

RACE AND MONEY - MICHELLE SINGLETARY CALLS OUT COMPARATIVE STUDIES

by *Racialicious* Special Correspondent [Latoya Peterson](#)



Michelle Singletary's the [Color of Money](#) column in the Washington Post has been a must read for me for ages.

In her [October 21st column](#), Michelle decided to tackle the issue of a financial report issued by two leading fund managers.

For 10 years, Ariel Mutual Funds and Charles Schwab have issued an annual report on the saving and investing habits of middle- and upper-income blacks.

The survey throws a spotlight on the progress of black money-management skills — or lack of progress. It also compares the investing behavior of blacks and whites.

Like many others, I've often found reason to comment on the results of the surveys. But now I wonder about the value of comparing the two groups. What exactly do we learn that can help change decades of economic differences? Do these surveys just perpetuate the notion that blacks aren't taking care of business?

In a special "black paper" marking the 10th anniversary of their survey, Ariel and Schwab came to a sober conclusion. "For middle-class African-Americans," the report said, "the march toward financial security has been an uphill journey marked by half steps, pauses and, for some, retreat. . . . The results consistently show that blacks save less than whites of similar income levels and are less comfortable with stock investing, which impedes wealth-building across generations and contributes to an impending retirement crisis in the African-American community."

Interesting. Yet another financial crisis rocks the black community. In addition to high interest [payday loans](#), and the subprime mortgage fiasco, retirement savings spells another impending crisis for African-Americans. Or does it?

Michelle then summarizes the survey, highlighting:

This year's Ariel-Schwab Black Investor Survey found that blacks had median investments of \$48,000, compared with \$100,000 for whites. The survey looks at blacks and whites who earn more than \$50,000 annually.

When Schwab and the Chicago-based Ariel, a black-run mutual fund company, first teamed in 1998, 57 percent of blacks and 81 percent of whites said they owned individual stocks or stock mutual funds.

A decade later, that percentage still stands at 57 percent for blacks and has dropped to 76 percent for whites.

For the first time, Ariel and Schwab looked at middle- and upper-income black and white retirees. The survey found that retired blacks had a median invested savings of \$73,000, compared with \$210,000 for whites.

So, from the results of this survey, one would surmise that African-Americans are not saving and are putting themselves in a much more precarious position than their white counterparts. However, “one” is not Michelle Singletary. She keeps digging, focusing on one question in the report in particular:

The companies put it this way: “How can we foster a cultural shift toward wealth-building that will lead to greater economic opportunities for future generations of African-Americans?”

Really, is it true that culturally, blacks don’t want to build wealth?

Is it a black thing not to believe in investing? Or might it be that their money is being used elsewhere, or that blacks choose other ways to generate income in retirement?

The idea that African-Americans do not want to build wealth and invest in their communities is a pervasive one - even when it is untrue. These messages make it possible for people to dismiss issues like housing issues, credit issues, and retirement issues as problems that African-Americans created for themselves. The idea that systemic racism could influence housing and lending is danced around in many progressive circles (like in the [comments section on this Feministing post](#).)

A few people have tried to bring this issue to the forefront of public discussion. Presidential candidate Barack Obama said this in his [letter to the attorney-general designate](#) (hat tip to [dnA](#) for this one):

Several studies have found that black and Hispanic borrowers were more likely to be steered into high-cost subprime loans than other borrowers, even after controlling for factors such as income, loan size, and property location. Although multiple concerns have been raised in recent years about discrimination in the housing market, the number of housing cases filed by the Housing and Civil Enforcement Section has fallen from 53 in 2001 to 31 in 2006, and cases involving discrimination have fallen by 60%. In 2003, the Justice Department announced that it would no longer file disparate impact cases involving housing discrimination – a sharp break from DOJ’s longstanding and bipartisan policy to aggressively litigate these cases. In light of recent reports of stark racial disparities in the subprime lending market and the sharp drop in housing discrimination enforcement actions, what steps will you take to ensure that the nation’s housing discrimination laws are vigorously enforced? Will you commit the Housing and Civil Enforcement Division to investigating whether the

practices of the mortgage lending industry violate the Equal Credit Opportunity Act, Fair Housing Act, or other federal antidiscrimination statutes?

