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Home is Where The Hardship is.
Gender and Wealth (Dis)Accumulation in the Subprime Boom

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Abstract

Subprime lending has become the penultimate case study for critics of the recent period of financialization, or neo-liberalism more broadly, because it exposes the most profligate tendencies of predatory lending and the pernicious social costs visited on society's most vulnerable groups. This article builds on the social stratification and wealth accumulation literature. We assess how mounting debt levels and crippling costs of servicing these debts compared to relatively flat income growth for female-headed households have resulted in wealth (dis)accumulation. We use the Survey of Consumer Finances (SCF) to analyze how single female-headed households, and in particular how African American single mothers were affected by the subprime boom in different, arguably more pernicious, ways. There is already considerable evidence showing that subprime lending was disproportionally sold to women, particularly minority women. Focusing on single mothers reveals important gender and racial dimensions of the lending techniques, but it also shows how marginalized families increasingly relied on housing wealth (equity) to adjust to shrinking purchasing power. Thus, contrary to the lofty expectations of the ownership society, the high mortgage debts of many low-income women suggest they own a lesser share of their homes – (dis)accumulation of wealth – than at any previous time.

Key Words

Social stratification, financial inclusion, subprime sector, family indebtedness predatory bank lending, wealth (dis)accumulation

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Introduction

Critical approaches to the study of finance have long emphasized the relationship between financial integration and deepening social inequality. Whether it be third-world sovereign debt, corporate financing or household borrowing, the conditions of access to credit create barriers between those that are included and excluded from mainstream financing. It is at these junctures between inclusion and exclusion in which finance wields its political and socio-economic power (Mooslechner et al., 2006). The transition to subprime lending, particularly post-2001, re-shaped the boundaries of financial access as macro-conditions of cheap credit and excess liquidity created a lucrative opportunity for banks to lend to previously excluded groups. Due to the wide-spread practice of 'redlining' and discrimination, low-income groups were systematically excluded from gaining access to mortgage loans prior to the 1990s (Dymski 2009). By adapting the rhetoric of 'democratizing finance', subprime lenders used credit-scoring techniques to justify lending to low-income groups under the auspice of greater financial inclusion.

There is already considerable evidence that shows subprime lending was concentrated in low-income communities, especially racial minority-communities (Calem, Gillen et al. 2004; Dymski 2009)[1] and was disproportionately sold to women, particularly minority women (Fishbein and Woodall 2006). By counting the number of high-cost subprime loans sold in low-income communities—or by comparing women and minority groups relative to middle-income, white and male borrowers—new research consistently finds subprime loans targeted marginalized social groups (HUD 2000; Wyly and Atia et al. 2006, 2007). Even when controlling for credit-scores and risk characteristics assigned to subprime borrowers, women and minorities are significantly over-represented in the pool of subprime mortgages (Fishbein and Woodall 2006).[2] Moreover, this disparity is even more pronounced as income levels increase for women and minority households, as they are more likely to receive high-cost loans compared to white or male households with the same income level (Bocian, Ernst et al. 2006). According to Dymski, 'a survey of 2005 and 2006 experience found that 55 and 61 per cent of those acquiring mortgages, respectively, had credit-scores high enough to obtain conventional loans' (2009: 172).

Greater access to subprime loans only provides a supply-side perspective; it does not adequately consider the wider factors contributing to the increased demand for credit. Alongside the supply-side dynamics there is a broader politics of abandonment where low-income and socially marginalized groups are increasingly using high-cost debt to participate in homeownership but also to meet current consumption expenses and temporary financial shortfalls. The politics of abandonment of low-income households reflects the persistent re-structuring of government provisions for financial security, the gradual relinquishing of the business communities social responsibilities to provide employment, and the inability of large numbers of Americans to find affordable housing. According to the urban planner, Peter Marcuse (2009), there is not a single city in the United States, in which a full-time worker earning a minimum wage can afford even a 1-bedroom apartment, a situation from which African-Americans, Hispanics, immigrants and women suffer in grossly disproportionate numbers. Against the background of a limited rise in wages and the ideological myth of homeownership, as part of the American Dream, many groups at the bottom of the socio-economic hierarchy (such as women and in particular single female-headed households of colour) have few choices but to accept housing loans under terms more adverse than were offered to other (non-minority) borrowers (Dymski 2009). The underlying, and also fatal assumption, of homeownership was that house prices will continue to rise and thus owners

could remortgage to either reduce the interest rates payable on their loans, or release equity from the homes. As such homeownership became an object of leveraged investment (Langley 2008; Schwartz 2008; Marcuse 2009).

