristics in the data such as loan size and income, while the remaining 10 points of the difference could not be explained by available lender or borrower characteristics.

Housing Segregation and Discrimination

While racial segregation has decreased over the last three decades, in part due to fair housing enforcement, segregation still persists in many areas and neighborhoods that are predominately minority are much more likely to be poor. On average, homes in predominantly minority neighborhoods are often worth less (according to one study, 18% less value), even accounting for differences in income³¹. The Census Bureau's *Racial and Ethnic Segregation in the United States* identifies only 8 of 220 metropolitan areas which had an increase in black-white segregation, while 203 experienced a decrease.

NFHA believes that there are at least 3.7 million violations of the fair housing act against minorities in rental and sales alone, but less than one percent is reported or even detected. Support for fair housing enforcement has remained essentially level over the last few years, despite continued evidence of discrimination in rental, sales and lending markets.

The Opportunity to Prosper (Entrepreneurship)

Minority business enterprises (MBE) are defined as business entities in which minorities own 51 percent or more of the stock or equity. In 2002, MBEs represented 18 percent (4.1 million) of classifiable firms, grossed 8 percent of all annual gross receipts (\$668 billion), and employed 9 percent of all paid employees (4.7 million)³². In that same year, there were 1.2 million African American-owned firms in the U.S. employing 754,000 persons and generating \$89 billion in revenue³³. The importance of minority-owned businesses to urban economic development is well documented. Minority-owned firms are more likely to locate in urban communities, making them more likely to hire minority workers, lowering local unemployment rates. They are also more likely to purchase from minority-owned suppliers, contributing to the growth of other minority-owned businesses. Despite these benefits, MBEs continue to face a number of barriers to firm formation and growth including lack of financial capital, lack of social capital, lower human capital endowments, and limited access of minorities to broader consumer markets³⁴.

Government Contracting of Minority Business Enterprises

Procurement provides governments with a powerful way of promoting opportunities for MBEs and counteracting the effects of discrimination. Although set-aside programs exist at all levels of government including federal, state, city, county and

³¹ See David Rusk. "[The Segregation Tax: The Cost of Racial Segregation to Black Homeowners](#)". Brookings Institution. 2001.

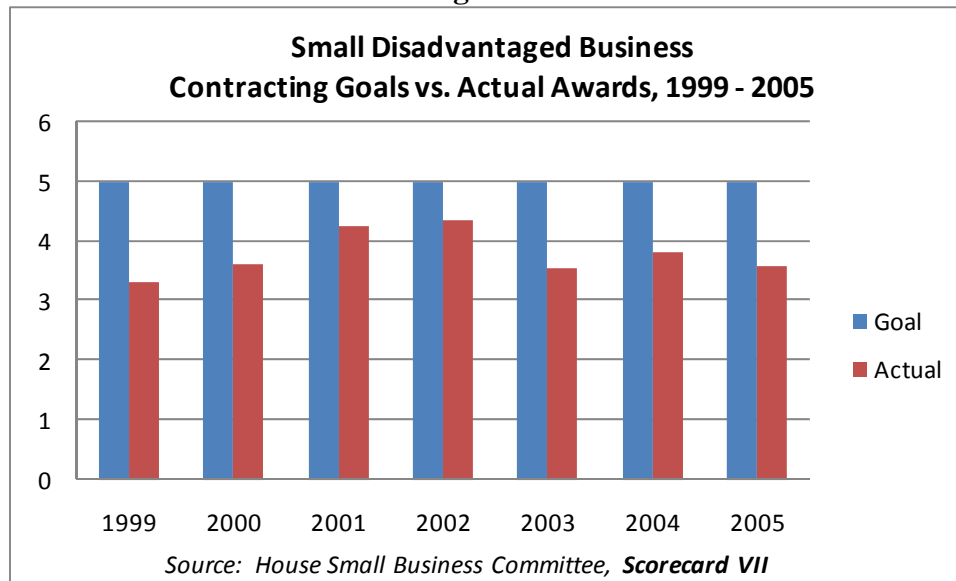
³² See *The State of Minority Business Enterprises*. Minority Business Development Agency. August 2006.

³³ Ibid.

³⁴ See Maria [Enchautegui](#), et. al. "Do Minority-Owned Businesses Get a Fair Share of Government Contracts?" Urban Institute. 1996.

special district³⁵, the established contracting goals often go unmet. A widely cited 1996 disparity study³⁶ by the Urban Institute reported that at the state and local government levels, minority-owned firms received only \$0.57 for every dollar they would be expected to receive based on their availability³⁷. The House Small Business Committee reports that since the beginning of the *Scorecard* report in 1999, failure of the federal government to meet its 5 percent small disadvantaged business goal has cost minority entrepreneurs \$21.2 billion in contracting opportunities (Figure 20).

Figure 20



The three main barriers to minority participation in government contracting are contract bundling, subcontracting and coding errors. Bundling contracts is the act of combining 2 or more contracts into a large single agreement. This has most often pushed smaller minority-owned firms out of the competition while subcontracting has most often benefited prime contractors over (typically minority) subcontractors. Procurement data can also be distorted by coding errors in that companies coded as “small” are sometimes misidentified as such or in fact no longer qualify as small as a result of having been acquired by larger businesses during the course of the contract.