It is obvious that Obama and his team are reading into these issues seriously looking to the Department of Justice to lead the way against housing discrimination. But still, we dance. The word “racism” is not invoked.

Racism is an ugly word and a charged accusation. People would prefer to believe that it is not because African-Americans and Latinos are minorities - they are discriminated against because they are poor. Or perhaps predatory lending is to blame for this -profit seekers are color blind in who they choose to rob. And quite a few comments on the various blogs and news articles on this subject have implied that maybe it is the credit score -those three digits from Fair Issac which are the keys to a successful financial life -that accounts for the rise in subprime lending among African-Americans and Latinos.

The credit score is rub, isn't it. A credit score is objective, right? A formula that creates a score that people use as a cut-off. Simple as pie!

Except when it isn't.

[The Center for Responsible Lending](#) has shown that even with the FICO score controlled, Blacks and Latinos get the short end of the lending stick. The study states in its data section:

Tables 2 and 3 show disparity ratios for African-American and Latino borrowers versus white borrowers.

For African-Americans, disparity ratios in every LTV/FICO category exceeded one, while for Latinos disparity ratios exceeded one in the majority of categories. For example, for home purchasers with credit scores of 680 or higher and loan-to-value ratios of 90 percent or higher, disparity ratios for Latinos and African-Americans were 1.28 and 1.37, respectively. In other words, Latinos and African-Americans were 28 percent and 37 percent more likely, respectively, to receive a higher-rate subprime loan than whites.

(The full study, *The Effects of Race and Ethnicity on the Price of Subprime Mortgages*, is found [here](#).)

Perception tends to paint what once was objective. So, even with as many aspects as possible controlled, it appears that there is some form of racism tainting the lending industry. This is not the blatant racism of the past, but more of a quiet, controlled mistrust. Still, it's harder to pinpoint why this disparity exists in the first place. It is much easier to shrug and think it is just a strange variation, a statistical anomaly.

However, these strange anomalies seem to haunt African-Americans around different circles of finance. Misinformation runs rampant about the wealth building habits of blacks.

Returning to Michelle's column, it is obvious that she has reached a similar conclusion about the Ariel-Schwab black paper.

Further perusal of the survey reveals:

Ariel and Schwab's surveys suggest it's not just investing laziness or fear of the stock market that accounts for the percentage difference in total amount invested for retirement.

In the 1999 survey, Ariel and Schwab found that African American household incomes must stretch further to support more people, including more school-aged children and extended family members.

In that year's survey, 27 percent of black respondents said they were financially supporting friends or family beyond those living in their own home. That's compared with 12 percent of white households. That percentage was consistent in subsequent surveys.

In the 2006 survey, a higher percentage of blacks said they were taking care of adult children or aging parents.

That year's survey also found that blacks who are concerned about saving for their children's educations or worried about caring for elderly parents are considerably less likely than whites to be saving even \$100 per month for retirement.

In this year's survey, black respondents were again more likely than whites not to be investing because of concerns about paying for education and for day-to-day expenses.

Lost in the headlines is this fact gleaned from the survey: A larger percentage of middle-class blacks than whites work for employers such as the government that tend to provide traditional pensions plans.

In last year's investor survey, three times as many African Americans as whites (29 percent compared with 10 percent) said they planned to start a business after they retire. Wouldn't that provide them with needed retirement income?

A higher percentage of blacks than whites own real estate other than their home (42 percent compared with 33 percent), and of these, a greater share of blacks (58 percent compared with 48 percent) say they expect these investments to help fund retirement.

When we look at these surveys, we have to ask who is paying for them. Ariel and Schwab are investment companies. Of course they want to see more people invest. That translates into more business for them.

Hmm. In one corner, we have predatory lenders, mortgage companies, and a bias-we-are-not-to-name. In the other corner, we have predatory marketing and easily influenced mindsets about race and finance.

Why does it feel like no matter which side wins, we still lose?

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