Our analysis of the gender dimension of indebtedness discusses single female-headed households within a framework of social stratification. There is considerable evidence that household wealth is unequally distributed in the United States (Yamokoski and Keister 2006; Schmidt and Sevak 2006). The deepening of neoliberal politics and intensification of financialization in the American economy over the past decade increased the financial as well as human insecurities experienced by low-income households, affecting in particular many poor women and minority households. The American government's attempts to redefine its obligations to its citizens under the rubric of fiscal restraint translated into declining state subsidies and government transfers for low-income and non-standard employment groups. This translated into job loss, declining wage growth, dwindling state income support, rising health care costs, and mounting living costs for many low-income households, especially single-mothers (Hartmann 2008; Bakker 2003). Studies have shown that if differences in wealth are explored by marital status, gender, and parenting, single mothers suffer the most severe economic penalties in household wealth accumulation (Yamokoski and Keister (2007). The role of motherhood has been cited as the primary factor in affecting poverty rates for single mothers. Nancy Folbre (1987) has called this the 'pauperization of motherhood', suggesting that the reduction in welfare services and the stagnation in wages has penalized mothers. As a result parenthood has left single-mothers poorer than fathers. In addition, gender norms and racial stereotypes which are embedded in political, legal, economic and financial domains perpetuate the stratified gender and racial systems. As such, gender (and racial) ideologies are used to justify the existing gender/racial imbalance in power and resources (Seguino 2007).

This paper builds and expands on the social stratification and wealth (asset) accumulation literature (Yamokoski and Keister 2006; Schmidt and Seval 2006; Deere and Doss 2006; Folbre 1987; Seguino 2007), but here we assess these trends in terms of single female-headed households and their increasing mortgage indebtedness relative to wages. We analyze the different relative financial insecurity of women in partnership with financial dependent children, single-mothers, and minority single-mothers by evaluating their income levels relative to outstanding debts. We use the Survey of Consumer Finances (SCF) to demonstrate how these trends are reflected in mounting debt levels and crippling costs of servicing these debts compared to relatively flat income growth levels for female-headed households, specifically single mothers, and African American single mothers. In doing so, we elucidate how different women were affected by the subprime boom in different, arguably more pernicious, ways. This research builds on the existing evidence showing that subprime lending was disproportionally sold to women, particularly minority women while at the same time creating huge profit opportunities for banks and wealth holders. Most perniciously for wealth (dis)accumulation was the fact, that the previously *unbanked* and *underbanked* households extracted housing wealth to adjust to shrinking purchasing power (Dymski 2009). While we do not measure wealth accumulation per se, we use mortgage debt as a proxy for arguing that low-income women own a lesser share of their homes – (dis)accumulation of wealth – relative to their income. As long as house prices increased, equity withdrawal made it possible for many single female headed households to finance current consumption. The opposite is now true – the sharp drop in house prices and the riskier subprime loans have led to a higher proportion of foreclosures among subprime borrowers.

The Myth of Inclusion and the Politics of Subprime Lending

Subprime lending was initially heralded as a major achievement of newly liberalized financial markets: risk calculation and balance sheet management techniques showed that markets were

able to democratize access to finance. The ability to calibrate loan amounts and interest rates based on credit scores and risk profiles was seen as promoting greater equality in a market society, where equal access to credit (albeit lesser amounts at a higher price) is seen as essential to social mobility (Bostic 2004). Prior to the advent of subprime lending access to mainstream financial institutions had long been the demarcation between financial inclusion and exclusion (Leyshon and Thrift 1995, 1996; Burton, Knights et al. 2004). By the mid-2000s subprime loans shifted the boundaries of financial exclusion because fee-based high-cost loans became a lucrative profit opportunity for mainstream financial institutions. As such, subprime lending gained political support as 'credit access for the poor', because it was seen as promoting financial inclusion.

As a result of the financial melt-down, subprime lending is at the center of criticism exposing the most profligate tendencies of liberalized finance. Yet, what 'subprime' is has never been fully explained. On the one hand 'subprime' is a credit-score (typically, a FICO score below 600) resulting from a poor credit history, higher debt levels, late payments, low incomes and/or a spotty employment history. Critics of credit-scoring practices point out how these calculative technologies assemble new financial subjectivities that both constituted and acted upon economically marginalized individuals (Marron 2007; Langley 2008). On the other hand, subprime is also applied to an array of consumer loans including mortgages, refinancing, home equity lines of credit, credit cards, home improvement loans, pay-day loans and automobile title loans. For example, mortgage loans are classified as 'subprime' and 'high-cost subprime' by the Home Mortgage Disclosure Act (HMDA) if there is a 3% and 5%, respectively, spread between the annual percentage rate (APR) of designated loans and the yield on a US Treasury security of comparable maturity. This product-based definition of subprime revealed the geographical and social segmentation of the US mortgage market that contributed to new forms of financial discrimination and inequality (Wyly, Atia et al. 2006).

Prior to the emergence of subprime lending, with its technique of credit-scoring as the foundation of household lending, individuals falling outside the white middle-class family model were systematically excluded from access to mainstream credit based on the branch managers subjective beliefs about a person's credit risk. For example, before the 1974 Equal Credit Opportunity Act (Regulation B)[3] became law most women needed a co-signer to become mortgage borrowers, married women often could not obtain credit in their own names, divorced or widowed women found it extremely difficult to obtain credit because their previous credit history was obtained in their husbands' names and it was not until the 1990s that the Federal Housing Administration started allowing women to use child support payments as income to qualify for a mortgage. Moreover, minority groups and single women were often subject to lenders 'redlining'[4] because they were considered somehow less reliable than other applicants. Regulation B ensured lenders used credit-scoring and risk-based pricing to avoid discrimination lawsuits (Marron 2007, p.111). Credit-scoring was widely regarded as superior to 'judgment based' systems because they were anonymous and use 'objective' evaluation criteria (Burton, Knights et al. 2004). The intent was to limit the discretionary power of the 'branch manager' model of accessing credit through face-to-face interviews because they were considered highly subjective. Starting in the 1990s, the HMDA required mortgage lenders to report the applicant's race, gender, income, and loan-size in terms of loans made/denied (Dymski 2009).