Small Business Financing

Loan markets have become more competitive over the past decade due to an expanding nationwide market for credit lines & credit cards along with the entry of large regional banks in local markets. Although banks are the most often used credit source for small firms in general (Figure 21), minority firm owners are less likely to have bank

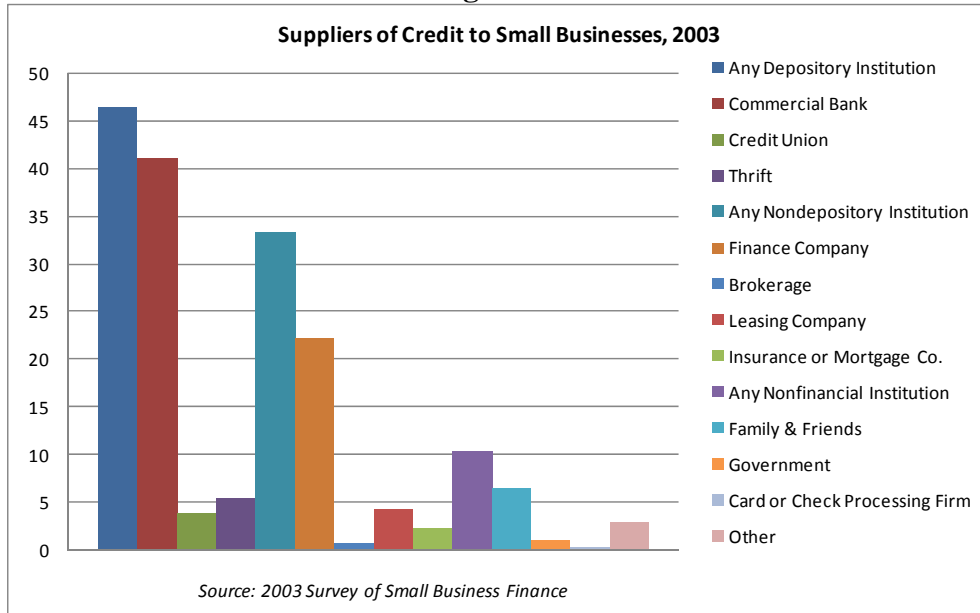
³⁵ Special district includes airports, water, sanitation, parks and schools.

³⁶ Disparity is measured by comparing the percentage of all government contract dollars received by minority-owned (women-owned) businesses to the percentage of all businesses “ready, willing and able” to carry out government contracts that are minority-owned (women-owned).

³⁷ See Maria [Enchautegui](#), et. al. “Do Minority-Owned Businesses Get a Fair Share of Government Contracts?” Urban Institute. 1996.

loans of any kind³⁸. Research has also found that African American and Latino firm owners face significantly greater loan denial probabilities than white male firm owners and are often charged higher interest rates³⁹.

Figure 21



In recent years, microfinancing has grown in popularity as source of capital for microenterprises (a business with five or fewer employees), which account for 94 percent of all firms and are overwhelmingly owned by minorities and women. Patterned after the successful Grameen Bank in Bangladesh, microfinancing promises great benefits. The Aspen Institute has estimated that it can be implemented at one-tenth of the cost of creating opportunities through tax breaks and other public subsidies. However, there are some challenges to microfinancing, including the fact that competition limits interest rates U.S. microlenders can charge, making it less profitable than in developing nations, and U.S. businesses typically have greater capital requirements and need larger-sized loans faster.

CONCLUSION

The Opportunity to Thrive. The Opportunity to Earn. The Opportunity to Own. The Opportunity to Prosper. Each of these opportunities for upward economic and social mobility are available in few other countries outside the United States. Therefore, maintaining equal access to these opportunities is a vital part of preserving the very principles that make this country unique and will prove to be an effective way to

³⁸ See Karlyn Mitchell and Douglas Pearce. "Availability of Financing to Small Firms Using the Survey of Small Business Finances." For SBA Office of Advocacy. May 2005.

³⁹ Ibid.

eliminate gaps in income, wealth and educational attainment within this country that are too often defined along the lines of race or socioeconomic status.

Although this document serves as a vehicle through which to develop a serious plan of action to address the persistent inequalities faced by those in urban communities; all Americans, regardless of place of residence or racial identity, can benefit from the policy recommendations presented in *The Opportunity Compact*. Furthermore, there is a role for all parties to play -- private citizens, national, state and local governments, community-based service providers and the business community -- as we together seek to strengthen our nation by maximizing the potential of all its citizens. By generating new ideas, initiating productive partnerships and fostering collaboration, *The Opportunity Compact* seeks to expand access to the incentives and rewards that act as the driving force behind what makes this country great – personal responsibility, initiative and hard work.

The National Urban League thanks the following individuals whose participation in the Opportunity Compact Roundtable Discussions provided an invaluable source of information and insight.

Jobs I: Working Families

Dr. Bernard Anderson (University of Pennsylvania); Dr. Jared Bernstein (Economic Policy Institute); Ms. Cecelie Counts (AFL-CIO); James Reid (NUL, Vice-President of Workforce Development)

Jobs II: African American Males

Dr. Darrick Hamilton (The New School for Management and Urban Policy); Dr. Harry Holzer (Georgetown Public Policy Institute); Dr. James Lanier (Re-entry & Sanctions Center); Dr. Silas Lee (Dr. Silas Lee & Associates)

Children

Dr. Avis Jones-DeWeever (Institute for Women's Policy Research); Ms. Julia Isaacs (Brookings Institution); Dr. Valerie Polakow (Eastern Michigan University)

Housing

Alan Fishbein (Consumer Federation of America); Dr. Lance Freeman (Columbia University); Dr. Roberto Quercia (University of North Carolina at Chapel Hill); Cy Richardson (NUL, Vice-President of Housing & Community Development)

Entrepreneurship

Dr. Quintus Jett (Dartmouth College); Dr. Jeffrey Robinson (New York University); Dr. Mark Turner (Optimal Solutions); Donald Bowen (NUL, Sr. Vice President of Programs); Donald McMichael (NUL, Vice-President of Entrepreneurship); Terry Clark (NUL, Vice-President of Economic Empowerment)

Special thanks to the staff of the National Urban League Policy Institute for their hard work and commitment to this project.