

No Place Like Home: The State of Hispanic Housing in
Chicago, Los Angeles, and New York City, 2003

Research Report

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EXECUTIVE SUMMARY

The report focuses on descriptive patterns of aspects of housing for US Latinos, including homeownership rates, the costs associated with housing, and the terms of home mortgages. The trends identified in this report address important gaps in the housing literature vis-à-vis the housing of US Latinos. The data that form the basis of this report come from the 2003 American Housing Survey and 2003 Home Mortgage Disclosure Act data. These data are current, credible, publicly available, and appropriate for examining demographic and housing issues for Latinos.

This study documents that the housing difficulties of Latinos surpass low homeownership rates. In fact, the study shows that Latinos have far more difficult housing situations than Whites, nationally and in Chicago, Los Angeles, and New York City. Latinos have lower homeownership rates, are more likely to be housing cost burdened, have higher denial rates for mortgage loans, and are much more likely to live in crowded and inadequate housing than Whites. These significant differences remain, even for Latinos and Whites residing in the same metropolitan areas. There are

similarities in the housing situations of Latinos and African Americans in the United States, with both groups spending substantial portions of their household income on housing expenses and much lower mortgage approval rates than for Whites. Such similarities indicate that in many aspects of housing, both groups face the same challenges.

However, Latinos are making gains in housing, especially in homeownership. A recent Census report indicated that Latino homeownership rates in the 1st quarter of 2005 was 49.7 percent, up from 46.4 percent three years earlier (Callis and Cavanaugh 2005). This change partly due to the increase of conventional and government-insured mortgage loans made to Latinos in recent years. In addition, Latinos also have lower denial rates for mortgage applications nationally than African Americans, which may eventually translate into many more new Latino homeowners while African American homeownership rates remain stable.

The large differences in housing characteristics, costs, and homeownership rates by metropolitan area found in this study highlight the continued need for housing research focused on local communities. Targeted housing policies should address the specific housing needs and challenges of different areas of the United States. Moreover, US born Latinos, Puerto Ricans, and foreign born Latinos have different housing needs, so a “one-size-fits-all” approach is unlikely to be successful.

Many of housing challenges outlined in this report might be improved with additional government support and resources. For example, Latinos have very high monthly housing costs due to their concentration in expensive areas for housing, nationally and in metropolitan areas such as Los Angeles and New York City. Though

Latinos nationally are purchasing homes via government homeownership assistance programs and household savings, the extraordinary cost burden of housing, either rental or owned, limits the ability of Latinos to invest income in education, homeownership, and other avenues of wealth creation. African Americans also experience these housing challenges. Such findings point to the need for federal, state, and local investment of additional resources to ensure that Latinos can manage this burden. Simultaneously, federal, state and local government should continue to enact regulations limiting predatory lending and unfair lending practices that target Latinos, African Americans, and other racial and ethnic populations.

INTRODUCTION

The “American Dream” is a very powerful concept in the United States.¹ Homeownership is an important part of this dream, as it both confers legal possession of a residence to homeowners and symbolizes American values such as independence and financial success. Homeownership is also strongly associated with individual and household well-being (Flippen 2001) and positive impacts on neighborhoods and communities (Painter, Gabriel, and Myers 2000). Homeownership rates in the United States are currently at their highest levels in history, in 2003, approximately 68.3 percent of Americans owned their own homes (Callis and Cavanaugh 2004).²

Some groups have been more successful at attaining the “American Dream” of homeownership than others.³ Indeed, according to the Housing Vacancy Survey, Latino homeownership rates in 2003 were nearly 40 percent lower than for Non-Hispanic Whites (46.7 percent compared to 75.4 percent) (Callis and Cavanaugh 2004). The lower homeownership rates of Latinos are of concern because of the material and symbolic value of homeownership. Moreover, this group is the most rapidly growing population in the United States, increasing by approximately 59 percent between 1990 and 2000 (U.S. Census Bureau).⁴ By 2003, the Latino population totaled approximately 39 million (U.S.

¹ This report employs data from various sources, including the 1990 Census, Census 2000, the 2001 Housing Vacancy Survey, 2003 Home Mortgage Disclosure Act Data, and the 2003 Consumer Expenditure Survey. The different data sources used in each instance are identified in the text or in footnotes.

² This data on homeownership rates comes from the Housing Vacancy Survey, a supplement of the Current Population Survey).

³ The Census Bureau follows standards for the collection of race and ethnic data issued by the Office of Management and Budget in 1997, implemented after 2003. This report follows this categorization. This report uses the term Latino, commonly used interchangeably with the term Hispanic. Latinos are those who self-identify as Hispanic, indicating that their origin was Mexican, Puerto Rican, Cuban, Central or South American, or some other Hispanic origin. The Office of Management Budget’s Directive 15 considers Latinos to be an ethnic group that can be of any race.

⁴ The Census Bureau follows standards for the collection of race and ethnic data issued by the Office of Management and Budget in 1997, implemented after 2003. This report follows this categorization. This report uses the term Latino, commonly used interchangeably with the term Hispanic. Latinos are those

Census Bureau 2004), larger than every racial/ethnic group except Non-Hispanic Whites. Latinos are estimated to comprise more than 25 percent of the U.S. population by 2055 (U.S. Census Bureau 2000).⁵

Some recent research has focused on Latino housing issues. Such projects tend to concentrate on national homeownership trends for all Latinos combined, though there are studies on Latino homeownership for specific groups such as Mexican immigrants and in specific cities and states such as Los Angeles and California.⁶ However, many other aspects of housing impact the everyday lives of Latinos and their families. For example, housing costs such as monthly rent or mortgage payments determine the amount of money that can be saved or spent on other items such as education, transportation, or entertainment. Conditions of housing such as overcrowding influence whether household members have privacy and space to engage in various activities such as homework. Some research does explore issues such as housing costs and overcrowding.

Nevertheless, the rapid growth of this population, increasing housing prices, and the impact of housing on the day to day experiences for Latinos make it even more important to focus on housing quality, housing costs, mortgage origination rates, and terms of home mortgage loans for this group. Additionally, the diversity by national origin and region of residence warrants detailed comparisons of housing issues for different Latino groups. Clearly, there is a need for more research on Latino housing issues that uses up-to-date detailed housing data, explores national and sub-national

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⁵ For more information about Latino demography in 2000, see Guzman and McConnell (2002).

⁶ See the Appendix for some recent research about Latinos and housing issues published as policy briefs and reports.

patterns, covers lesser-studied topics such as terms of mortgages, differentiates among detailed Latino groups, and employs statistical procedures to identify whether differences between groups are statistically significant.

This report aims to provide the most comprehensive description of Latino housing issues to date. Topics presented in this report include: 1) household characteristics such as age and nativity of householder, 2) housing characteristics such as crowding and adequacy of housing; 3) housing costs such as median monthly housing costs and percent of income spent on housing; 4) homeownership rates and housing assets including the current value of home; 5) terms of mortgage loans such as interest rate and length of mortgages and participation in government homeownership programs; and 6) mortgage lending to Latinos, such as the numbers of applications by Latinos and mortgage origination and denial rates.⁷

It is important to place the housing experiences of Latinos in context. Clearly, the unique geographic distribution of Latinos in urban areas, and in particular states and cities are an important aspect of their housing experiences, as the population lives in different places of the country than Whites and African Americans.⁸ Further, the locations favored by Latinos tend to have high housing costs: Latinos in 2003 spent approximately 33.1 percent of their pre-tax income on housing expenditures, far higher than the 25.7 percent spent by non-Latinos (Bureau of Labor Statistics 2005).