Indeed, credit-scoring eliminated the subjective discrimination of the branch manager but simply replaced it with a new form of 'terms of credit' discrimination, a development Dymski refers to as 'from redlining to predatory lending' (2009: 162). Legal justifications for risk-based pricing, as an objective method of avoiding discrimination, has done little to make credit more affordable to historically disenfranchised social groups. African-Americans, Latinos, and single-mothers gained access to new credit products but they pay much higher interest rates and are subject to more stringent criteria.[5] Instead, credit scores merely reproduce pre-existing social stratification. However, there is no conceivable way that credit-

scoring could have counter-acted the systemic inequalities in American society. No matter how sophisticated the statistical technique, credit-scoring will simply reflect the inequalities already most prevalent (or statistically significant) across the population. However, when condemning the pernicious outcomes of subprime lending, and its links to credit-scoring, we cannot ignore the important role these technologies can also play in facilitating greater access to credit.

Emphasizing the new technologies of lending practices overlooks the important fact that the ebb and flow of financial access for poor and marginalized communities was largely in tandem with the general expansion/contraction of macroeconomic developments in financial markets more generally (Semmler and Young 2009; Dymski 2009). Subprime lending was part of a much larger trend of credit expansion in the US, through the 'roaring' 1990s and, especially, post-2001. This period of financialization of the American economy is characterized by individuals, firms and the macro-economy being increasingly mediated by new relationships with financial markets (Krippner 2005; Montgomerie 2008). The unique macroeconomic conditions in the US-post 2001, including low inflation, low nominal interest rates combined with fiscal expansion (primarily, as military expansion to fund the war in Iraq and Afghanistan) and the foreign investors' insatiable appetite for US debt (bills, bonds or securities)[6] created a period of excess liquidity and cheap credit as well as rapid ascent in asset prices. These conditions fed into household lending directly through asset-backed securitization (ABS) and overall transformation in retail lending practices that moved away from simple intermediation to cultivating fee-based revenues from the mass marketing of financial products to households (Erturk and Solari 2007). The large-scale transformation in mortgage-financing was made possible once banks shifted their business strategy from a localised savings-circuit to earnings based on fees for financial services.[7] Only when mortgage lending was separated from risk-bearing, did lenders sell mortgages with excessively high fees and interest rates to higher-risk households who had restricted access to other sources of credit. Subprime loans were attractive to borrowers that had traditionally been denied access to credit because they 'permitted owners of modest homes to gain access to money for whatever financial contingencies were being faced' (Dymski 2009: 164).

These macro-conditions and broader processes of financialization were, in turn, shaped by the American political consensus on the virtues of a homeownership society (Aalbers 2008). The multiple government agencies dedicated to housing policy and housing finance actively promoted homeownership as a panacea for wealth-creation and neighbourhood renewal (Ronald 2008; Marcuse 2009; Seabrooke 2009). According to Herman Schwartz (2008), the political outcomes of promoting a homeownership society has been a new conservative politics which defends against new demands for social protection in the US (p. 263). Schwartz's analysis of the transformative effects of the interaction between macro-global dynamics of finance and politics of homeownership is worth quoting at length:

> [T]he disinflation of the 1990s combined with the operation of global capital markets to differentially produce increased aggregate demand in countries characterized by wide-spread homeownership, high levels of mortgage debt relative to GDP, easy refinance of those mortgages, and mortgage securitization. In turn, this increased aggregate demand produced a self-fulfilling increase in employment and output that benefited politically critical cohorts in those countries. The increased housing costs those cohorts face gives them a stronger interest in cash income over collective social services and in keeping inflation, and thus nominal interest rates, low. Housing outcomes and the financial structures for housing thus have important political consequences. (p. 264)

Unlike citizens in high taxation countries, Americans engaged in a welfare trade-off (Castles 1997: 5) where they used residential property as a means to store wealth over the income life-cycle. This crated a system of *privatized Keynesianism* because without state social support

many people had only the wealth in their homes to ensure long-term financial stability (Young 2009; Crouch 2009). In order for privatized Keynesianism to work over the long term, housing must be used primarily as a store of wealth. Indeed, for the vast majority of Americans their primary residence is also their only major asset. Among African-Americans and Latinos households who do hold wealth, at least two-thirds of it stem from home equity (Bailey 2005).[8] But, the interaction between the global-macro dynamics and lending practices transformed how households participated in the property boom. Moreover, the tax advantages of homeownership in America, where mortgage-payments are a tax deduction, tempered the effects of rising house prices—as higher mortgages costs are tantamount to a bigger tax-break. The regressive nature of this tax regime disproportionately benefits high-cost housing for the wealthy compared to those buying homes in poor urban communities.

