Wealth gap: Minority jobless rates double overall figure in Palm Beach County

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Since the start of the recession, the wealth gap between whites and minorities nationally has grown from a gap to a chasm, and Florida has been affected as badly as or worse than most states, minority leaders say.

A new report from the Pew Research Center pinpoints the principal reason for that change in net worth: plummeting real estate values.

In Florida, home values have fallen more than in most parts of the country. The state's population includes an unusually high 22.5 percent Latinos and 15.2 percent African-Americans, and for many of those families, homes make up most or all of their net worth, community leaders say.

"Many Hispanic people here, all their investment, their wealth, is tied up in their houses and other real estate," said Jorge Avellana, executive director of the Hispanic Human Resources Council of Palm Beach County. "Some of the more sophisticated ones may be in the stock market, but that is not true of most. The stock market has bounced back the last couple of years, but the housing market hasn't."

Avellana, who came from Cuba in 1966, said reliance on real estate equity applies even among well-to-do Cubans who have been here since the 1960s and who, as a group, have more total wealth than any other Hispanic enclave in Florida.

He said the fact that many of them were forced into exile by Fidel Castro, and had to leave all their cash and other possessions behind, has led them to believe that owning real estate is the only safe investment.

"I know Cubans who have been here for 50 years and all their money is in real estate," Avellana said. "They say, 'Nobody can make more land. This is where I'm putting my money.' "

The Dow Jones industrial average, which sank from more than 14,000 in October 2007 to 6,600 in March 2009, is again over 12,000. Meanwhile, home values are still down more than 50 percent in South Florida compared with 2006 highs, making the net worth of many families plummet, but especially for minorities.

According to U.S. Census Bureau survey data used by the research center, the median wealth of black families fell from $12,124 to $5,677, or 53 percent, between 2005 and 2009. Hispanic families saw their median net worth fall from $18,359 to $6,325, or 66 percent. The median net worth of white families fell from $134,992 to $113,149, or 16 percent.
No figures are available for individual states, but given the plunge in Florida real estate values, local minority community leaders say they believe the increase in the wealth gap is at least comparable.

William Stronge, professor emeritus of economics at Florida Atlantic University, points to the high number of minority families that, during the housing bubble, financed home purchases with subprime mortgages, which later went bad. One 2006 study found that Palm Beach County minority families were more than twice as likely to sign subprime mortgages than whites.

"And when the crash came, they found themselves underwater," Stronge said.

Or as University of Central Florida economist Sean Snaith put it: "They went from a net asset to a net liability."

Avellana said the erasing of equity in homes has been especially disastrous for Hispanics who own small businesses.

"It used to be that the banks would offer those people loans even if they didn't need them," he said. "Now they can't get loans even when they are really in need to stay afloat."

African-Americans are in the same boat, said Lia Gaines, executive director of the West Palm Beach NAACP and also of the Center for Enterprise Opportunity, which lends support to minority business owners.

Gaines said owners of small businesses in the African-American community also have been affected catastrophically by the nosedive in real estate values.

"They need money for their business, but they end up with no equity in the only asset they have - their home - and the only asset they can offer as collateral to get a loan," she said.

She said this is causing businesses to fail and creating chain reactions that lead to more unemployment and more people unable to meet mortgages.

Patrick Franklin, executive director of the Palm Beach County Urban League, agrees. He said the high unemployment rate and the housing downturn are increasing the wealth gap. Unemployment overall in Palm Beach County is 10 percent to 11 percent, but 20 percent or more in minority communities.

"It's double," he said. "What we need more than anything is jobs."

University of Miami economist Gennaro Bernile said the fact that more white Americans, and white Floridians, own stocks has protected their net worth from the drastic downturns experienced by minorities.

"The stock market has come back a long ways from its worst days a few years ago," he said. "Whites are more intensely invested in the stock market than minorities. If your wealth is all in your house, that's a problem."

Gaines said the inability of minority families to borrow on their home equity also could have serious consequences for the next generation in minority communities because homeowners are unable to borrow to help their children attend college.
She said the federal government needs to forge affirmative action programs specifically targeted at communities with high levels of poverty now facing futures with even fewer resources than before.

"There are studies out there saying this could take 10 or 20 years to come back from," she said. "We need to do something."