Latinos have distinctly different geographic patterns from Whites and African Americans, many of which are also associated with high housing costs. For example,

⁷ Indicators in this report follow standard indicators used in housing research. For example, a household is considered to be crowded in this study if there more than 1.0 person per room, this standard indicator might not coincide with what individuals might consider to be a crowded household.

⁸ For simplicity, Non-Hispanic Whites and Non-Hispanic African Americans will be identified simply as White and Black/African American in the remainder of this paper.

Latinos are more likely to live in urban areas than either Whites or African Americans: 93.7 percent of Latino householders lived in urban areas in 2000, compared with 75.1 percent of White households and 90.2 percent of Black households (U.S. Census Bureau). Urban residents in 2003 spent a larger percentage of total average expenditures on housing (33.6 percent) than rural residents (27.4 percent) (Bureau of Labor Statistics 2005). Further, Latinos are also more likely to live in particular states such as California; fully 31.1 percent of all Latinos lived in California in 2000, compared with only 8.1 percent of Non-Hispanic Whites and 6.4 percent of Non-Hispanic Blacks. States where Latinos are likely to live, such as California, have expensive housing markets.

Latinos are also concentrated within particular high-cost metropolitan areas. In 2000, substantial proportions of the total Latino population in the United States lived in three cities: Los Angeles (18.6 percent), New York City (10.9 percent) and Chicago (4.2 percent) (U.S. Census Bureau). Latino headed households were large populations in each metropolitan area: 28.6 percent of all households in Los Angeles, 14.3 percent of all households in New York City, and 11.0 percent of all households in Chicago (U.S. Census Bureau).⁹ These metropolitan areas are expensive places to live. For instance, housing costs account for a far higher percent of total annual average household expenditures in Chicago (36.3 percent), Los Angeles (36.1 percent), or New York City (37.6 percent) than the national expenditure rate of 32.8 percent (Bureau of Labor Statistics 2005).¹⁰

The unique geographic distribution of Latinos in the United States and their concentration in areas with high housing costs means that it is important to examine

⁹ Data on the total size of the Latino population shows that Latinos are an even larger proportion of the total population in each metropolitan area than the numbers of households would show.

¹⁰ Housing expenditures include shelter, utilities and other items.

issues, such as housing costs, at both national and metropolitan levels. Therefore, the study compares housing characteristics, costs, and mortgage lending for Latinos, Whites, and African Americans at the national level and in Chicago, Los Angeles, and New York. Comparisons of housing issues in each metropolitan area allows for a more direct housing comparison for Latinos, Whites, and African Americans, as it reduces some of the differences in economic conditions and housing markets of the places where these groups tend to live.

It is also important to examine how the housing situations of diverse Latino groups differ, as Latinos are a diverse population by national origin and geographic distribution in the country. Approximately 59.3 percent of Latinos in 2000 were Mexican, 9.7 percent were Puerto Rican, 3.5 percent were Cuban, and 27.5 percent were Latinos from other groups (U.S. Census Bureau).¹¹ Different Latino groups are concentrated in different parts of the country. For instance, in 2000, 3.8 percent of all Latinos born in the United States lived in Chicago, 17.9 percent lived in Los Angeles, and 8.6 percent lived in New York City. Foreign born Latinos were even more likely to live in Los Angeles and New York City: 21.7 percent of all foreign born Latinos in the United States lived in Los Angeles, 11.7 percent lived in New York City, and 4.8 percent lived in Chicago. Puerto Ricans were much more likely to live in the Northeast than elsewhere. More than one third of all Latinos born in Puerto Rico, 36.4 percent, lived in New York City, while only 1.4 percent lived in Los Angeles.

The structure of the report is as follows. The Data and Methods section describes the different data sources employed in the study. Presented next are demographic

¹¹ Puerto Ricans are US citizens and are not considered to be foreign born.

profiles for the nation and the three metropolitan areas.¹² The demographic profiles offer important context for understanding the housing situations of Latinos and offer and provide demographic information about Latino households and Latino household heads. Following the demographic profiles are comparisons between Latino households and others, including homeownership, housing values, housing costs, mortgage terms, approval and denial rates on mortgage applications, and participation in government homeownership programs. Descriptive analyses compare the above housing issues for Latinos, Non-Hispanic Whites, and Non-Hispanic Blacks, followed by comparisons for US born Latinos, Puerto Rican born Latinos, and foreign born Latinos, where appropriate.¹³

DATA AND METHODS

Data used in this study comes from three sources. Census 2000 data are used to provide a national demographic profile of Latinos. Data from the 2003 American Housing Survey describes household heads, households, and housing nationally and in the three cities. 2003 Home Mortgage Disclosure Act data provides information about mortgage applications, mortgage origination and denial rates. The study utilizes demographic information from Census 2000

Census 2000

The U.S. Census Bureau conducts a count of the total U.S. population for the purpose of political apportionment. Census 2000 collected demographic information on racial, Hispanic origin, linguistic and economic characteristics of the population as of

¹²Housing patterns for other cities with large Latino populations such as Miami were not included because sample sizes were not large enough in the 2003 AHS national file.

¹³Puerto Ricans are US citizens and are not considered to be foreign born.

April 1, 2000. This data can be aggregated to state, regional and other geographic levels.¹⁴ Two different data files were used here: 100 percent data from Summary File 2 (SF2) and 5 percent sample data from Summary File 4 (SF4).¹⁵

American Housing Survey

The 2003 American Housing Survey (AHS) is collected by the U.S. Census Bureau for the U.S. Department of Housing and Urban Development.¹⁶ The purpose of the survey is to provide information about housing characteristics in the United States, including family composition, housing costs, and the quality of housing and neighborhoods. The national survey is conducted with approximately 50,000 homes per year in odd numbered years (AHS 2004). Household respondents provide most of the data, including the estimated value of their homes, housing costs, and other information. The large sample size of AHS helps reduce concerns about random sampling error.¹⁷ In order to address sampling error, confidence intervals for 2003 AHS estimates are calculated.¹⁸

¹⁴ Census 2000 data relies on the OMB's directive that Latinos be considered an ethnic group that can be of any race. Respondents could identify more than one race in Census 2000, but the race data used here is limited to those who identified only one race. As with AHS data, Latinos are those who self-identified as Hispanic or Latino, Whites are those who identified as non-Hispanic in the Hispanic question and White to the race question, and Blacks who self-identified as non-Hispanic and black to the race question.

¹⁵ Extensive information about the methodology of Census 2000 at www.census.gov and in academic papers (e.g., Guzman and McConnell 2002).

¹⁶ Only those AHS households that were occupied at the time of the interview were included in this study, such units were those with a value of 1 on the "Status" variable in the AHS data. Also excluded from all AHS analyses were householders born in US outlying areas (U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands) because of concerns about sampling and non-sampling errors.

¹⁷ All 2003 AHS sample data was weighted using 2000-based weighting to produce estimates of the total household population based on the sample.

¹⁸ Estimates that differ at the .05 probability or less are denoted by use of terms such as "statistically different" or "statistical significance."

The 2003 AHS data used here was selected by the race, Hispanic origin, and/or country of birth of household heads.¹⁹ AHS data allows for Latinos to be further separated into those who identified as Hispanic and were born in the United States, born in Puerto Rico, and foreign countries such as Mexico.²⁰ In each case, household heads and households are compared with respect to age of household heads, household income, homeownership, types of mortgages, and monthly housing costs.²¹ For the preliminary comparisons across groups, Latino household heads are those who self-identified as Hispanic. Non-Hispanic Whites are household heads did not identify as Hispanic but identified their race as White only. Non-Hispanic Blacks were household heads who did not identify as Hispanic but identified their race as Black only.²²

In other comparisons using 2003 AHS data, Latino household heads were separated by place of birth, because of important differences in housing outcomes by nativity. US born Latinos were Hispanics who were born in the United States.²³ As this report will show, the housing patterns for the total Latino population obscure important differences among Latinos by nativity. Thus, whenever possible, Latinos of different nativities are compared such as the US born, those born in Puerto Rico, and those born in

¹⁹ According to 2003 AHS national data, 58.2 percent of those identifying as Hispanic were not born on the US mainland, 8.6 percent of those identifying as Non-Hispanic Black and 5.0 percent of those identifying as Non-Hispanic White, respectively, were born outside the United States.