There has been a complex interplay between the house price bubble and wealth accumulation as equity gains in the US over the past two decades. National house price averages increased by 134% over 18 years from 1990 to 2008, with the sharpest increases (57%) from 2001-7. But the general assumption that rising house prices translate into wealth gains is not always true as falling nominal interest rates in 2001 prompted many households to borrow against the equity in their homes. According to Freddie Mac (2006) by the end of 2005, 80% of refinance mortgages in the US were 'cash-out' mortgages, and on average were 95% the size of the original mortgage loan.

For subprime borrowers (defined either by credit-score or loan-type) *when* and *how* they were included in the credit boom is an important determining factor in whether they were able to accumulate wealth or suffer from (dis)accumulation in the property market game. In 1994, subprime loans were 4% of mortgage lending by 2005, 26 % of all loans (both purchase and refinancing) where higher-rate subprime loans (Avery, Brevort et al. 2006). Therefore, the majority of subprime borrowers entered the mortgage market at the height of the property bubble. As 'last-in and first-out' subprime borrowers were more adversely affected by the downturn in the housing market compared to other segments of the mortgage market. Not only that, the types of loans used also determined the potential financial gains of homeownership. If most subprime loans were exclusively used for first-time home purchases in economically depressed neighbourhoods then perhaps the social consequences would not have been so dire. As it turns out, home equity withdrawal was equally prevalent for high-cost borrowers. In 2005, two-thirds of women home equity borrowers were drawing down on wealth in their homes, of which just over a third (35%) took out home equity loans or lines of credit to 'cash-out' their equity holdings and another third (35%) used the loans to pay off credit card debt (Fishbein and Woodall 2006, p.7). Despite that homeownership reached historic highs among female headed households, but families today own a lesser share of their homes than at any previous time because they borrowed against their housing wealth (Oliver/Shapiro 2008).

Gendering Financialization

In the early 21st century, finance as an academic discipline and professional practice is increasingly conceptualised as independent from arenas such as society, history, and emotions. It is therefore not surprising to find few women in the top decision making positions in formal and informal financial networks and key financial institutions (Warnecke 2006; van Staveren 2002; Schuberth and Young 2009).[9] This form of gender exclusion (*Financial Governance without Women)* serves to reproduce gender inequalities while the regulatory and policy issues affecting women remain systematically ignored. Gender norms and ideologies about women deviating from economic rationality stereotyped as being less rational, less knowledgeable in mathematics and formal economics are deeply embedded in finance economics, as well as in the decision-making structures of global financial institutions. Understanding the historical evolution of these norms is decisive in

comprehending the gendered nature of the conceptual apparatus of modern finance (Schuberth and Young 2009).

For the purpose of our argument here, one might think of at least two different channels of how financial markets impact on gender relations. First, a direct and most dominant channel is the way how corporate governance modes have an impact on resource allocation among stakeholders and shareholders. And second, how financial governance affects financial risk sharing in societies. In regard to the first channel of transmission, increased shareholder value restricts the capability to transfer resources from profitable sectors to less profitable ones. In an established market for corporate control, the increased focus on short-termism in an attempt to increase returns on equity distributes income from stakeholders to shareholders (Aglietta and Breton 2001). The transfer of revenues to shareholders and to the growing financial sector has meant that in the United States the profit share of the financial sector has increased from 10% in the early 1980s to 40% in 2007 (Economist 22.3.2008). In response to the shift to shareholder capitalism together with globalisation and the spread of information technology, standard employment relationships are on the decline and a dramatic increase in precarious work has occurred. Women are specifically affected by these tendencies, since they make up the majority in part-time employment, self-employment, fixed-term work, temporary work, on-call work and home working (Hartmann 2009; Elson 2002; Bakker 2003; 2007).

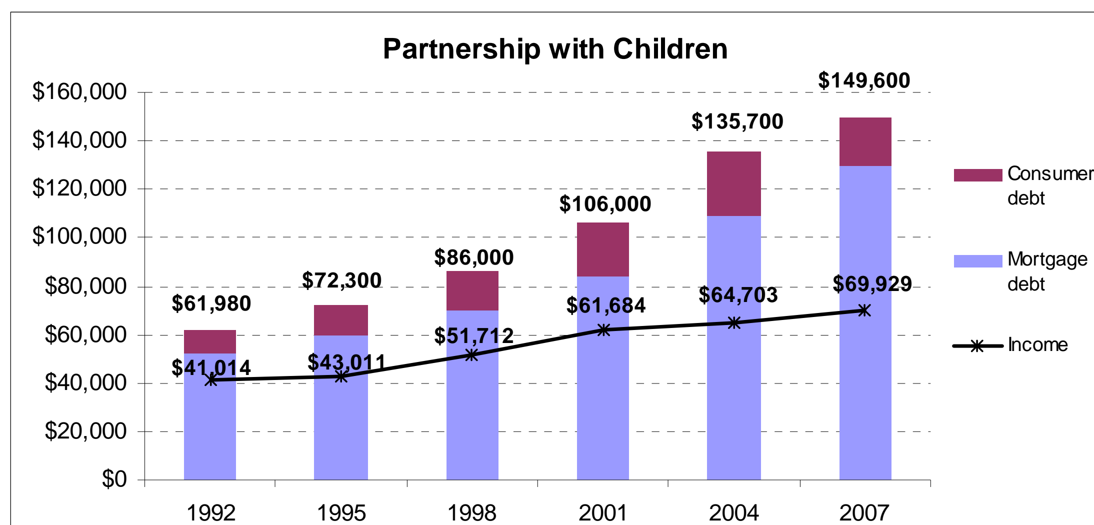
A second channel is how financial governance arrangements affect the risk sharing in society. With few, if any savings and limited ownership of financial and real wealth (Deere and Doss 2006), women are particularly negatively affected by the individualisation of risk. Particularly the working poor and single mothers have experienced a protracted period of roll-backs in government social services and income transfers, which serves only to compound their financial insecurity. Increased pressure from the financial industry has made fiscal restraint the dominant strategy of many governments. The liberalization policies that underpin global finance have had costly repercussion on public budgets at the national levels. These costs stem from additional spending requirements to adjust societies to fast economic change, and at the same time confront declining resources for public budgets. The result is a 'fiscal squeeze' (Grunberg 1998) which increases the pressure to downsize public expenditures. The result is to 'reprivatize' what was once public (Brodie 1994; Fraser 1989), and at the same time, put pressure on annual income to service the staggering debt levels. Thus the social risk sharing is 'down-loaded' to those on the socio-economic ladder who can least afford to shoulder the financial pressure.

