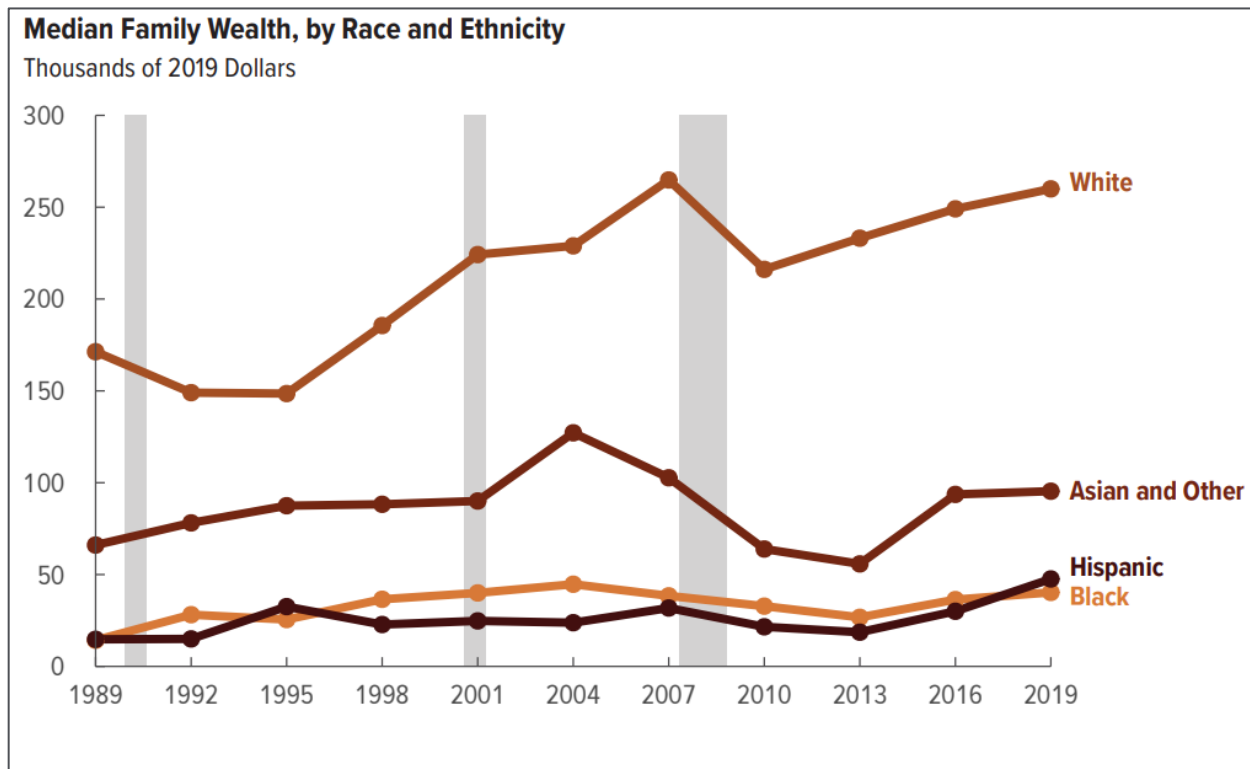


What We Can Do to Fix the Latino Wealth Gap

The Problem of the Wealth Gap

Wealth inequality represents a profound issue in American society, and the consequences of inequality are not limited to the economic sphere—[inequality can erode social cohesion](#) and [threaten the legitimacy of our political process](#). A 2022 report by the Congressional Budget Office (CBO) found that those in the top 10 percent in the wealth distribution in 2019 had an average wealth of \$6.4 million, while those in the bottom 25 percent had an average wealth of negative \$11,000 (meaning that they had more debt than assets). Such disparities have only grown in recent decades, with the top 10 percent earning \$58 trillion of all new wealth from 1989 to 2019.

Racial wealth inequality is also persistent and profound. People of color are concentrated in low-wage jobs and thus are disproportionately excluded from wealth-building opportunities, such as retirement benefits or mortgage loans. The same 2022 CBO study found that the median white family holds \$260,000 in wealth, compared to \$40,300 for the median Black family and \$47,600 for the median Latino family. While Latino families are closing the gap, [some estimates show that](#) at this rate, fully closing the wealth gap for Latinos could take up to 228 years.



Structural Barriers to Building Wealth for Latinos

The racial wealth gap is rooted in socioeconomic and political structural barriers. Many structural barriers are rooted in racism and exclusion, some of which include:

- **Discriminatory historical practices like redlining.** While now illegal, this practice still imposes effects on communities of color that were too long denied basic access to safe housing, financial products, business investments, and high-quality schools. These practices are [correlated with higher levels of poverty](#) and [poor health outcomes](#) and are [a big driver in the racial gap in homeownership](#).
- **Unequal access to banking and credit.** [About 10% of Latino adults are unbanked, compared to 2% of white adults](#). Latinos are also more likely to live in communities with limited access to bank branches. Finally, Latinos are twice as likely to be credit invisible than whites and are [denied a loan at higher rates than whites](#) even after controlling credit scores and debt-to-income ratios.
- **Closed networks and lack of resources.** Wealth is self-generating when managed wisely, and it can provide people with the necessary initial capital to purchase assets and generate more wealth. Despite Latinos outpacing the general population in entrepreneurship and small business creation, a [lack of access to established networks and resources continues to block growth](#).

How We can Close the Gap

The burden to close the Latino wealth gap requires systemic change. Ongoing efforts to address this policy problem include policies that support:

- **A more equitable tax system:** We should improve the design of tax credits like the Child Tax Credit and the Earned Income Tax Credit to ensure that the most vulnerable families have access to valuable government benefits.
- **Fair Banking System:** We should ensure that everyone has access to safe and affordable financial products by encouraging banks, especially credit unions and Community Development Financial Institutions (CDFIs), to work in low-income communities.
- **Inclusive Homeownership Policies:** We should implement a national, targeted down payment assistance program for first-generation, first-time homebuyers to address a common barrier to homeownership for Latinos.
- **Accountability and Regulation:** We should use important regulations, like the Community Reinvestment Act, to encourage financial institutions to invest in low-income communities and communities of color and to hold financial institutions accountable for gaps.

These policies are just the first step in addressing the Latino wealth gap. Still, all of them would help create an economy that works for all families, including those who have been systemically excluded from opportunities for upward mobility.