²⁰ Unfortunately, it is not possible to disaggregate U.S. born Latinos further, as AHS does not ask for more detailed Latino group information other than country of birth.

²¹ Households are categorized by the race, Hispanic origin, or nativity of the household head. Analyses indicate that 81.5 percent of Latino household heads with spouses had spouses that were also Latino, 91.5 percent of Non-Hispanic Black household heads with spouses had Non-Hispanic Black spouses, and 94.9 percent of Non-Hispanic White household heads with spouses had Non-Hispanic White spouses.

²² For simplicity, Non-Hispanic Whites and Non-Hispanic Blacks will be identified simply as White and Black in the rest of the report.

²³ This is different than citizenship. For example, Puerto Ricans are US citizens, but for the case of this comparison, they are not considered to be US born. This distinction was made because those born in Puerto Rico have very different housing patterns from those born within the continental United States.

other countries. However, in some cities, the sample size of Puerto Ricans is not large enough to allow for tests of statistical significance.

When applicable, tests of statistical significance have been conducted. Such tests are important when using sample data such as AHS to determine whether observed differences between groups are due to actual differences between groups or are due to sampling variability. Thus, this report uses terms such as “significant” or “significantly different” to refer to statistical significance at the .05 level. That is, there is only a 5% probability that the observed differences are due to variation in samples rather than actual differences in the populations.

Home Mortgage Disclosure Act Data

Other useful housing information, such as the number of mortgage loans made by Latinos and denial rates for Latino mortgage loan applicants, is provided by Home Mortgage Disclosure Act (HMDA) data. The Federal Financial Institutions Examination Council (FFIEC) collects HMDA data, to comply with the passage of HMDA in 1975. This Act called for data collection about mortgage applications and originations to determine “whether financial institutions are serving the housing needs of their communities; public officials in distributing public-sector investments so as to attract private investment to areas where it is needed; and in identifying possible discriminatory lending patterns.” (FFIEC n.d.). Financial institutions, including banks, credit unions, and other mortgage lenders must report on the characteristics of applicants for home mortgages and the loans made to them.²⁴ HMDA data for 2003 included reports by approximately 8,100 lending institutions on approximately 42 million loan records

²⁴ Financial institutions exempt from reporting to FFIEC include depository institutions with assets of less than \$32 million and non-depository institutions with assets less than \$10 million or originated less than 100 home purchase loans in the previous year.

(FFIEC n.d.). Data reported by lenders includes information about applications for mortgages, loan originations and purchases; and the race, sex, and income of loan applicants and borrowers.²⁵ 2003 HMDA data was the most recent data source that was publicly available during the time in which this study was completed.²⁶

National Demographic Profile

2003 AHS data documents that Latinos have unique household characteristics, which certainly influences the type and characteristics of housing at the national level. For instance, 2003 AHS data documents that the median age of Latino household heads is 40 years old, significantly younger than the median age of 45 years and 49 years old for Black and White householders, respectively.²⁷ U.S. born Latino household heads are significantly younger (41 years old) than Puerto Rican household heads (48 years old), but not statistically different than foreign born household heads (39 years old)

Latino household heads are very likely to be born outside of the continental United States. Indeed, 2003 AHS data indicates that 44.2 percent of Latinos were born in the United States, with another 5.2 percent born in Puerto Rico, and the remaining 50.6 percent of Latinos born in other countries. The majority of Latino foreign born individuals are from Mexico, approximately 61.1 percent. In contrast, the overwhelming majority of Non-Hispanic White and Black householders were born in the United States, 95.5 percent and 92.8 percent respectively.

²⁵ 2003 HMDA data is the last year that Latinos were considered a race. Starting in 2004, there were separate categories for ethnicity (Hispanic or Latino) and Race.

²⁶ 2004 HMDA data was not released until late Spring 2005, too late to be analyzed in this project.

²⁷ An Analysis of Variance (ANOVA) confirm that the medians are statistically different across groups.

Nationally, the median household income of Latinos is \$33,000, \$45,000 for Whites, \$27,560 for Blacks in 2003.²⁸ Significance testing shows that median household incomes do not vary by race at the .05 level of probability. However, Latino household income does vary by nativity. For instance, U.S. born Latino households have significantly higher median household incomes than Puerto Rican households (\$37,000 compared with \$22,000). The median household income of foreign born Latino households (\$30,000) is not significantly lower than U.S. born Latino households.

Chicago Demographic Profile

As mentioned earlier, housing in Chicago is significantly more expensive than other areas of the country. For instance, the national annual average household expenditure in 2002-2003 was \$13,359, much lower than the average spending of \$17,059 in Chicago (Bureau of Labor Statistics 2005).

As was true nationally, the 2003 AHS documents that Latinos in Chicago have some unique household and housing characteristics, compared with other groups. For example, Latino household heads are also substantially younger than other household heads, approximately 39 years old, compared with 47 for Black household heads and 48 for Whites. The majority of Latino household heads were born outside of the United States or Puerto Rico, approximately 64.0 percent. Of these, nearly 87 percent were born in Mexico. There is also a sizable White immigrant population in Chicago, approximately 11.5 percent of the total White population. In contrast, only 3.3 percent of Blacks in Chicago were born outside of the United States.

²⁸ Census 2000 shows the same ranking for median household incomes in 1999: \$33,676 for Latinos, \$45,367 for Non-Hispanic Whites and \$29,445 for Non-Hispanic Blacks.

Despite what seems to be large differences in the median household incomes of Chicago Latinos, Whites, and Blacks (\$44,000, \$60,000, and \$29,000, respectively), the median Latino household income is not statistically different than that of Whites or African Americans. This is also true for U.S. and foreign born Latinos, who earn about the same median household income (\$45,000 and \$42,500, respectively).

Los Angeles Demographic Profile

Los Angeles is the most popular metropolitan area for Latinos in the United States. Indeed, Census 2000 shows that 18.7 percent of all Latinos in the country live in Los Angeles, a more expensive housing market than Chicago. Indeed, in 2002-2003, average expenditures on housing were \$17,986 in Los Angeles, 36.1 percent of total annual expenditures (Bureau of Labor Statistics 2005).

Latino household heads in Los Angeles are younger than other groups: a median age of 40 years old, significantly younger than White (50 years) or Black (47 years) household heads. US born Latino household heads are slightly younger (38 years old) than US born Latino household heads (40 years old). Household heads in Los Angeles are more likely to be foreign born than in Chicago or New York City. According to 2003 AHS data, just 30.3 percent of Latino householders in Los Angeles are US born, 51.6 percent are Mexican born, 7.4 percent were born in El Salvador, and the remaining household heads come from diverse Latin American countries. Approximately 17.7 percent of White households are foreign born and 7.2 percent of Black households are foreign born.

As was true in Chicago, though Latino headed households in Los Angeles have median household income that appear to be approximately 65 percent of the income

White headed households and about 20 percent higher than Black households ((\$33,600; \$52,000; \$27,000, respectively); these differences are not statistically different. Median household income in Los Angeles does not differ between U.S. born Latinos and those born in Latin America (\$41,200 and \$30,000, respectively).