These insights in how financial deregulation has changed the economic opportunity structure for women who are either low-skilled and/or rely on public services helps to explain why single female-headed households had to extract equity wealth to finance current consumption. Our analysis of the gender dimensions of wealth (dis)accumulation uses a holistic approach by evaluating women as multifaceted social actors: workers, consumers and carers (providers of social reproduction). Furthermore, we do not simply look at 'women' as a discrete category; rather, we asses women in terms of the social relationships of the family unit. Whether a woman lives alone or in a partnership, has financially dependent children or not, impacts her overall financial security relative to men and other women in different circumstances (Yamokoski and Keister 2006). In particular, we assess the different relative financial wealth creation of women in partnership with financial dependent children, single-mothers, and minority single-mothers by evaluating their income levels relative to outstanding debts. In doing so, we elucidate how different women were affected by the subprime boom in different, and arguably more pernicious, ways. Analyzing the social stratification of women's relative economic strength is nothing new, but here we assess these trends in terms of the family's relative financial wealth accumulation.

We take as our starting point Elizabeth Warren and Amelia Tyagi's (2003) claim that 'the two-income trap' is a major contributor to middle-income families' ever-larger debt levels. Namely, that women's mass migration into the workforce has made a two-income family a requirement for maintaining a middle-class existence. Even though the average two-income family earns more today than did the single-breadwinner family of a generation ago, they have *less d*iscretionary income (p.8). Therefore, today's women must work and provide the necessary conditions of social reproduction in the home in order to maintain the same standard-of-living that used to be possible with one income. The authors claim that middle-class families are using credit to try to buy there way out of this two-income trap, where higher debt levels are necessary to pay for essentials like having a home with access to a good school, health care, cars, college tuition, and discretionary income purchases.

Our own analysis of the Survey of Consumer Finances broadly supports this claim, as mortgage and consumer debt levels have risen much faster relative to income levels (although we have no data to compare this to a generation ago). Mortgage debts increased by 150%, from $52,000 in 1992 to $130,000 in 2007, and consumer debt nearly doubled (98% increase) from $9,980 to $19,600 over the same period. Contrast this to pre-tax income levels which increased by less than half as much (70%) from $41,000 in 1992 to just under $70,000 in 2007. The annual cost of serving these debts was $22,200 in 2007, compared this to median income levels and partnerships with children are diverting one-third of their pre-tax income to servicing their debts.

Graph One: Median mortgage and consumer debt outstanding and income



Source: *Survey of Consumer Finances*

For Warren and Tyagi these debt trends are the underlying causes of bankruptcy which, they argue, are intricately linked to family structure:

> *Having a child is now the single best predictor that a woman will end up in financial collapse.* Our study showed that married couples with children are more than twice as likely to file for bankruptcy as their childless counterparts. A divorced woman raising a youngster is nearly three times more likely to file for bankruptcy than her single friend who never had children (original emphasis, p.6)

Our analysis differs because we do not address the issue of bankruptcy; rather, we focus on those families that are still solvent (at least at the time when they were surveyed) but under extreme financial stress. What we take from Warren and Tyagi is that women's role in the family is as important as their role in the labour market in determining family financial stability. Moreover, that the problems facing two-income families are only compounded for single-women with financially dependent children (Yamokoski and Keister 2006).

As we can see from graph one, rising indebtedness is a problem faced by many families. We argue that the causes of indebtedness are similar for the majority of middle- and low-income families: the longer term trends of slow wage growth and the politics of abandonment combined with the more recent processes of financialization. But, single-mothers, and especially racial minorities, were affected by these processes differently and more severely. Firstly, women of all races as 'workers' are subject to the persistent gender wage-gap and make up the majority of the part-time and flexible workforce. Secondly, the existing gender and racial stereotypes embodied in many social institutions perpetuate the female subservience and influences how women are integrated into the income-generating opportunities (Seguino 2007). Finally, neo-liberalism has fundamentally changed the dynamics of social reproduction which affects single-women and minorities most acutely. Isabella Bakker (2007) outlines neoliberal forms of social reproduction as

> the everyday activities of maintaining life and reproducing the next generation [are] increasingly being realised through the unpaid and paid resources of (largely) women as states withdraw from public provisioning, with the result that capitalist market relations increasingly infiltrate social reproduction (p.541).

