

Do Minority Neighborhoods Pay More for Affordable Housing Finance?

Abstract

State and local governments issue tax-exempt bonds to finance developments of affordable multi-family rental housing. These bonds represent a crucial funding source for addressing the U.S. affordable housing crisis. We find that affordable housing projects in predominantly minority neighborhoods face significantly higher borrowing costs than those in predominantly white neighborhoods. This disparity persists even among FHA-insured bonds where credit risk is essentially eliminated through federal guarantees. The effect is stronger when project neighborhoods have a higher minority concentration compared to surrounding areas, suggesting that financing costs may incentivize development in racially homogeneous communities, potentially reinforcing existing patterns of racial segregation.

Biography



Changhyun Ahn is a Research Assistant Professor of Finance at the Chinese University of Hong Kong (CUHK) Business School. He received a PhD in Finance from the University of Florida, an MA in Statistics from the University of California, Berkeley, and a BBA from Korea University. His research focuses on political economy, charitable organizations, public finance, and sustainability.

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