New York City Demographic Profile

New York City is another important metropolitan area for Latinos, with Census 2000 showing that 10.9 percent of all Latinos in the country reside in the city. New York City also has nearly the most expensive housing in the country. Indeed, in 2002-2003, household expenditures on housing was higher for New York City than for Chicago or Los Angeles, averaging \$18,919 annually, 37.6 percent of total annual expenditures for New Yorkers (Bureau of Labor Statistics 2005).

Latino household heads in New York show are young and of diverse ethnic backgrounds. For example, Latino household heads in New York City have a median age of 44 years old, significantly younger than White household heads (50 years old), but not different than Black household heads (48 years old). US born household heads are even younger, 35 years old; which is significantly younger either than Puerto Rican household heads (57 years old), or foreign born Latinos (45 years old). Latino household heads come from diverse origin. Indeed, approximately 31.1 percent of Latino household heads were born in the United States, 18.6 percent were born in Puerto Rico, 14.8 percent were born in the Dominican Republic, and 5.6 percent were born in Colombia. African Americans in New York also show a high proportion of foreign born individuals: 33.3

percent. The majority of White household heads in New York City are US born, 85.1 percent.

2003 AHS data show that the median household income of Latino households is nearly \$29,000, 80 percent of the household incomes of African Americans and 52 percent of what White households earn. Significance testing shows that the household income differences between Latinos, Whites, and Blacks in New York City are not statistically different. However, data on annual household incomes show that Puerto Rican households have by far the lowest median income of any group, \$15,000 annually, only 27 percent of what White households earn (\$55,000). U.S. and foreign born Latino households in New York City have median household incomes of \$28,833 for US Latinos and \$29,944 for Latino foreign born; but are not statistically different from the median household income of Puerto Ricans.

Homeownership

Homeownership is strongly associated with individual and household well-being (Flippen 2001). Ownership also has societal impacts, as neighborhoods with higher proportions of homeowners are more likely to have well-kept properties and are safer than neighborhoods with lower tenure rates (e.g., Green and White 1997 cited in Painter, Gabriel, and Myers 2000). Homeownership has concrete effects on individuals and communities. For instance, homeownership is a very important avenue for the creation of wealth (Alba and Logan 1992).

Nevertheless, 2003 AHS data confirm that Latino homeownership rates in the United States are lower than for other groups. For example, 46.9 percent of Latino household heads are homeowners, a significantly lower homeownership rate than for

White household heads (75.5 percent). Approximately 48.3 percent of African American household heads are homeowners, slightly higher than Latinos, but the difference is not significantly different. Nativity also appears to be strongly associated with national homeownership rates for Latinos. For example, 53.9 percent of U.S. born Latinos in 2003 were homeowners, compared with 30.8 percent of Puerto Ricans, and 42.4 percent of Latinos born elsewhere. These differences are significantly different.

Homeownership rates vary by metropolitan area, with the highest tenure in Chicago and the lowest in New York City. Indeed, approximately 51.5 percent of Latino households in Chicago lived in owner-occupied units compared with 16.2 percent in New York City. In Chicago, housing tenure for Latinos was much lower than for Whites (78.8 percent), but not significantly higher than African Americans (45.1 percent). Foreign born Latinos and US born Latinos had similar homeownership rates in Chicago: 52.7 percent and 50.2 percent, respectively.

Latino homeownership rates were much lower in Los Angeles than in Chicago, only about 40.3 percent of Latino household heads own their own home. Further, homeownership rates were nearly 20 percentage points higher for White household heads as for Latino household heads (60.1 percent), a statistically significant difference. As was true nationally, Latino and Black household heads did not have significantly different homeownership rates. US born Latino household heads and foreign born Latinos had similar homeownership rates (43.5 percent and 38.6 percent, respectively).

Homeownership rates in New York City are far lower than in other metropolitan areas, which is not surprising given the high cost of rental and owner occupied housing in the area. Here again, Latinos in New York City have much lower homeownership rates

than either Whites or African Americans. For example, only 16.2 percent of all Latino household heads in New York City own their own homes, significantly lower than homeownership rates of 63.0 percent for White households and 31.0 percent for Black households.²⁹ The tenure rates of Latino groups in New York City do not differ statistically: Puerto Rican born households have tenure rates of 13.7 percent, compared with 15.4 of foreign born Latino households and 19.0 percent of US born Latinos.³⁰

Despite the gaps between Latino and White homeownership rates, Latino households have made significant progress in homeownership, outpacing the increase of homeownership occurring nationwide. For instance, in 1990, 64.2 percent of all households owned their own homes, but by 2000, 66.2 percent of all U.S. households were owner occupied. The proportion of all owner-occupied households who were Latino also increased over the decade. Indeed, Latino homeowners increased from 3.4 percent of all owner occupied households in 1990 to 6.0 percent in 2000. Gains in homeownership are also evident for Latin American immigrants living in the United States, though their homeownership rates differ by citizenship status. Naturalized Latin American immigrants increased their homeownership rates of 56.2 percent in 1994 to 61.7 percent in 2002; non-citizen Latin American immigrants experiences slightly smaller increases from 29.5 percent in 1994 to 31.5 percent in 2002 (Callis 2003). Other research shows that Latino homeownership rates have continued to increase in the last several years (Callis and Cavanaugh 2005).

Latinos also experienced gains in homeownership in Chicago, Los Angeles, and New York City since 1990. For example, in 1990, Latino owner occupied households

²⁹ This difference is statistically significant at the .05 level.

³⁰ The differences between Puerto Ricans, foreign born Latinos, and US born Latinos in New York City are not statistically significant.

were 3.0 percent of all owner occupied households in Chicago; however, by 2000, Latino owner occupied households were 8.3 percent of such households (U.S. Census Bureau). Gains were even larger in Los Angeles, with Latino owner occupied households increasing from 14.1 percent of all owner-occupied households in 1990 to 22.3 percent in 2000 (U.S. Census Bureau). Therefore, though Latino tenure rates have remained below Whites, there has been some progress on the road to homeownership.

Mortgage Approval and Denial Rates

The home mortgage lending industry makes a tremendous number of home mortgage loans to Americans to purchase homes, allowing ever increasing numbers of individuals and families to become homeowners. Indeed, 1.28 million loans were made to US homeowners in 1981; by 2003, 41.56 million loans were made in the United States (FFEIC 2004). In 2003, approximately 11.8 percent of all mortgage loans went to Latino applicants, 8.3 percent went to Black applicants, and 70.4 percent went to White applicants (FFEIC 2004). The numbers of all home purchase loans to Latinos has increased dramatically in recent years, from 157,434 loans in 1993 to 528,529 loans in 2003, a 235.7 percent increase over the decade (FFEIC 2004). This increase was the highest of any racial and ethnic group in the United States.³¹

2003 Home Mortgage Disclosure Act data confirms past research showing racial differences in the approval and denial rates to applicants for home mortgage loans.³² Indeed, 71.0 percent of all Latino applicants for both conventional and government

³¹ For comparison, all home purchase loans to Blacks increased 106.1 percent over the decade, from 162,379 to 334,658 in 2003 (FFEIC 2004).

³² These analyses of HMDA data use the entire population of mortgage loans from eligible institutions; therefore, all differences using HMDA data are statistically significant.

backed mortgages in the United States were approved for home mortgage loans in 2003, while 17.3 percent were denied loans.³³ Whites have higher probabilities of being approved for a conventional or government-backed mortgage, 80.2 percent, and lower probabilities of being denied, 11.2 percent. African Americans have the lowest approval rates for mortgages, 65.9 percent, and the highest denial rates, 22.1 percent, of any group. The ranking of highest approval rates (White applicants, Latino applicants, Black applicants) holds nationwide and in Chicago, Los Angeles, and New York City.