Single-mothers are solely responsible for meeting the economic and social needs of their families, which creates specific forms of inequality. But, we should also consider that low-income and minority mothers also make up the majority of (low) paid care workers. Therefore, the social stratification of women is based on their relative position in the labour market and in the process of neoliberal social reproduction.

The Family Dynamics of Indebtedness

When subprime lending in conjunction with neoliberal restructuring and the American vision of a 'homeowner society' became the accepted norm after 2001, the gendered distortions already operating in both labour and the financial markets came to the fore. What we are interested in is how these gender distortions are compounded by women's family dynamic because whether a woman is single or living in partnership, has children or not, are significant determinants of overall financial wealth accumulation, both for her and financially dependant children. Overall single-parent households are 13% of all families in the Survey of Consumer Finances in 2007 (compared to 9% in 1992), of which 83% are female-headed and 17% male-headed (in 1992, it was 81% and 19%, respectively). Therefore, we focus on single-mothers because single-fathers are such a small, and declining, proportion of single-parent households. We argue that single-mother families have been disproportionately affected by both the longer-term process of neoliberal restructuring and the more recent period of financialized growth.

Single-mothers experienced a gradual receding of government support and the virtual abdication of social responsibility by the business community. Active labour market policies and government transfers were replaced with a variety of social programs with employment training and workfare programs (Peck 2001; Glyn 2006). As a result, there has been an overall decline in unemployment benefits for those out of work, while more flexible labour markets have led to growing employment insecurity for those in work (Allen and Henry 1997; Lazonick and O'Sullivan 2000). Increasingly low-wage workers and 'nonstandard' workers such as temporary or part-time employees are ineligible for benefits. Even if they do receive unemployment benefits, they only replace about one-third of an average worker's earnings (Garcia 2006: p.14).

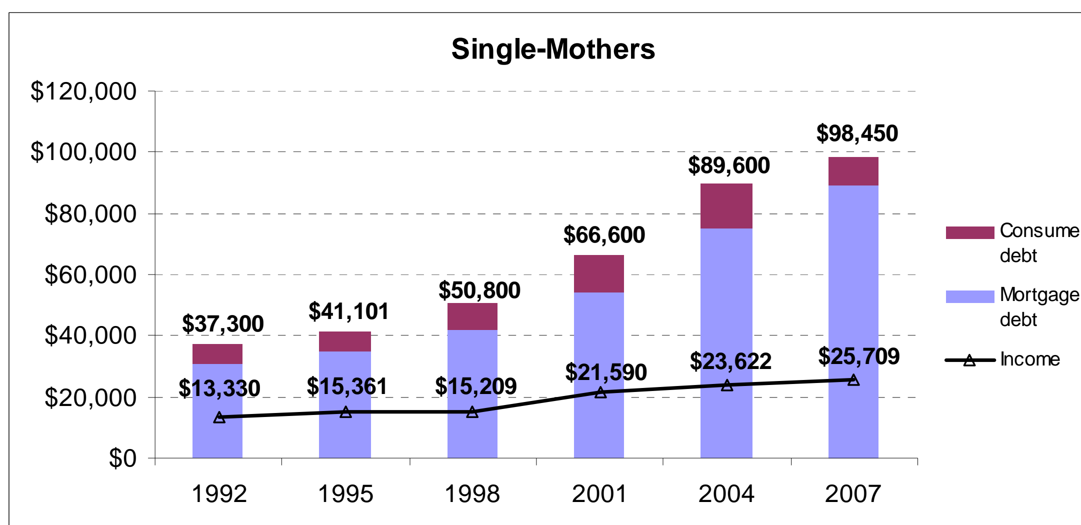
In addition to the fundamental reforms to social services, the federal government virtually froze the minimum-wage rate for almost a decade, while state governments engaged in successive rounds of labour market deregulation (often in competition with one another to attract investment). Efforts to facilitate 'flexible' labour markets have led to a growth in part-time and causal work. The business community embraced these new trends by increasingly using part-time and flexible workers in order to reduce wage costs but also to curb non-wage benefits entitlements, like health care and pensions. Also, Federal and State-level initiatives capped funding for public health care dramatically increasing the costs for these services. As a result, the management of health funds is increasingly in the hands of health insurance companies and health management organisations associated with corporate firms; thus increasing the stratification in quality and access to services (Elson and Cagatay 2000). The combination of welfare reform and flexible labour market policies compounded women's already unequal position in labour markets more generally. This impacts family dynamics because the everyday activities of social reproduction have been replaced by market-based, privatized entitlements for those who can afford them – private health insurances, private hospitals, private schools, private retirement homes, private paid care for children and old people, as well as privatised utilities charging market rates for energy and transport (Elson 2002; Bakker 2003).