2003 HMDA data also provides approval and denial rates for conventional and government-backed mortgages individually. Approval rates for government-backed mortgage loans are higher than for conventional mortgage loans; this pattern holds for Latino applicants nationwide and in all three metropolitan areas. The difference in approval rates between conventional and government-backed mortgage applications is generally not more than a few percentage points, such as the 70.2 percent approval rate for Latino applicants for conventional loans and 74.6 percent for government backed loans. The biggest difference for Latinos was in New York City, where 77.5 percent of Latino applicants for government backed mortgages were approved, compared with 68.3 percent of Latino applicants for conventional mortgages. New York had the lowest approval rates of mortgage applications by Latino applicants of all three metropolises.

Unfortunately, 2003 HMDA did not include detailed information about applicant characteristics, such as credit worthiness, or loan to value ratios, which would help explain different denial rates. However, income information about Latino, White, and Black applicants is included in the data. Here again, the patterns show differential

³³ Percentages for approval and denial rates do not add up to 100.0 percent because some applicants withdraw their applications or have their files closed before completing the process.

approval and denial rates by race and ethnicity. For instance, looking at applications for conventional home purchase loans, 2003 HMDA data shows that Latino applicants with income that were less than 50 percent of the median family income for their metropolitan statistical areas had approval rates of 59.9 percent (FFEIC, Table 4). In contrast, White applicants at the same household income level had approval rates that were nearly 10 percentage points higher (69.2 percent). African American applicants had slightly lower approval rates (55.8 percent) than Latino applicants.

The same patterns hold even when applicant incomes exceed 120 percent or more of the median family income for their area: Latinos had approval rates of 74.2 percent, Whites had approval rates of 84.5 percent, and African Americans had approval rates of 69.7 percent (FFEIC 2004, Table 4). Additional credit and loan data, not available in 2003 HMDA, would be needed to identify the existence of differential approval and denial rates for Latinos, Whites, and African Americans.

Housing Values

Part of the financial security of homeownership lies in the value of the home, which a recent estimates places at about 27.3 percent of the total wealth of American households and about 46.8 percent of non-financial assets (Di 2003). Home equity is an even larger proportion of the wealth of minority homeowners, 54.7 percent of household net wealth in 2001 (Di 2003).

Nationally, the median current market value for homes owned by Latino households is \$130,000, which appears lower than the market values of homes owned by

White households (\$140,000), but the difference is not statistically significant.³⁴ The median market value of homes owned by African Americans nationwide is \$94,000, which is also not statistically different from the median value of Latino-owned homes. The median market value of homes owned by U.S. Latinos is approximately \$125,000, not significantly different from the median value of \$137,000 for Puerto Ricans, and \$140,000 of foreign born Latinos.

Housing values in metropolitan do vary by race and ethnicity, especially between Latinos and Whites. Indeed, the median value of White owned homes assessed by the homeowner far exceeds that of Latino homeowners in Chicago, approximately \$205,000 compared with \$150,000 for Latinos. This significant gap, \$55,000, is far larger than the non-significant \$10,000 White-Latino housing value gap nationwide. In contrast, the median values of homes owned by African Americans are not significantly different (\$107,000) from those owned by Latinos. The median market value for US born Latinos in Chicago is \$170,000, not significantly different from the \$150,000 median market value for foreign born Latinos.

The median value of Latino-owned homes in Los Angeles in 2003 was assessed by owners to be about \$250,000. While higher than the median value of Latino homes nationwide or in Chicago, it is 61.1 percent *lower* than the median value of White-owned homes (\$642,895). Median values of Los Angeles homes owned by Whites shows that half of White homeowners have homes that have a current market value higher than \$643,000, hundreds of thousands of dollars higher than for Latinos. The median value of Latino and African American owned homes in Los Angeles (\$225,000) are about the

³⁴ Respondents estimated the current market value of their home.

same; as are the values of homes owned by U.S. born and foreign born Latinos (\$270,000 and \$240,000, respectively).

New York City homes are very valuable, but 2003 AHS data does not indicate significant differences by race. For example, Latino homeowners assessed their homes to be worth a median of \$280,000, while \$345,000 for White homeowners and \$260,000 for Black homeowners; however, these differences are not statistically significant. The same pattern holds true for Latinos: Puerto Ricans assessed the median value of their home as (\$225,000), foreign born Latinos estimated approximately \$280,000, and US born Latinos estimated \$290,000. Again, none of these differences are significant.

Housing Costs

Latinos have significantly higher housing costs than other groups such as African Americans. For instance, the median monthly mortgage payment for Latino homeowners is approximately \$850 and monthly housing costs for owners and renters are \$715.³⁵ In contrast, African Americans have a significantly lower median mortgage payment of \$664 and lower total monthly housing costs for renters and homeowners of \$606. White homeowners actually have mortgage payments that are not statistically different from those of Latino homeowners. Total housing costs for White and Latino renters and owners are approximately the same, as well.

³⁵ Monthly housing costs are the median of total housing costs for *both* renters and homeowners. Housing costs include, when applicable, utility costs, real estate taxes, cost of homeowner insurance, condominium/homeowner's association fee, land/site rent, other mortgage charges, other required mortgage fees, mortgage payments, routine maintenance costs, and rent payments.

Latino households have lower household incomes than White households, but because housing costs are similar for both groups, Latinos spend a substantial proportion of their household income. Indeed, Latino households nationwide spent a median 26.4 percent of their household income on housing expenses. The difference in proportion of income spent on housing between Latinos and the two race groups is not statistically significant: 19.0 percent for Whites and 25.0 percent for African Americans. However, there are important differences between Latinos and Whites in those who are severely cost burdened, that is, those spending more than 50 percent of their income on housing. 2003 AHS data show that 16.6 percent of Latino households are severely cost burdened by housing, compared with 10.7 percent of White households. Latino and Black households (17.5 percent) are equally likely to be severely cost burdened.

Differential homeownership rates undoubtedly reflect differences in financial resources. Latino household heads are far less likely to use the sale of previous home as the source of their down payment on their current home than are Whites. Indeed, 18.1 percent of Latinos used the sale of a previous home, while 35.6 percent of Whites were able to do so. However, a significantly higher proportion of Latino household heads used the sale of a previous home to make a down payment on their current home compared to African Americans (11.5 percent). Among Latinos, US born Latinos (21.8 percent) are significantly more likely to draw from previous home sales as a down payment than foreign born Latinos, but there was no statistical difference in the use of this resource between US born Latinos and Puerto Ricans.

The median purchase price of homes bought by Latino households nationwide was \$84,000, homes purchased by Whites were approximately \$78,000, and Black

homeowners paid a median of \$55,000. These differences are not significant at the .05 level. Foreign born Latinos spent a median of \$90,000 purchasing their homes, US born Latinos spent \$77,000 and Puerto Ricans spent \$79,000. However, these differences in purchase price by nativity are not statistically significant.

Chicago Housing Costs

Chicago has much higher housing costs than other parts of the country, especially in terms of mortgages and monthly housing costs. Nevertheless, as was true nationally, Latinos still have higher housing costs than other groups. For example, Latino households spend a median of \$1,100 on mortgage payments, higher than Black households (\$901) but about the same as White households (\$1,079). These payments are medians, which means that half of U.S. born Latinos in Chicago spend *more* than \$1,200 on their monthly mortgage. Differences in mortgage payments by nativity are not statistically significant, with U.S. born Latinos in Chicago paying a median of \$1,200 and foreign born Latinos paying \$1,100.