Janine Brodie (2003: p.60) calls this 'the paradox of necessity', in which 'neo-liberal globalism simultaneously maximizes the need for social intervention in the name of human

security while, at the same time, minimizes the political spaces and strategic instruments necessary to achieve this public good'. We extend Brodie's original argument by considering how the commodification and privatisation of previously state-provided social services hits single-mothers particularly hard as receding state subsidies leaves many families to pay for new costs of neoliberalism through high-cost credit products. More specifically, the financialization of the American economy resolved this impending social crisis through private credit expansion and individual/household indebtedness.

Graph two shows the changing composition of debts and income levels, which includes government transfers, for single-mother households over the past 15 years. The degree of wealth (dis)accumulation is astounding not only for its scale, but the speed at which indebtedness grew so rapidly from 2001 onward. Mortgage debt levels increased 190%, from $31,000 in 1992 to $89,000 in 2007. At first glance unsecured debt levels seem relatively unproblematic as they reached their peak at $14,600 in 2004 and dropped to $9,450 in 2007. But, when we compare these debt amounts to income levels, consumer debts alone amount to a third in 2007 (and over half in 2004) of annual pre-tax income. Recent survey evidence shows that a large proportion of low-income groups use unsecure debt to pay for basic living expenses as well as a 'plastic safety net' to pay for one-off misfortunes like repairs, accidents, or job loss (Garcia 2006).[10] One out of three households reported using credit cards to cover basic living expenses on average four out of the last 12 months (Wheary and Draut 2005: p. 11). One reason low-income families have such high debt levels is because they are using credit to cope with drops in income or unexpected expenses and, more importantly, because of a lack of a social safety net.

Graph Two: Median Secured and Unsecured Debt Outstanding and Income



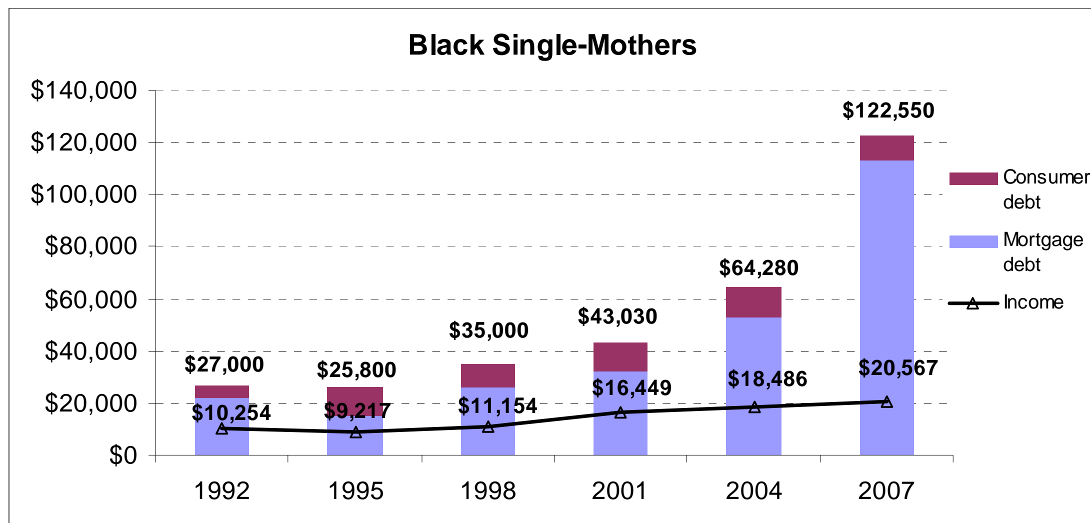
Source: *Survey of Consumer Finances*

As we can see total debt holdings for single-mother families are four times the income levels in 2007. Therefore, it is the relationship between income and total debt outstanding that affects overall financial wealth (dis)accumulation. Comparing single-mothers overall pre-tax income levels, $25,709, to two-adult families, $69,929 in 2007 show how single-mother households are comparatively worse off than partnerships with children because their lower income levels make debt holdings more onerous. Single-mothers annual debt repayments were $12,795 in 2007, nearly half of pre-tax income levels making the cost of servicing outstanding debts the single-largest drain on family income. As workers, single-mothers earning potential is already affected by the existing gender wage-gap. The demands of being

the sole family carer often compounds income differentials as single-mothers are relegated to flexible and part-time work, further hindering income potential, in order to meet the needs of social reproduction. Add to this onerous debt repayment obligations and the financial stability of the single-mother household seems perilous.

When we isolate Black/African-American single-mother households the picture of intensifying financial insecurity becomes even more pronounced. Secured debt levels grew by an astounding 400% form $22,000 in 1992 to $113,000 in 2007. This rise in debt levels is perhaps not surprising given the existing evidence that black women were systematically targeted for subprime loans, even if they could have qualified for prime loans (Bostic 2004; Fishbein and Woodall 2006). Yet, the high rate of uptake for subprime loans did not translate into gains in homeownership rates; Black/African-American single-mothers registered year-on-year declines in owner-occupancy from its height of 36% in 1992 to 30% in 2007. Therefore, the supposed gains to ownership rates brought on by new access to credit post-2001 did not remedy the long trajectory of exclusion for minority women from homeownership.

Graph Three: Median Secured and Unsecured Debt Outstanding and Income



Source: *Survey of Consumer Finances*

Black single-mothers are not only subject to gender inequality in labour markets but also prevalent racial inequalities. This is most obvious when we look at income levels, which in 2007 were $20,567; this is $5,000 less than all single-mother households and represents 30% of incomes levels for partnerships with children. Moreover, the drain on annual income to service these staggering debt levels puts continued financial pressure on these already financially insecure households. In 2007 the annual costs of debt repayment was $14,670 which accounts for 71% of median pre-tax income levels. Despite homeownership and the hope to acquire middle-class status through the accumulation of housing wealth, the opposite has happened. 'Homeownership (has) reached historic highs, but families today actually own a lesser share of their homes than at any previous time, because they have borrowed against their housing wealth' (Oliver/Shapiro 2008).

Conclusion

Contrary to the expectations of the ownership society, the subprime strategy turned out to be a major source in wealth (dis)accumulation for many single female-headed households, in particular for African-American households. There are both demand and supply-side factors that explain the emergence of subprime loans to previously excluded groups. At one level, the transformation of banking in the 1980s from earnings based on interest margins to net earnings based on fees for financial services made it lucrative for banks to extend loans to racial minorities and single-female headed households at conditions far more exploitative than mortgage loans to middle-class recipients. Yet, it is not enough to simply assume that transformations in financial markets translate into widespread social change. In the case of subprime lending, the longstanding political consensus on the centrality of homeownership to American society legitimized the rhetoric of fostering an ‘asset-owning democracy’. The underbelly of the homeownership society is the inability of the housing system to provide adequate and affordable dwellings for large numbers of Americans. Government policy massively promoted home buying by low-income households despite that many families could not afford them.

Admittedly, rising indebtedness is a problem faced by many families. We argue that the causes of indebtedness are similar for the majority of middle- and low-income families: the longer term trends of slow wage growth and the politics of abandonment combined with the more recent processes of financialization. But, since the majority of single-mothers, and especially racial minorities, do not belong to the ownership society, they are affected by these processes differently and more severely. Firstly, women of all races as ‘workers’ are subject to the persistent gender wage-gap and make up the majority of the part-time and flexible workforce. Secondly, neo-liberalism has fundamentally changed the dynamics of social reproduction which affects single-women and minorities most acutely. Single-mothers are solely responsible for meeting the economic and social needs of their families, which creates specific forms of inequality. At the same time, women also seem to bear the brunt of budget consolidation and financial retrenchment following severe financial crisis. As the present subprime crisis in the United States has shown, financial governance plays a crucial role in how risk sharing is organized in society. Low-income women were integrated into the asset-regime, but at the cost of mounting debts levels and crippling costs to service these debts. As such, homeownership has brought greater financial insecurity as higher debts mean low-income women own a lesser share of their homes - (dis)accumulation of wealth - than at any previous times.

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[1] In fact, Dymski makes the argument that the US subprime crisis was the result of the transformation of racial exclusion in US mortgage markets. Racial minorities gained increasingly access to housing credit under terms far more adverse than were offered to non-minority borrowers, a process he describes as ‘from redlining to predatory lending ‘(2009: 162).

[2] At a US Senate Committee Hearing on Health, Education, Labour and Pensions, chaired by Sen. Edward Kennedy, April 18, 2008, evidence was cited that 32% of women in comparison to 24.2 of men received subprime mortgages. Also women are found more often in the high-cost subprime market. More than one in ten (10.9 percent) compared to one in thirteen (7.7 %) for men.

[3] Both the Fair Housing Act of 1968 and the Equal Credit Opportunity Act of 1974 extended the anti-discrimination norms of the civil rights law to housing and credit markets, respectively.

[4] Redlining’ means the implicit or explicit refusal of lenders to make mortgage-credit available to neighbourhoods with large minority populations (Dymski 2009: 153).

[5] Subprime loans charge higher interest rates (often as much as 125 points, or 7 % to 5 %), and also higher processing fees. The additional costs of such subprime loans are substantial. For families, who took out mortgages in 2005, a subprime loan on a median price home would translate into an extra $235 per month and $85,000 more in total payments. A high-cost subprime loan could mean an extra

$517 in payments each month and an extra $186,000 in total extra mortgage payments (US-Senate Committee Hearing, chaired by Sen. Kennedy, April 18, 2008).

[6] The global liquidity surpluses amounted to $1.700 Billion in 2007. The United States alone 'imported' 44% of the total world surpluses (IMF 2008).

[7] According to Dymski, poor households generate $6.2 billion in fees, which amounts to an annual average of $200 per households, even for the very poor (2009: 162).

[8] Home equity is the most important reservoir of wealth for average American families. For black households, home equity accounts for 63 percent of total average net worth. In sharp contrast, home equity represents only 38.5 percent of average white net worth (Oliver and Shapiro 2008: 2).

[9] Nigel Thrift (2001) notes that women are a declining element of the New Economy because finance is representative of a certain kind of male role model: 'In a world where the passion and romance of work had to be displayed on a 24/7 basis, where work today has to be half work half play in part because we spend our whole lives at the workplace, those with other responsibilities found it hard to play' (p. 421).

[10] The survey asked households whether they had used credit cards in the past year to pay for basic living expenses, such as rent, mortgage payments, groceries, utilities or insurance, because they did not have money in their checking or savings account.

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