Latinos spent a median of \$110,000 on the purchase of their home, a median price that is not statistically different than the price paid by White homeowners (\$129,000). However, Latinos did spend significantly more on their homes than Black homeowners, who paid a median purchase price of \$59,990. As was true nationally, White homeowners in Chicago are much more likely to be able to draw on the sale of a previous home (46.2 percent) for the down payment on the current home, compared with a much smaller proportion of Latinos (17.5 percent). Latino and African American homeowners were about equally likely to rely on the sale of a previous home to purchase the current

home. Though 2003 AHS data estimates that 23.7 percent of US born Latino homeowners have funding from the sale of a previous home, compared with 13.3 percent of foreign born Latinos, this difference is not significantly different.

Monthly housing costs show slightly different patterns than the national patterns: Latino households spend significantly more than African Americans in monthly housing costs ((\$838 compared with \$688), but not significantly less than White households (\$1,023). Monthly housing costs do not vary significantly between foreign born (\$846) and U.S. born Latinos (\$838). Despite higher housing costs for Whites in Chicago, their higher incomes translate into spending about the same proportions of their household income on housing than Latinos: 21.6 percent compared with 25.3 percent for Latinos. The percent of household income spent on Chicago housing does not differ significantly between Latinos and African Americans or between foreign born Latinos and U.S. born Latinos. Similar proportions of Latinos and Whites in Chicago are severely cost burdened, or spend more than 50 percent of their income on housing costs. Latinos are less likely to be severely cost burdened than African Americans (14.9 percent and 21.2 percent, respectively).

Los Angeles Housing Costs

Los Angeles is another expensive place to live, especially for homeowners. For instance, Latino headed households pay a median monthly mortgage payment of \$1,134, significantly higher than Black homeowners (\$883) but significantly lower than White homeowners (\$1,300). U.S. born and foreign born Latinos do not have significantly different monthly mortgage payments (\$1,200 and \$1,100, respectively). Latino

homeowners in Los Angeles paid a median purchase price of \$138,000 compared with \$160,000 for White homeowners, a difference that is not statistically significant. However, Latino homeowners spent nearly twice as much on their homes as African American homeowners (\$63,000).

Given the high costs of housing, those living in Los Angeles spend a substantially higher proportion of their household income on housing costs than in Chicago. This is true for every group: Latinos spend about 29.3 percent of income on housing costs, approximately the same as Whites, who spend about the 25.4 percent, and African Americans, who spend approximately 30.0 percent. Housing cost burdens do not vary significantly by nativity for Latinos: foreign born Latinos spend 32.0 percent of their monthly household income on housing costs and U.S. born Latinos spend 26.6 percent. Large proportions of each population in Los Angeles are severely cost burdened, that is, they spend more than fifty percent of their income on housing costs: about 23.6 percent of Latinos, 25.0 percent of Blacks, and 20.3 percent of Whites. Households headed by U.S. born and foreign born Latinos are equally likely to be severely cost burdened.

In Los Angeles, about 11.1 percent of Latino homeowners were able to use the sale of a previous home for the down payment on their current home, much lower than White homeowners (32.1 percent). Similar proportions of Latino and Black homeowners (9.8 percent) could use this resource to fund their current home. US born Latinos in Los Angeles were much more likely to rely on this source of funding (20.0 percent) than foreign born Latinos (6.1 percent).

New York City Housing Costs

New York City is a far more expensive place to live than either Chicago or Los Angeles, especially if one is a homeowner. Indeed, Latino homeowners pay a median mortgage payment of \$1,686, far higher than either White homeowners (\$1,200) or Black homeowners (\$1,300). Again, this mortgage payment is the median payment, which means that half of Latinos in New York City spend *more* than \$1,686 in monthly mortgage payments. US born Latinos pay approximately \$1,900 in monthly mortgage payments, significantly higher than Puerto Ricans homeowners (\$766), but about the same as foreign born Latinos (\$1,700).³⁶

In New York City, no group was significantly more likely to use proceeds from the sale of a previous home as a down payment on their current home than any other group. Approximately 18.5 percent of Latino homeowners used the sale of a previous home for the down payment on the current home, similar to the proportions of Whites (24.0 percent). Though 2003 AHS estimates would suggest that Black homeowners were the least likely to draw from a previous sale (8.7 percent), Latinos and Blacks are equally likely to have these type of funds to use towards a downpayment. Differences in the proportions of U.S. born Latinos, Puerto Ricans, and foreign born Latinos who could draw from the sale of a previous home were not statistically significant, either.

Monthly housing costs in New York City, which includes costs for both homeowners and renters, show an interesting pattern: Latinos have median housing costs of \$702, not significantly different from Blacks (\$750), but much lower than for Whites

³⁶ The very low payment of the Puerto Rican born is undoubtedly due to the purchase price of their homes, which have a median purchase price of \$98,265 compared with \$245,033 for US born Latinos. The timing of the purchase likely influences the differences in cost: Puerto Rican born households moved in 1988, US born Latino households moved in 1993. Different locations within New York City might also explain lower prices for Puerto Ricans.

(\$1,018). Housing costs vary within the Latino population living in New York City. Puerto Ricans have significantly lower monthly housing costs (\$572) than either U.S. born Latinos (\$700) or foreign born Latinos (\$766).

The proportion of household income spent on housing in New York City is quite high across all groups. For example, Latinos households spend about 28.0 percent of their monthly income on housing costs, approximately the same as the 22.8 percent of White households and the 24.2 percent spent by Black households. The proportion of household income spent on housing was approximately the same for U.S. born Latino, Puerto Rican and Latino foreign born households. More detailed housing on cost burdens reveals that Puerto Rican households and foreign born households in New York City are in particularly dire straits due to housing. Indeed, fully 34.6 percent of Puerto Rican households spend more than 50 percent of their income on housing costs. Latino foreign born households are also severely cost burdened (28.1 percent).

Mortgage Terms

Past research shows that the interest rates on home mortgage loans follow a specific pattern: Whites are most likely to attain prime loans while minority groups such as Latinos and African Americans are less likely to have such loans (NCRC 2005a). Instead, Latinos and African Americans are more likely than Whites to turn to subprime loans. Prime loans are loans with more affordable interest rates than are subprime loans, which reflect differences in credit histories. Subprime loans charge higher interest rates because borrowers with poorer credit histories expose lenders to higher risks.³⁷ Higher

³⁷ Extensive research has examined the growth of subprime lending (e.g., Williams, Nesiba and McConnell 2005) and racial and ethnic differences in types of mortgages held by homeowners (e.g., NCRC 2005b).

interest rate mortgage loans incur higher costs than lower interest rate mortgage loans, so it is important to identify the interest rates of mortgage loans held by homeowners in the United States.

2003 AHS data estimates that Latino and White homeowners had mortgages with a median interest rate of 7.0 on a 30 year fixed-rate mortgage, while African American homeowners had a median interest rate of 7.25 on a 30 year, fixed-rate mortgage.³⁸ Statistical tests show that the differences in mortgage interests for Latinos and Black homeowners are not significant. Interest rates for 30 year fixed-rate mortgages are similar between US born Latinos (7.0), Puerto Ricans (6.75), and Latinos (7.0) born in other countries.

Though this data set does not show racial-ethnic differences in mortgage interest rates, other studies have documented that Latinos and African Americans are disproportionately more likely to have subprime loans than are Whites. Indeed, a recent analysis of 2004 HMDA data found that:

Of all the home purchase loans issued to African-Americans, 29.9 percent were subprime. Only 7.7 percent of conventional home purchase loans for whites were subprime, but 14.6 percent of home purchase loans for Hispanics were subprime. Only 3.5 percent of the home purchase loans for Asians were subprime (NCRC 2005b).

Future research on mortgage interest rates will be aided by the collection of pricing information for subprime loans in HMDA, starting with the 2004 HMDA.

It is also important to compare other aspects of mortgage terms between Latino homeowners and others, such as the size of the mortgage and the length of the remaining loan. 2003 AHS data does not show differences between the groups of interest in this

³⁸ The mortgage interest rate information used here is self-reported by the respondent, which could be subject to errors including memory recall.

study. For example, Latinos took out a median mortgage of \$95,000, compared with \$92,000 for Whites and \$70,000 for Blacks. These differences are not statistically significant. Similarly, Latino homeowners have about 8.0 years of mortgage payments due on their home (96 monthly payments), about the same as Blacks (7 years, 84 monthly payments) and Whites (9 years, 108 monthly payments). The time remaining on mortgage loans is about the same for different Latino groups by nativity. For example, foreign born Latinos have 9.0 years remaining on their mortgages (108 monthly payments) and US born Latinos have 8.0 years remaining (96 monthly payments).³⁹

Mortgage Terms in Chicago

Latino and White homeowners in Chicago took out similar mortgages, \$120,000 for Latinos and \$124,000 for Whites. The similar size of mortgages for Latinos and Whites is interesting. Black homeowners borrowed a median of \$88,000, but this is not significantly lower than the size of mortgages taken out by Latinos. Unlike the national patterns, the median interest rates on a 30 year fixed rate mortgage were significantly higher for Latinos (7.63 percent), than for Whites (6.5 percent). Latino and Black homeowners had similar interest rates (7.62 percent for Blacks). U.S. born Latinos had slightly, but significantly, lower median interest rates than foreign born Latinos (7.63 percent and 7.88 percent, respectively). Latinos in Chicago had fewer years remaining on their mortgages (8.0 years), compared with Whites or African Americans, who both had 10.0 years remaining on their mortgage loans.⁴⁰

³⁹ The sample size of Puerto Rican homeowners responding to this question was not large enough to provide median data about the years remaining on the mortgage.

⁴⁰ There is too much missing data for foreign born and US born Latinos in Chicago to conduct this analysis.

Mortgage Terms in Los Angeles

2003 AHS data shows that mortgage terms in Los Angeles are generally similar across groups. For example, the median mortgage loan for Latino households in Los Angeles was \$140,000, not significantly different from the mortgages of White (\$185,000) or Black homeowners (\$118,800). There are two exceptions by race/ethnic group: the number of years remaining on mortgages and interest rates. Latino homeowners owe a median of 9 years of mortgage payments, less time than Whites (15 years), but more time than Blacks (5 years remaining). Median interest rate on 30 year fixed rate mortgages for Latinos is 7.25 percent, significantly higher than for African Americans (4.5 percent), but about the same as Whites.⁴¹ Mortgages do not vary significantly for U.S. or foreign born Latinos for amount of the mortgage, time remaining on the mortgage, or interest rates. U.S. born Latinos took out a median mortgage of \$149,000 for US born Latinos, 7.0 percent interest rate on 30 year mortgages, and have 9 years remaining on the mortgage.

Mortgage Terms in New York City

2003 AHS data shows few differences in the mortgage terms of different groups in New York City. For example, Latino homeowners in New York City borrowed a median of \$150,000 dollars on their mortgage, which is not significantly different from the amounts borrowed by White or Black homeowners (\$140,000 and \$119,000, respectively). Similarly, interest rates for 30 year fixed rate mortgages in Los Angeles were approximately the same for every group of interest in this study: 6.5 percent for Latinos, 6.5 percent for Whites, and 6.75 percent for African Americans. However,

⁴¹ Only a small fraction of African American respondents provided interest rate information on mortgages, therefore the interest rate reported may not be representative of interest rates of African American homeowners in Los Angeles.

White homeowners do have significantly more years remaining on their mortgage than Latino homeowners (10 years versus 6 years) to pay off their mortgage. There are few differences in mortgage terms between U.S. born Latinos, Puerto Ricans, and foreign born Latinos.⁴² They took out similar mortgages, have similar interest rates and have similar amounts of time remaining on their mortgages. For instance, U.S. born Latinos borrowed about \$142,500 and have a median fixed interest rate on 30 year mortgages of about 6.5 percent. Foreign born Latinos borrowed a median of \$150,000 and have a median interest rate of 6.875.

Government Assistance to Homeowners

Government-backed loans are an important component of the mortgage loan market for Latinos, providing 21.0 percent of all loans to Latinos in 2003, with the balance of loans being conventional (FFEIC 2004). 2003 HMDA data also shows that government-backed home purchase loans to Latinos have increased substantially in recent years. Indeed, 66,089 government-backed loans were made to Latinos in 1993; and increased to 110,862 in 2003 (67.7 percent increase over the decade) (FFEIC 2004). In contrast, government-backed loans for African Americans remained relatively stable over the period, 81,057 to 86,140 over the 10 year period, an increase of only 6.3 percent (FFEIC 2004).

The federal government clearly provides some assistance to Latino homeowners. For example, 2003 AHS data shows that approximately 13.5 percent of Latino homeowners participated in a government program that provides the first mortgage. This is significantly higher than the 6.9 percent of White homeowners who participated in

⁴² The sample size of Puerto Rican households is too small to compare interest rates or time remaining on the mortgage.

government programs. Participation in government provided first mortgages were not statistically different for Latinos and African Americans, with about 17.2 percent of African American homeowners participating in that type of program. Surprisingly, even 14.7 percent of foreign born Latino household heads with a mortgage used a government program, not statistically different from the proportions of U.S. born Latinos and Puerto Ricans who participated (12.7 percent and 9.7 percent, respectively).

Government assistance in Chicago, Los Angeles, and New York City is also instrumental to Latino homeownership. For instance, 2003 AHS data shows that 12.3 percent of Latino homeowners in Chicago had a home mortgage loan that was provided by a government program, 18.7 percent of Latino homeowners in Los Angeles, and 12.9 percent in New York City. This suggests that without participation in governmental homeownership programs in these cities, particularly in Los Angeles and New York City, the homeownership gap would be even larger between Latinos and other groups.

According to 2003 HMDA data, government backed mortgages were 27.6 percent of all mortgage loans to Latinos in Chicago; but only 9.6 percent of loans to Latinos in Los Angeles, and 13.8 percent of loans to Latinos in New York City. The higher rate of government backed mortgages in Chicago compared with the other two metropolitan areas is likely associated with the dollar amount limit on government backed mortgages. On January 1, 2003, the Federal Housing Authority set mortgage loan limits in low cost areas to \$154,896 and \$280,749 in high cost areas (Housing and Urban Development 2003). Again, the proportion of loans to Latinos that were through government backed mortgage programs indicates the importance of this form of support to future gains in homeownership for Latinos.

Housing Characteristics

Nearly 10 percent of all households with Latino heads were in housing that was moderately or severely inadequate.⁴³ This is significantly lower than for African Americans (12.3 percent) but more than twice as high than for Whites (4.4 percent). Puerto Ricans lived in inadequate housing at approximately the same rate as Blacks (12.1 percent), significantly higher than for U.S. born Latinos (9.2 percent). U.S. and foreign born Latinos had similar rates of inadequate housing (9.2 and 9.4 percent, respectively).

Latinos were significantly more likely to live in crowded households than other groups, nationwide and in Chicago, Los Angeles, and New York City.⁴⁴ Indeed, 25.5 percent of Latino households lived in crowded conditions, compared with 7.6 percent of African American and 3.5 percent of White households. Foreign born Latinos tend to live in more crowded housing situations than their US or Puerto Rican born peers. For instance, more than 36.0 percent of foreign born Latino household heads lived in crowded quarters, compared with 14.7 percent of US born Latinos and 15.1 percent of Puerto Ricans.

Chicago Housing

As was true nationally, Latinos in Chicago were about as likely to live in inadequate housing as African Americans (7.0 percent versus 8.7 percent), but much more likely to live in crowded living arrangements (28.2 percent versus 9.1 percent). Whites were less likely to live in either situation, with 4.6 percent residing in inadequate

⁴³ The 2003 AHS has a variable about housing adequacy. Moderately inadequate housing includes the unit lacking a complete kitchen, rodents, no working light fixtures, three or more toilet breakdowns lasting more than 6 hours in the last 90 days. Several inadequate housing includes those units lacking complete plumbing, electricity and other issues. See the codebook (ICF Consulting 2004) for more information on how this variable was coded.

⁴⁴ Following the standard definition, a household is categorized as crowded when there is more than 1 person per room in the unit.

housing and 2.6 percent living in crowded conditions. Foreign born Latinos about as likely to live in inadequate housing as U.S. born Latinos (5.9 percent versus 7.9 percent), but more than three times more likely to live in crowded housing than U.S. born Latinos (37.2 percent versus 11.8 percent).

Los Angeles Housing

Latino households are significantly more likely to live in moderately or severely inadequate housing (10.9 percent) than Whites (7.0 percent), but about as likely as Blacks (11.9 percent). There is no significant difference by nativity for Latinos in Los Angeles: 9.8 percent of US born households live in moderately or severely inadequate housing, 10.5 percent of foreign born households are in the same situation. However, Latino headed households are much more likely to live in crowded housing situations than either Whites or Blacks. Indeed, approximately 40.9 percent of Latino households are considered to be crowded, compared with 6.3 percent of White households and 9.3 percent of Black households. Among Latino groups, foreign born households are the most crowded. A majority of households headed by a foreign born Latino are crowded (53.9 percent), compared with 20.5 percent of US born Latino households.

New York City Housing

Inadequate and crowded housing are far more problematic for Latinos in New York City than in Chicago or Los Angeles. Nearly 19.9 percent of Latino households live in moderately or severely inadequate housing, significantly higher than for the 6.4 percent and 10.8 percent of White and Black households living in inadequate housing. The same patterns hold for crowding in New York City as in Chicago and Los Angeles:

nearly 1/3 of all Latino households are crowded (31.0 percent), far higher than the 6.3 percent of crowded White households and 14.9 percent of crowded Black households. The three Latino groups have slightly different patterns in New York City. U.S. born Latinos, Puerto Ricans, and foreign born Latinos are equally likely to live in inadequate housing: 15.5 percent of U.S. born Latinos, 25.9 percent of Puerto Ricans, and 18.4 percent of foreign born Latinos. In New York City, approximately 37.8 percent of foreign born households are crowded, significantly higher than for the 22.5 percent of U.S. born Latino households. Puerto Rican households are as likely to be crowded as U.S. born Latinos.

CONCLUSIONS AND POLICY RECOMMENDATIONS

The housing arrangements of Latinos, rates of homeownership, and mortgage lending issues are of great importance to economic mobility of this rapidly growing and heterogeneous group and, indeed, to the country as a whole. This study provides a comprehensive description of the housing characteristics, housing costs, homeownership rates and housing assets, terms of mortgage loans and patterns of mortgage lending to Latinos nationally and in Chicago, Los Angeles, and New York City. Further, the project compares Latino housing outcomes with those of Whites and Blacks and differentiates Latinos by nativity.

This study documents that the housing difficulties of Latinos surpass low homeownership rates. In fact, the study shows that Latinos have far more difficult housing situations than Whites, nationally and in Chicago, Los Angeles, and New York City. Latinos have lower homeownership rates, lower housing values, are more likely to be cost-burdened, have higher denial rates for mortgage loans, and are much more likely

to live in crowded and inadequate housing than Whites. These significant differences remain, even for Latinos and Whites residing in the same metropolitan areas. The case of Puerto Rican households in New York City is a particular case in point: they have high housing costs, very low household incomes, and homeownership rates that are fully 75 percent lower than for Whites in the same metropolitan area. The issue of crowding is another housing issue that sets Latinos apart, both at the national and metropolitan levels.

The analyses document similarities in the housing situations of Latinos and African Americans in the United States, with both groups spending substantial portions of their household income on housing expenses, similar interest rates, much lower mortgage approval rates than for Whites. Latinos and African Americans are equally likely to participate in government programs that provide first mortgages. Such similarities indicate that in many aspects of housing, both groups face the same challenges. However, there are important differences between Latinos and African Americans, especially in terms of purchase prices of homes and years need to pay off mortgage loans. Both indicators suggest that Latinos have significantly more debt stemming from homeownership than African Americans. However, this debt is countered by the higher housing values of homes owned by Latinos compared with African American homeowners and that Latinos are taking out many more government backed loans than African Americans, according to 2003 HMDA data.

The study also documents that Latinos are making gains in housing, especially in homeownership. A recent Census report indicated that Latino homeownership rates in the 1st quarter of 2005 was 49.7 percent, up from 46.4 percent three years earlier (Callis and Cavanaugh 2005). This change partly due to the increase of conventional and

government-insured mortgage loans made to Latinos in recent years. Government programs directed towards increasing minority homeownership, such as the American Dream Downpayment Initiative, may help explain the continuing progress in homeownership for Latinos. In addition, Latinos also have lower denial rates for mortgage applications nationally than African Americans, which may eventually translate into many more new Latino homeowners while African American homeownership rates remain stable.

The housing situations of Latinos documented in this study point to numerous policy recommendations. Given that Latinos are expected to comprise an even larger proportion of the US population in the coming decades, it is critically important that Latinos are able to participate in the benefits of homeownership. Further, given the individual and community benefits of homeownership, policies should focus on assisting all Americans to achieve the American Dream. Simultaneously, though, Latino homeownership should not be at the expense of affordable prime loans for Latino borrowers.

Second, Latinos have far worse housing outcomes and housing characteristics than for Whites for nearly every housing comparison. Latinos also fare poorly compared with Blacks on many housing factors. Such situations require additional government support and resources. For example, Latinos have very high monthly housing costs due to their concentration in expensive areas for housing, nationally and in metropolitan areas such as Los Angeles and New York City. Though Latinos nationally are purchasing homes via government homeownership assistance programs and household savings, the extraordinary cost burden of housing, either rental or owned, limits the ability of Latinos

to invest income in education, homeownership, and other avenues of wealth creation. African Americans also experience these housing challenges. Such findings point to the need for federal, state, and local investment of additional resources to ensure that Latinos can manage this burden.

Third, the large differences in housing characteristics, costs, homeownership rates, and housing values by metropolitan area found in this study highlight the continued need for housing research focused on local communities. Targeted housing policies should address the specific housing needs and challenges of different areas of the United States. Moreover, US born Latinos, Puerto Ricans, and foreign born Latinos have different housing needs, so a “one-size-fits-all” approach is unlikely to be successful.

The values of homes owned by Latinos and others nationally and in the three metropolitan areas highlight the financial stake that American households have invested in their homes. Many homeowners, including Latino homeowners, rely on their home’s appreciation for financial stability for themselves and their families. Clearly, it is essential that housing policies promote the continued strength of the US housing market.

Finally, issues such as denial rates and terms of mortgages to Latinos is an area that requires additional research. There is a continued need for policies that help make group members better credit risks for prime rate mortgages. Simultaneously, federal, state and local government should continue to enact regulations limiting predatory lending and unfair lending practices.

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